Semiannual Report

AT JUNE 30, 2019

CONTENT

SEMIANNUAL REPORT AT JUNE 30, 2019

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.

2018 full year	**Income Statement Data (*)** (in millions of euros)	**Chapter (**)**	**First half 2019**	First half 2018	% change
8,728	Sales revenues	2	4,307	4,212	*2.3%*
426	EBITDA	2	328	238	37.8%
4.9%	*as a % of sales revenues*		*7.6%*	*5.7%*	-
126	EBIT		167	98	70.4%
1.4%	*as a % of sales revenues*		*3.9%*	*2.3%*	-
	Profit (Loss) from continuing operations		121	70	*72.9%*
	Profit (Loss) from discontinued operations		(518)	(3)	*n.m.*
54	Group interest in Profit (Loss)		(406)	62	*n.m.*

12.31.2018	**Financial data** (in millions of euros)	**Chapter (**)**	**06.30.2019**	06.30.2018	% change
6,557	Net invested capital (A + B)(1)		6,014	6,483	*(8.3%)*
416	Net financial debt (A) (1)(2)	6	298	203	*(28.4%)*
6,141	Shareholders' equity total (B)(1)	6	5,716	6,280	*(6.9%)*
5,886	Shareholders' equity attributable to Parent Company shareholders' (1)	6	5,484	6,017	*(6.8%)*

Rating	**06.30.2019**	12.31.2018
Standard & Poor's		
-Medium/Long-term rating	BBB-	BBB-
-Medium/Long-term outlook	Stable	Stable
-Short-term rating	A-3	A-3
Moody's		
-Rating	Baa3	Baa3
-Medium/Long-term outlook	Stable	Stable

12.31.2018	**Key Indicators**	**06.30.2019**	06.30.2018	% change
0.07	Debt / Equity (A/B)	0.05	0.03	-
6%	Gearing (A/A+B)	5%	3%	-
5,372	Number of employees (1)(3)	5,425	5,251	*1.0%*

The new accounting standard IFRS 16 "Leases" has been applied from January 1, 2019 prospectively without restatement of comparative data.

(1) End-of-period data. The changes in these values were calculated as at December 31, 2018.

(2) On January 1, 2019 the first application of IFRS 16 determined an increase on debts of 165 million euros. A breakdown of this item is provided in the section 6.3 "Net Financial Debt and cost of debt" of the Condensed Consolidated Semiannual Financial Statements.

(3) Companies consolidated line by line. It includes employees of the Exploration & Production business, discontinued operations, amounted to 964.

(*) The figures for 2018 have been restated pursuant to IFRS 5 standard.

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

2018 full year	**Operating data**	**First half 2019**	First half 2018	% change
18.8	Net production of electric power (Twh)	10.4	8.8	*17.9%*
13.7	Sales of electric power to end users (TWh)	7.4	6.7	*10.4%*
14.6	Gas imports (Bn m^3)	6.9	7.0	*(0.9%)*
20.7	Total net gas sales in Italy (Bn m^3)	10.1	10.3	*(2.0%)*
1,592	Locations served power and gas (in thousands)	1,544	1,585	*(2.6%)*

INFORMATION ABOUT THE EDISON SHARES

Shares as at June 30, 2019	number	price
Common shares	5,267,224,718	(*)
Savings shares	109,775,953	1.0085

Shareholders with significant holdings as at June 30, 2019	% of voting rights	% interest held
Transalpina di Energia Spa (1)	99.477%	97.446%

(*) Delisted as of September 10, 2012.
(1) 100% indirectly controlled by EDF Eléctricité de France Sa.

CORPORATE GOVERNANCE BODIES

Board of Directors (*) (1)		
Chairman		Marc Benayoun (2)
Chief Executive Officer		Nicola Monti (3)
Directors		Béatrice Bigois (4)
	Independent Director	Paolo Di Benedetto (5)
	Independent Director	Fabio Gallia (6)
		Xavier Girre (7)
		Jean-Bernard Lévy (8)
	Independent Director	Nathalie Tocci (9)
		Nicole Verdier-Naves (10)
Secretary to the Board of Directors		Lucrezia Geraci
Board of Statutory Auditors (11)		
Chairman		Serenella Rossi
Statutory Auditors		Lorenzo Pozza
		Gabriele Villa
Independent auditors (12)		Deloitte & Touche Spa

(*) At the document publication date.
(1) Elected by the Shareholders' Meeting of April 2, 2019 for a three-year period ending with the Shareholders' Meeting convened to approve the 2021 financial statements, with the exception of what is specified in note 3).
(2) Confirmed as Director by the Shareholders' Meeting on April 2, 2019 and as Chief Executive Officer by the Board of Directors on April 2, 2019. Elected to the position of Chairman by the Board of Directors on June 19, 2019, effective as of July 1, 2019 after Jean-Bernard Lévy renounced the position. (see notes 3) and 8)).
(3) Co-opted by the Board of Directors on June 19, 2019 to replace Sylvie Jéhanno, who resigned, and elected Chief Executive Officer by the same Board, effective as of July 1, 2019 after Marc Benayoun renounced the position. In office until the next Shareholders' Meeting.
(4) Confirmed as Director by the Shareholders' Meeting on April 2, 2019.
(5) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Chairperson of the Compensation Committee and the Related Party Transactions Committee (formerly the Committee of Independent Directors), Lead Independent Director and member of the Control and Risk Committee and the Oversight Board.
(6) Elected Director by the Shareholders' Meeting on April 2, 2019. Chairperson of the Control and Risk Committee and member of the Related Party Transactions Committee (formerly the Committee of Independent Directors).
(7) Elected Director by the Shareholders' Meeting on April 2, 2019. Member of the Control and Risk Committee.
(8) Confirmed as Director and Chairman by the Shareholders' Meeting on April 2, 2019; this latter position was renounced effective as of July 1, 2019.
(9) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Member of the Compensation Committee, the Related Party Transactions Committee (formerly the Committee of Independent Directors) and the Oversight Board.
(10) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Member of the Compensation Committee
(11) Elected by the Shareholders' Meeting of 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.

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Semiannual Report on Operations

AT JUNE 30, 2019

KEY EVENTS

Edison and Ansaldo reach an agreement for the new combined cycle of the power plant in Marghera Levante

On March 5, 2019, Edison and Ansaldo Energia signed a contract for a new, latest-generation combined gas cycle that will use the most advanced Italian technology and make the thermoelectric power plant of Marghera Levante (VE) the most efficient in Europe. The agreement is part of Edison's plan to support the Country's energy transition with investments of 2 billion euros in Italy over the three-year period 2019-2021.

The overall investment amounts to over 300 million euros, which will also be used to create the power island, made up mainly of the GT36 high-efficiency gas turbine developed by the Genoese company. The new turbine will supply the Marghera combined cycle, which will have total electricity generation capacity of 780 MW and an energy performance of 63%, the highest output currently available from technologies. This will translate to a 40% reduction of specific CO_2 emissions compared to the average of the current Italian thermoelectric plants and a reduction of more than 70% in emissions of nitrogen oxides (NO_X).

The refurbishment works on the power plant will last for 3 years and employ around 600 people, in addition to the associated industries. Once completed, the Marghera Levante plant will employ 31 people, making it possible to confirm the current employment level of the plant.

The new combined cycle of Marghera Levante will contribute to the Country's energy transition, ensuring the security and flexibility of production required to balance the intermittent nature of renewable sources.

In April, Edison obtained the Sole Authorisation which enable the launch of the project.

Edison acquires A.En.B. and Vernante Nuova Energia in the district heating sector

In April 2019 Edison, through Fenice Qualità per l'Ambiente Spa acquired two important businesses in the Cuneo area in order to continue to focus on district heating from renewable sources in Piedmont and to strengthen its presence in the Region. Indeed, the group recently completed the acquisition of A.En.B. and its wholly owned subsidiary A.En.W. which generate and distribute heat in the Municipality of Busca in the province of Cuneo. Furthermore, the Group also acquired Vernante Nuova Energia, a company which owns a power station that generates and distributes heat produced from renewable sources through a district heating network serving the Borgo San Giuseppe district in Cuneo.

Edison started development of gas reserves in the Ibleo offshore area

On May 13, 2019, Edison Exploration & Production and Eni commenced activities to develop gas reserves in the G.C1.AG concession (Edison holds 40% of the shares and Eni is operator with 60% of the shares).

The field will produce around 1.5 billion cubic metres of natural gas per year, contributing towards meeting domestic demand, with a total investment of roughly 700 million euros, and will use a significant share of local resources, leveraging the skills developed in the sector. Production is expected to begin in the fourth quarter of 2021.

The field development project meets the highest safety standards, requiring the use of zero-emissions production techniques with full respect for the environment. This is also a high-tech project: the production of natural gas is planned with completely underwater development, linked to the coast with direct access to the Gela refinery, thanks to an existing shore approach. Once processed, all of the gas will be injected into the national grid.

Edison approves the acquisition of EDF Energies Nouvelles Italia

On June 19, 2019, the Edison Board of Directors approved a well-structured industrial operation calling for, as the first step, Edison to acquire the entire share capital of EDF EN Italia from EDF Renouvelables SA (hereafter EDFR). Both companies are subsidiaries of EDF Electricitè de France and therefore are related parties. The acquisition was closed on July 17, 2019 and the consideration for the acquisition was 172.3 million euros without prejudice to the contractual adjustments agreed.

The operation as a whole enables Edison to consolidate roughly 70 million euros in additional EBITDA per year against an increase in the net financial position (NFP) of around 431 million euros, without jeopardising its financial strength or limiting the possibility of taking advantage of any new investment opportunities.

EDF EN Italia holds a series of corporate shareholdings that own wind plants for a total capacity of 265 MW (including in the calculation 50% of production capacity of the shareholding held in GreenEnergy, for which the right of co-sale was exercised) and solar plants totalling 77 MW, as well as a 16.7% stake in Edison Partecipazioni Energie Rinnovabili Srl (EPER). EPER, in turn, owns 30% of E2i Energie Speciali Srl (E2i), a company jointly owned by the F2i fund and owner of a portfolio of wind farms of approximately 710 MW. E2i is consolidated line-by-line by Edison due to its governance structure and the structure of current contracts.
Due to this transaction, Edison becomes the second wind operator in Italy, consolidating 975 MW of capacity, and lays the foundation for significant development in the photovoltaics segment in collaboration with EDFR.

This operation falls within the scope of the strategic orientation outlined by Edison in recent years to become a "carbon free" company by pursuing a sustainable development model focusing on environmental matters. Indeed, the operation is consistent with one of the main pillars of Edison's medium/long-term development plan, which calls for significant growth in the segment of electricity generation from renewable sources, with a view to driving these sources to 40% of the Edison Group's total production by 2030 and an emissions target of 260 grams of CO_2/kWh, thus contributing to the country's energy transition.
From the strategic and industrial perspective, the acquisition of EDF EN Italia enables Edison to grow further in the renewable energies business, a segment in which the company already has a significant presence thanks to its hydroelectric production portfolio.
With the implementation of this project, Edison intends to continue to become better established in the renewables segment through internal development as well as external growth.

Elpedison BV, an equal joint venture between Edison and Hellenic Petroleum, acquires full control over Elpedison SA in Greece

On June 20, 2019, Edison announced that Elpedison BV, an equal joint venture (50% held) with Hellenic Petroleum, formalised the contract with Hed and Elvahalcor for the acquisition of their respective equity investments in Elpedison SA, thus bringing the equity investment in the Greek company, which is a leading free energy market operator, with registered office in Maroussi (Athens), to 100%.
The value of the transaction was 20 million euros. The closing of the transaction will be carried out only after the required authorisations are obtained.
The transaction is consistent with the strategy of strengthening Edison's position in the Greek energy market, where significant developments are forecast due to the upcoming adoption of the European "target model" and the progressive reduction in the carbon intensity of electricity production.

Edison announces the signing of the agreement for the sale of Edison Exploration and Production to Energean Oil and Gas

On July 4, 2019, Edison announced the signing of the agreement with Energean Oil and Gas for the sale of 100% of Edison Exploration and Production Spa (Edison E&P) and its equity investments in the hydrocarbon exploration and production sector (oil and natural gas). The Board of Directors approved the transaction on July 3, 2019.
The price of the transaction was determined on the basis of an enterprise value of 750 million dollars, and additional consideration of 100 million dollars is expected when production begins at the Cassiopea gas field in Italy. Edison will also be entitled to royalties associated with additional potential development in Egypt. The transaction also includes the transfer to the purchaser of future decommissioning obligations.
Edison E&P is responsible for all of Edison's activities, mining titles and corporate shareholdings in the hydrocarbons sector in Italy and abroad. In particular, Edison E&P has a portfolio of roughly 90 licences in 9 countries in the Mediterranean and Northern Europe, corresponding to production of 49,000 barrels per day as at December 31, 2018.

The closing of the transaction with Energean Oil and Gas is expected to take place by the end of 2019 and is subject to the required approvals for this type of transaction, including that of the Ministry of Economic Development.

Significant events occurring after June 30, 2019

Information about events occurring after the end of the reporting period subject of this Report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Significant Events Occurring After June 30, 2019."

EXTERNAL CONTEXT

Economic Framework

After a first quarter characterised by higher than expected growth rates, in the second quarter of the year various factors negatively impacted expectations concerning global economic growth (which today proceeds at a rate not much higher than 3%), cancelling out the positive effects of the acceleration recorded in the first part of the year. In particular, three risk factors are weighing down on global growth and could weaken the current balance: increasing trade tensions between the United States and China with the announcement in early May of the suspension of bilateral talks aiming to reach an agreement on trade and the new restrictions placed by the US on imports from China; the slowdown in the US economy; the weakness of the European economy, and the German economy in particular.

With respect to trade tensions between the USA and China, the announcement of new protectionary measures increased financial market volatility, especially striking the weakest markets and countries with sudden outflows of capital; specifically, following the announcement of the failure of China-US talks and the increase in US tariffs, there was a downturn in the currencies of the main emerging countries, which had been gradually gaining ground once again after the depreciation suffered during the currency crisis in the summer of 2018. With respect to the effects on commodity markets, at the moment a partial reorganisation of trade routes is being observed, with a reduction in US imports from China replaced in part with products from other countries, especially in Asia, and a Chinese trade policy that is more open to other partners. In any case, a further expansion of protectionary measures cannot but heavily impact growth outlooks.

The second risk factor regards, as noted, the slowdown in the US economy. While indeed growth remains robust and the country is close to full employment, there are signs of a slowdown in the manufacturing sector and fears that weakness in manufacturing could also spill over to the services sector.

In addition, in the absence of a complete trade diversion (i.e., a full replacement of imported products with other products from countries not subject to tariffs or domestic production), US businesses will need to deal with increasing costs generated by tariffs, with negative repercussions on internal spending items: on household consumption, due to the reduction in buying power deriving from rising prices or the distribution of lower profits, and on investments, due to the decline in resources to be invested in the production process. This is joined by critical issues in the residential real estate sector, struggling with new peaks in real estate prices in response to a not sufficiently adequate supply.

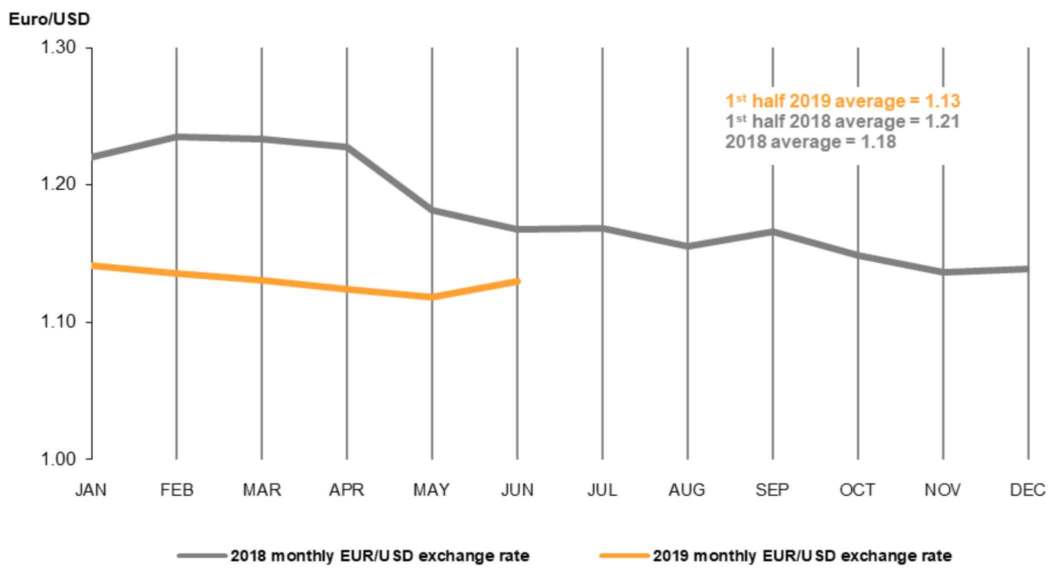
The third risk factor regards the weakness of the European economy, also due in part to Brexit and to the risk of US tariffs on European cars. To date, the most likely scenario is that of a hard Brexit, therefore the United Kingdom's exit without an agreement to protect the free movement of goods and services; it is thus likely that we will see a negative impact on the British and European economy between the end of this year and the beginning of the next one. With respect to the risk of tariffs on car imports, the decision regarding a possible increase by the US administration was postponed to November; if a decision is made in this sense, it would be especially European countries that would be impacted, as the United States has entered into bilateral agreements with Korea and is aiming for an analogous solution with Japan. In addition, there are the costs that the Economic and Monetary Union will need to incur to implement the automobile production sector transformation process. Lastly, the degree of opening of the EMU, which is higher than that of the US and China, makes it more exposed to weakness in the global economy which, in forecasts, will be impacted by the slowdown in the US between the end of this year and the beginning of the next.

In this context, emerging countries continue to show signs of a slowdown, especially Brazil and Russia. Although China and India are continuing to maintain their characteristically high growth rates, they are struggling with a phase of economic stagnation: China is being affected by the trade war with the United States and the general context of uncertainty that is depressing business expectations and investments; in India, aside from political uncertainty, bad banking industry conditions and general financial difficulties which have triggered more restrictive credit conditions are weighing down on the economy.

With regard to the Mediterranean countries (slowing down on the whole), Egypt, in International Monetary Fund forecasts, is confirming the good pace of growth seen last year and a reduction in inflation, which in any event is still at very high levels. However, although the weight of public debt in relation to GDP began to lighten in 2018, the significant deficit in state finances remains and cuts to subsidies have created widespread discontent in a society that already has a high level of unemployment and an uneven distribution of wealth.

Lastly, in Italy, the most recent data confirm that the technical recession is over, but that growth is stagnant. Positive signals can be identified in the stability of household spending (although it is down significantly), investments in constructions and exports; furthermore, thanks to the simultaneous drop in imports, the trade balance has remained positive. Much less encouraging signs are instead seen in industrial production trends, the reduction in business investments and inventories.

During the first half of 2019, the average euro/dollar exchange rate came in at 1.13, down 6.7% on the same period of last year. The progressive depreciation of the single currency is taking place within the context of a global economic slowdown, as already noted previously. Eurozone economic indicators, which are deteriorating, showed a decline in exports and weakness in the manufacturing sector, with a negative impact on growth outlooks. As a result, the ECB continued its accommodating monetary policy, leaving interest rates unchanged, with the promise of keeping them at those levels at least until mid-2020, and indicating that it is ready to take new economic stimulus measures to help inflation get closer to the target of 2%. The appreciation of the dollar over the euro was limited as the US economy was also impacted by the effects of trade tensions. In that context, the Fed suspended its restrictive monetary policy, leaving interest rates unchanged. In June, the dollar weakened, triggering growth in the exchange rate, in the wake of forecasts that the Fed may cut rates in the coming months in order to support the economy.



As regards the oil markets, the average price of Brent for the first six months of 2019 came to 66.1 USD/barrel, down 7.0% compared to the same period of 2018.

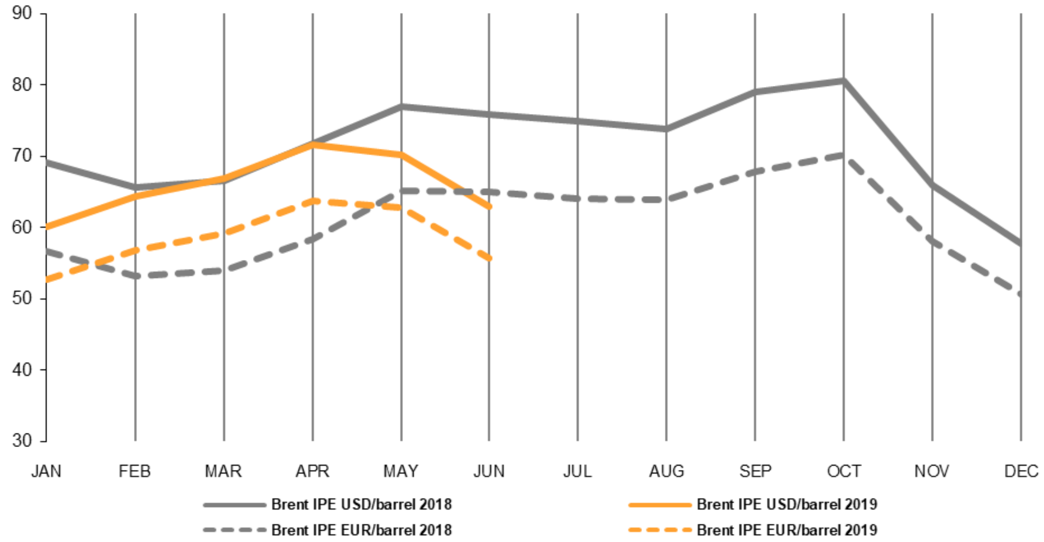
Observing the monthly trend, there was an increase in crude oil prices in the first four months of the year, after the contraction seen in the last quarter of 2018 due to concerns surrounding the evolution of demand following international trade tensions. The recovery was favoured by new production cuts approved by OPEC and its allies at the December 2018 meeting and in force since January 2019. The agreement calls for an overall reduction of 1.2 million barrels/day compared to production in October 2018, and the participating countries have demonstrated a high degree of compliance, overall exceeding 100%. In addition, prices were supported by the lower oil supply from Iran and Venezuela, which have been negatively affected by US sanctions.

Since May, oil prices have been driven down by the deterioration of the trade war, after the United States increased tariffs on 200 billion dollars worth of goods imported from China from 10% to 25%, as well as increasingly evident signs of a slowdown in global economic growth, and therefore demand for oil & gas products. The abundance of inventories and robust production in the US market have provided a further reason for prices to fall.
In the first half of 2019, due to the weakening of the single currency against the US currency, the crude oil price in euro came to an average value of 58.5 EUR/barrel, substantially stable (-0.4%) compared to the same period of 2018.

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:

2018 full year		**First half 2019**	First half 2018	% change
71.5	Oil price in USD/barrel[(1)]	66.1	71.0	*(7.0%)*
1.18	EUR/USD exchange rate	1.13	1.21	*(6.7%)*
60.6	Oil price in EUR/barrel	58.5	58.8	*(0.4%)*

(1) Brent IPE



Distilled products recorded a similar performance to oil in the first six months of the year. More specifically, diesel had an average price in the first half 2019 of 599.9 USD/metric ton, 3.9% lower than the average price for the first half of 2018. On the other hand, prices of combustion oils recorded positive changes of 2.7% on the first half 2018 for low sulphur products and 1.3% for high sulphur products.
Coal prices on the Atlantic market recorded a declining trend, coming in at 64.9 USD/ton, down 26.3% compared to the first half of 2018. The greater competitiveness of natural gas, due to the abundant supply of LNG at global level, drove coal prices down. The decline was also favoured by slowing growth in Chinese demand, following restrictions on imports and the increase in hydroelectric generation.
Gas prices at the main European hubs have also recorded a reduction, on average of 22.0%, with respect to the prices observed during the first half 2018.
In the first six months of 2019, the CO_2 emissions rights market continued with its rising trend observed in 2018. Prices closed the month of June at 25.2 EUR/ton, with an average of 23.8 EUR/ton during the half, up by 96.4% compared with the first half of 2018. Amongst the factors contributing to the rise in the first part of the year were the suspension

of British auctions, pending the final ratification of the agreement for the United Kingdom's exit from the European Union, the launch of the Market Stability Reserve in January 2019 and the interest of financial operators, which has supported demand. Furthermore, expressions of an increasing commitment by a number of European countries to implementing climate and environmental initiatives at national level have offered further support to prices.
In the first six months of 2019, the market of Energy efficiency certificates (EEC) had an average price of 259.9 euro/EEC, down by 23.5% compared with the same period of 2018, when the average price was 339.7 euro/EEC. The decline was due to the changed regulatory framework, with prices that stabilised at roughly 260 euro/EEC since September 2018.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

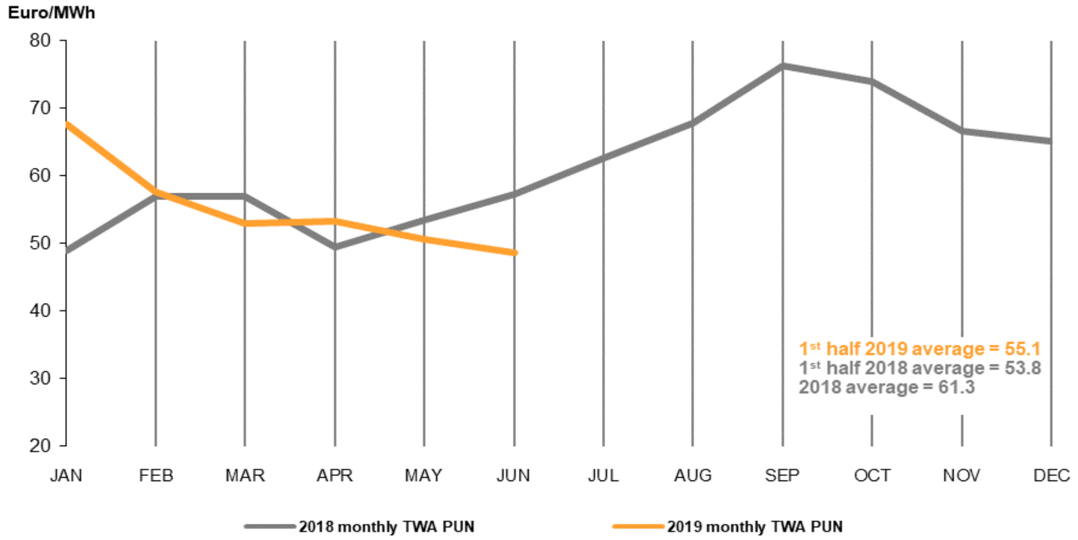
2018 full year	(TWh)	**First half 2019**	First half 2018	% change
280.2	Net production:	139.2	135.7	*2.6%*
185.0	*- Thermoelectric*	*91.3*	*86.1*	*6.1%*
49.3	*- Hydroelectric*	*21.3*	*25.7*	*(17.1%)*
22.9	*- Photovoltaic*	*12.6*	*11.4*	*9.8%*
17.3	*- Wind power*	*11.2*	*9.7*	*16.1%*
5.7	*- Geothermal*	*2.8*	*2.9*	*(0.4%)*
43.9	Net imports	19.4	23.8	*(18.7%)*
(2.2)	Pumping consumption	(1.3)	(1.3)	*6.4%*
321.9	**Total demand**	**157.3**	**158.2**	**(0.6%)**

Source: processing of final 2018 and preliminary 2019 Terna data, gross of grid losses.

In the first half of 2019, gross demand for electric power from the Italian grid totalled 157.3 TWh (TWh = 1 billion kWh), a slight decrease of 0.6% (0.9 TWh) compared to 2018.
As regards the coverage of electricity demand, national production for the half met roughly 88% of demand, up by around 3 percentage points compared to the first half of 2018, especially due to the decrease in net imports, which lost 4.4 TWh (-18.7%) on the same period.
In the first half of 2019, thermoelectric production, the contribution of which rose by 6.1% (5.2 TWh) compared to the same period of 2018, offset lower hydroelectric production which, due to less precipitation in the first six months of the year, suffered from a significant slowdown, with an overall drop of 4.4 TWh (-17.1%).
With regard to other renewable sources, the contribution of solar and wind rose by 1.2 TWh (+9.8%) and 1.5 TWh (+16.1%), respectively, compared to the previous year.
Insofar as the price scenario at June 30, 2019 is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 55.1 euro/MWh, up 2.4% compared with the previous year (53.8 euro/MWh).
This slight recovery in the price took place within a context of declining production from renewable sources, due to a reduction in hydroelectric generation and the resulting greater recourse to thermoelectric generation.
As regards zone prices, in the first half of 2019 there were positive increases across nearly all zones, of around 3%, with the exception of the South, which recorded a drop of 1.3% due to higher wind production. The gap between Sicily and the South zone stands at a half-year average of 12.0 euro/MWh, up on the 7.1 euro/MWh recorded during the first half of 2018, 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 June 2019 (respectively +38.1% and -15.1% on the same month of the previous year): January was characterised by a considerable decrease in imports from nearby countries due to the limitation of interconnection capacity at the northern

border, while in June the renewed transport capacity and the decrease in gas prices placed the PUN under pressure. In the other months, prices were aligned with the previous year, driven by basically unchanged demand.
In observing the group of hours F1, F2 and F3, we note, coherently with that described thus far, an increase across all hourly bands, of 0.2%, 1.4% and 5.2%, respectively.

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



Similar to what was observed in the Italian market, foreign countries also show a price increase: France, following increased nuclear production and lower demand, which limited the effect of the lower availability of water resources, closed the first half of 2019 with a slight increase (+1.9%) over the same period of the previous year, reaching 41.0 euro/MWh. On the other hand, in Germany, prices were supported by the decline in coal and lignite generation and the increase in the price of CO_2, reaching 38.3 euro/MWh, marking an increase of 7.2% compared to the first half of 2018.

Demand for Natural Gas in Italy and Market Environment

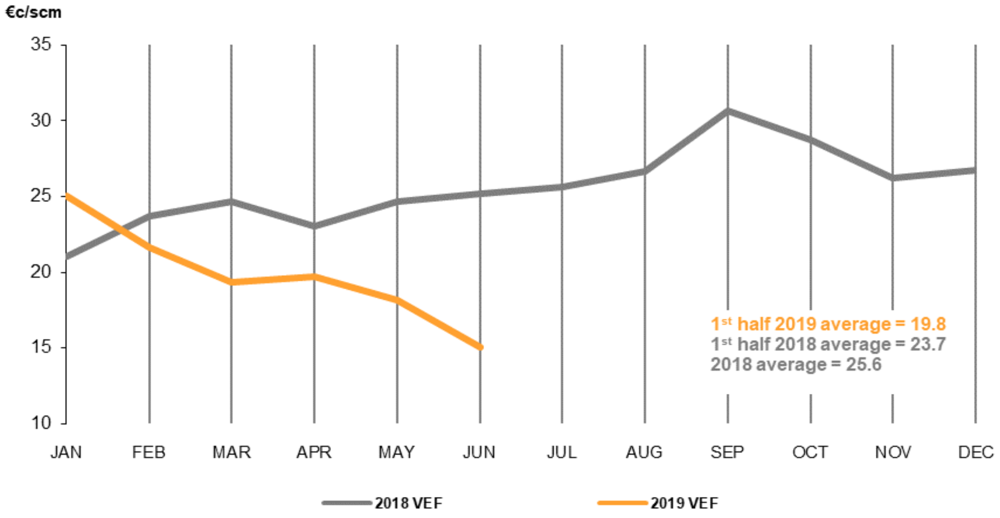
2018 full year	(billions of m3)	**First half 2019**	First half 2018	% change
17.8	Industrial users	9.3	9.3	*(0.5%)*
28.8	Services and residential customers	17.5	17.7	*(0.8%)*
23.4	Thermoelectric power plants	12.4	10.6	*16.7%*
2.1	System usage and leaks	1.0	0.9	*7.4%*
72.1	**Total demand**	**40.2**	**38.5**	***4.3%***

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

During the first half of 2019, the demand for natural gas in Italy grew by 4.3% on the previous year, coming in at approximately 40.2 billion cubic meters.
The main driver of the increase in consumption is especially attributable to the thermoelectric segment which, after benefitting from low availability of water resources and lower electricity imports, closed the half up by 16.7% (+1.8 billion cubic meters) compared to the previous year.
With respect to other consumption segments, there was a 0.8% decline in the Services and residential customers segment due to temperatures above the seasonal average recorded in February and March, while in the industrial segment consumption was in line with 2018.
In terms of the sources of procurement, the first half of 2019 recorded, as compared with the first half of 2018:

- a 10% decline in national production;
- an increase in gas imports (+2.2 billion cubic metres; +6%);
- a net balance of withdrawals of gas in storage that was less than last year (0.4 billion cubic meters withdrawn as compared with 0.7 billion cubic meters in the first half of 2018; -39%).

The spot gas price in Italy in the first half of 2019 (shown in the chart below, which refers to the price of the Virtual Exchange Facility - VEF), down on the first half of 2018, comes in at around 19.8 €c/scm, down 16.4%. Prices showed a declining trend since the start of the year due to not particularly cold temperatures during the winter as well as sustained arrivals of LNG at terminals, favoured by the expansion of global supply by the main exporting countries and the weakening of the Asian market. With reference to specific variances compared to the previous year, in particular, the month of June recorded a decline of 40.3% due to the extensive supply in the market.
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 16.6 €c/scm, down approximately 25.3% on the first six months of 2018.
The VEF-TTF spread recorded an average of 3.2 €c/scm, up significantly (+1.7 €c/scm) on the figure for the same period of 2018. The expansion of the VEF-TTF spread can be attributed to the higher replenishment level of depots in the Netherlands, as a result of the mild winter and considerable availability of LNG in the system.


€c/scm
35
30
25
20
15
10
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
1st half 2019 average = 19.8
1st half 2018 average = 23.7
2018 average = 25.6
2018 VEF
2019 VEF

Legislative and Regulatory Framework

The main legislative and regulatory measures enacted in the first half of 2019 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

Sistri: Law no. 12 of February 11, 2019 converting Decree Law no. 135/2018 on "Urgent provisions on support and simplification for businesses and the Public Administration", confirming the abolition of Sistri and containing provisions on waste traceability, introduces into the regulatory framework a first step of the new traceability system, establishing the national electronic register for the traceability of waste, managed directly by the Ministry of the Environment. Edison came into line with the new regulations on waste traceability as of January 1, 2019.

Wholesale Market

Implementation of Regulation (EU) 2015/1222 (CACM Regulation): the process of implementing the European Capacity Allocation and Congestion Management (CACM) Regulation continues.
In particular, by means of resolution 238/2019/R/eel, the Regulatory Authority for Energy, Networks and the Environment (the "Authority") approved the methodology for coordinating redispatching and countertrading activities for the Italy North Capacity Calculation Region (Italy, France, Austria and Slovenia), along with the Region's regulators. Edison supports the process of integrating the European electricity markets and looks favourably on the implementation of the above-mentioned methodologies, which contribute towards reinforcing transparency on calculation methods for cross-border capacity made available to the market by TSOs and coordinated redispatching and countertrading actions required to manage significant cross-border congestion.

Capacity mechanism (Capacity Market): On June 28, 2019 the Ministry of Economic Development signed the decree on the Capacity Market on which the Authority had provided its favourable opinion. The amendment of the capacity market regulations, endorsed by the European Commission, aims to anticipate the implementation of new European rules for decarbonisation adopted as part of the "Clean Energy Package for all Europeans".
The first assignment procedures, expected by the end of 2019, will relate to the 2022 and 2023 delivery years, with consequent benefits for the Group.

Hydrocarbons

Environment

Energy efficiency certificates (ECC): by means of resolution 209/2019/R/efr of May 28, 2019, the Authority amended the rules for determining the tariff contribution for obligated entities (gas and electricity distributors). The amendments are effective as of June 1, 2019, with no impact on the tariff contribution for the year of obligation 2018 (June 1, 2018 - May 31, 2019).
The above-mentioned resolution established that the tariff contribution is calculated by weighting the prices of EEC trading taking place through bilateral agreements only for the quantities traded bilaterally at prices below 250 euro/EEC. This amendment, requiring the weighting of bilateral trading prices for lower quantities than what was established previously, should entail (if the prices of the relevant bilateral agreements are lower than the market average) an increase in the unit tariff contribution for the year of obligation 2019 and for the subsequent years, with a positive effect for obligated entities like Infrastrutture Distribuzione Gas, an Edison Group company.

Rates and Market

Distribution Tariffs: by means of Resolution 98/2019/R/gas of March 19, 2019, the Authority published the definitive 2018 specific reference tariff components for the distribution and metering services. With regard to the provisional tariffs, determined by Resolution 177/2018/R/gas of March 29, 2018, the definitive 2018 tariffs showed insignificant changes. Subsequently, by Resolution 128/2019/R/gas of April 9, 2019, the Authority approved the provisional reference tariffs for 2019 for the gas distribution and metering services.
Also in this case, there were no significant changes compared to the definitive tariffs for 2018.

Gas Transport Tariffs: on March 28, 2019, consistent with the timelines set forth in EU Regulation 460/2017 (TAR Code), the Authority approved Resolution 114/2019/R/gas defining the tariff criteria for the fifth regulatory period 2020-2023 (5PRT), definitively closing the lengthy consultation process. By means of resolution 201/2019/R/gas of May 28, 2019, the regulator published the new tariff fees for 2020, the first year of the 5PRT.
Therefore, the tariff reform, by establishing the criteria for determining the transport fees for the next four regulatory years, is particularly important for market operators like Edison, in view of the imminent negotiation of gas import contracts for Italy.
In addition, compared to the previous criteria, the costs applied to gas injected into the network were transferred downstream of the logistics chain, i.e. applied to the gas withdrawn and no longer to that imported. Overall, this measure, which had a limited impact for Edison power stations, goes in the direction desired by the group.

Capacity Transfer Reform: the reform of the transfer process at exit points of the transport network which fuel the distribution networks (city gate) continues.
By means of Resolution 147/2019/R/gas of April 16, 2019, the Authority defines the general principles for the reorganisation already outlined in previous consultations with a view to simplifying capacity transfer processes at city gates and the corresponding capacity at the overhead exit points of the national grid, starting from October 1, 2020, probably limiting the possibilities of optimization by the operators.
Additional interventions are expected to complete the regulatory context: the Authority will supplement the provisions within a single integrated text in view of the expiry on October 1, 2020.

Infrastructures

Premiums and penalties for recoveries of safety of the natural gas distribution service: by means of Resolution 75/2019/R/gas of March 5, 2019, the Authority completed the process of determining the premiums and penalties for safety recoveries for 2015. For Infrastrutture Distribuzione Gas Spa, the company of the Edison Group that provides distribution services, the Resolution established, for 2015, total premiums of 250,000 euros, of which 200,000 euros already received as an advance payment in 2018, and the remainder received by the Cassa per i Servizi Energetici e Ambientali (CSEA) in April 2019.

Gas storage auctions for the 2019-2020 thermal year: as a result of Ministerial Decree of February 15, 2019, which regulates storage capacity for thermal year 2019-2020, the Authority published Resolution 67/2019/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, defined by means of Resolution 121/2018/R/gas (which provide for the exclusion from the reserve price of fees to cover the cost of transport capacity at the interconnection points with storage).
The formula applied to calculate the reserve price, as usual, was delivered by the Authority in confidential form only to storage businesses.
By means of Resolution 67/2019/R/gas, the Authority also carried out a reorganisation and harmonisation of the provisions in force concerning access to the storage service and, to this end, ordered the publication of the Integrated Regulation Text on Guarantees of Free Access to the Natural Gas Storage Service (RAST).

Finally, the Resolution provided that the storage service tariff fees are updated and differentiated according to the calendar year in which the part of the thermal year of storage falls, considering the reference revenues of the calendar year and the capacities of the thermal year of storage and, when available, the reference revenues definitively approved by the Authority pursuant to art. 15 of the Regulation of the tariffs for the natural gas storage service (RTSG). This new method for updating and differentiating the tariff fees entails, with respect to what was established previously, an increase in effective annual revenues of Edison Stoccaggio of roughly 0.4 million euros.

Long-term regasification auctions: by means of Resolution 234/2019/R/gas, the Authority updated the criteria for determining the reserve prices of regasification capacity allocation procedures so as to facilitate long-term transfers - which will take place in July 2019 - and reduce the costs linked to the guarantee factor, to cover the revenues of regulated terminals. The reserve price is not published.

Issues Affecting Multiple Business Segments

Law no. 12 of February 11, 2019, converting Decree Law no. 135 of December 14, 2018: Law no. 12 of February 11, 2019, converting Decree Law no. 135 of December 14, 2018 containing "Urgent provisions for support and simplification for companies and the public administration" was published in the Official Journal on February 12, 2019. For a more detailed description, reference should be made to the information already provided in the 2018 Report on Operations. In particular, the law contains provisions for the preparation of a Plan for the Sustainable Energy Transition of the Eligible Areas, for the purpose of identifying the areas suitable for issuing permits for the exploration, research and cultivation of liquid and gaseous hydrocarbons (article 11-ter) and provisions on the granting of large water diversions for hydroelectric use (article 11-quater).

Emissions - allowances assigned free of charge 2021-2025: Resolution no. 70/2019 of the Ministry of the Environment's ETS Committee adopts Directive 2018/410/EU, to support a more effective reduction of emissions in terms of costs and promote investments in favour of low carbon emissions.
The resolution establishes that Ministry of the Environment needs to send the European Commission a list of plants by September 30, 2019 which as of January 1, 2021 and for 5 years fall within the scope of application of the ETS directive. This term regards plants that have been authorised to emit greenhouse gases by June 30, 2019.

European Law 2018 - Law no. 37 of May 3, 2019 "*Provisions to meet obligations deriving from Italy's membership in the EU - European Law 2018*" was published in Official Journal no. 109 of May 11, 2019, amending and supplementing various provisions of Italian law, including in the energy sector. In particular, article 21 abrogated the provisions extending the incentive period for biomass, biogas and bioliquid plants that had been set forth in the 2016 Stability Law and which instead recognised to certain plants an additional new incentive over and above that set forth in the regulations to support renewables.
These regulations will presumably be revised with the future FER2 Decree.

"Unblock Work Sites" Decree Law: Decree Law no. 32 of April 18, 2019, containing urgent provisions to relaunch the public contracts sector, accelerate infrastructural interventions, and for urban renewal and reconstruction following seismic events, was converted into law by Law no. 55 of June 14, 2019, published in the Official Journal of June 17, 2019.

"Growth" Decree Law: Decree Law no. 34 of April 30, 2019, containing urgent measures for economic growth and to resolve specific crisis situations, was converted into law by Law no. 58 of June 28, 2019, published in the Official Journal of June 29, 2019. Some of the regulatory provisions include: tax benefits ("super-amortisation") for investments in tangible operating assets starting from April 1, 2019 (article 1); simplifications in the regulation on tax benefits for interventions for energy efficiency and to reduce seismic risk (article 10); grants to municipalities for energy efficiency and sustainable local development initiatives (article 30); and the definition of a plan for the development of large-scale investments in Special Economic Areas (article 34), with consequent positive impacts on the Group and in particular on the business areas related to energy efficiency.

ECONOMIC & FINANCIAL RESULTS AT JUNE 30, 2019

Sales Revenues and EBITDA of the Group and by Business Segment

2018 full year (*)	(in millions of euros)	Chapter (**)	First half 2019	First half 2018 (*)	Change	% change
	Electric Power Operations					
3,768	Sales revenues	2	2,071	1,823	248	*13.6%*
328	EBITDA	2	233	182	51	*28.0%*
	Hydrocarbons Operations					
5,657	Sales revenues	2	2,686	2,697	(11)	*(0.4%)*
203	EBITDA	2	146	110	36	*32.7%*
	Corporate (1)					
69	Sales revenues	2	27	29	(2)	*(7.3%)*
(105)	EBITDA	2	(51)	(54)	3	*5.6%*
	Eliminations					
(766)	Sales revenues	2	(477)	(337)	(140)	*(41.5%)*
	Edison Group					
8,728	**Sales revenues**		**4,307**	**4,212**	95	***2.3%***
426	**EBITDA**		**328**	**238**	90	***37.8%***
4.9%	***as a % of sales revenues***		***7.6%***	***5.7%***	**-**	**-**

(1) Includes those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal activities, i.e., activities that are not directly tied with a specific business and certain holding companies and real estate companies.
(*) The figures for 2018 have been restated pursuant to IFRS 5 standard.
(**) See the Notes to the Condensed Consolidated Semiannual Financial Statements.

During the first half of 2019, Group sales revenues stood at 4,307 million euros, up 2.3% on the same period of the previous year.
EBITDA totalled 328 million euros (238 million euros in the first half of 2018), or 90 million euros more (+37.8%), due mainly to an increase in the profitability of thermoelectric power, mainly linked to sales on MGP and MSD, and wind farms thanks to the greater volumes achieved as a result of the windier period and the entry into operation of the new plants. The EBITDA of the hydrocarbons operations, which include the results of regulated activities, also increased compared with the same period last year, which was affected by particularly adverse weather conditions.
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

2018 full year	(GWh) (1)	First half 2019	First half 2018	% change
18,798	**Edison's production:**	**10,372**	**8,796**	***17.9%***
14,763	*- Thermoelectric power plants*	*8,129*	*6,586*	*23.4%*
3,080	*- Hydroelectric power plants*	*1,500*	*1,681*	*(10.7%)*
955	*- Wind power and other renewables*	*743*	*529*	*40.3%*
24,020	**Other purchases (wholesalers, IPEX, etc.) (2)**	**10,125**	**12,279**	***(17.5%)***
42,818	**Total sources**	**20,497**	**21,075**	***(2.7%)***

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

Uses

2018 full year	(GWh) (1)	First half 2019	First half 2018	% change
13,694	**End Customers (2)**	**7,396**	**6,700**	***10.4%***
29,124	**Other sales (wholesalers, IPEX, etc.)**	**13,101**	**14,375**	***(8.9%)***
42,818	**Total uses**	**20,497**	**21,075**	***(2.7%)***

(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 wholesale and end-user market (business and retail) and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the above-mentioned portfolios and at maximising their profitability through their optimisation.
In relation to this model, Edison's production in Italy stood at 10,372 GWh, an increase of 17.9% compared to the first half of 2018: in particular, thermoelectric production increased by 23.4%, which more than offset the impact of a decrease in hydroelectric production, which decreased by 10.7% in the first half of 2019 due to a reduction in the availability of water resources during the period. There was also a marked increase in wind and other renewable energy production (+40.3%), due to the fact that the period was windier and to the commissioning of new wind farms.
Sales to customers were up 10.4% mainly thanks to the higher volumes sold to the Business segment.
Other purchases and sales of the first half of 2019 are down on the values of the same period of 2018 by 17.5% and around 9% respectively; it should be noted, however, that these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterised by smaller unitary margins connected with the balancing of portfolios.

Income Statement Data

2018 full year	(in millions of euros)	First half 2019	First half 2018	% change
3,768	Sales revenues	2,071	1,823	*13.6%*
328	EBITDA	233	182	*28.0%*

Sales revenues for the first half of 2019 came in at 2,071 million euros, up 13.6% on the first half of 2018, despite the presence of a slight drop in volumes, thanks to an increase in average sale prices driven by the reference scenario.
The EBITDA for the half-year, which came in at 233 million euros, recorded an increase of 51 million euros thanks primarily to the greater contribution of the wind segment (+22 million euros, thanks to higher volumes) and the higher margins of thermoelectric generation related to sales on MGP and MSD.

The economic data of the electric power operations include the results of the Energy & Environmental Services Market Division, which recorded the following in the first half of 2019:

- sales revenues of 258 million euros, up 26% compared with the same period in 2018 (205 million euros) thanks to the contribution of Zephyro (for about 43 million euros), acquired in July 2018;
- an EBITDA of 44 million euros, up by 7% compared to the first half of 2018 (41 million euros) due to the higher margins achieved by Zephyro (roughly 12 million euros), which offset the lower results recorded abroad; in 2018, some extraordinary income was also realised.

Hydrocarbons Operations

Sources of Natural Gas

2018 full year	(millions of m3 of natural gas)	First half 2019	First half 2018	% change
11	Production [1]	5	5	(16.6%)
343	Production from discontinued operations	174	186	(6.4%)
14,566	Imports (Pipeline + LNG)	6,946	7,012	*(0.9%)*
5,811	Other Purchases [2]	2,840	3,127	*(9.2%)*
(17)	Change in stored gas inventory [2]	145	(9)	*n.m.*
20,714	**Total sources**	**10,110**	**10,321**	***(2.0%)***
1,909	**Production outside Italy from discontinued operations [3]**	**892**	**913**	***(2.4%)***

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

2018 full year	(millions of m3 of natural gas)	First half 2019	First half 2018	% change
2,804	Residential use	1,734	1,537	12.8%
4,518	Industrial use	2,491	2,254	*10.5%*
6,501	Thermoelectric fuel use	3,339	3,022	*10.5%*
6,890	Other sales	2,546	3,508	*(27.4%)*
20,714	**Total uses**	**10,110**	**10,321**	***(2.0%)***
1,909	**Sales of production outside Italy from discontinued operations [1]**	**892**	**913**	***(2.4%)***

(1) Counting volumes withheld as production tax.

Total gas imports decreased slightly (-0.9%) while Other purchases recorded a decrease of 9.2%, offsetting lower imports.
The quantities sold, equal to 10,110 million cubic metres, were down slightly on the first half of 2018.
Sales for residential use were up 12.8%, however, mainly owing to the contribution from Gas Natural Vendita Italia, consolidated at the end of February 2018; similarly, sales for thermoelectric use were up by 10.5% due to the greater consumption of gas by the thermoelectric power plants owned by the Group and by third parties, while sales for industrial use were up 10.5% in the half, thanks to the acquisition of new customers.

Income Statement Data

2018 full year (*)	(in millions of euros)	**First half 2019**	First half 2018 (*)	% change
5,657	Sales revenues	2,686	2,697	*(0.4%)*
203	EBITDA	146	110	*32.7%*

(*) The figures for 2018 have been restated pursuant to IFRS 5 standard.

Sales revenues came in at 2,686 million euros in the half, essentially in line with the first half of 2018.
EBITDA, which include the results of regulated activities, totalled 146 million euros, or 36 million euros more than in the first half of 2018, which was impacted by the particularly adverse weather events, with a negative impact on the margin of gas trading activities.

Discontinued operations

Production

Gas production in the half attributable to discontinued operations, by adding Italy and abroad together, came to 1,065 million cubic metres, down 3% on the first half of last year (1,099 million cubic metres). The production sold in Italy decreased mainly due to the natural decline of the field production curves. Overall, production outside Italy was also down, due mainly to lower production in Egypt and Croatia, which was not offset by higher volumes produced in Algeria and the United Kingdom.
Production of crude oil attributable to the discontinued operations decreased by about 12% in the half, due to a decrease in both Italian production (-8.8%) and foreign production (-10%).

Income Statement Data

The E&P business is treated as a Discontinued Operations pursuant to IFRS 5, a description of which is provided in the section 1.6 of the Condensed Consolidated Semiannual Financial Statements.
EBITDA (148 million euros) in the first half of 2019 is down 12.4% (169 million euros in the first half of 2018) due to lower sales revenues related to lower volumes and to a worsening price scenario, as well as the higher costs incurred in the period in Italy and abroad.

Corporate

Income Statement Data

2018 full year	(in millions of euros)	**First half 2019**	First half 2018	% change
69	Sales revenues	27	29	*(7.3%)*
(105)	EBITDA	(51)	(54)	*5.6%*

Corporate activities include those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal activities, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies.
Sales revenues for the first half of 2019 were down 2 million euros (-7.3%) compared to the same period of 2018, while EBITDA increased by 3 million euros, partly due to the application of IFRS 16 "Leasing" as from January 1, 2019, and partly due to a different phasing of operating costs.

Other Components of the Group's Income Statement

(in millions of euros)	**First half 2019**	First half 2018 (*)	% change
EBITDA	**328**	**238**	***37.8%***
Net change in fair value of derivatives (commodities and exchange rates)	8	-	***n.m.***
Depreciation, amortisation and writedowns	(154)	(127)	***(21.3%)***
Other income (expense) non Energy activities	(15)	(13)	***(15.4%)***
EBIT	**167**	**98**	***70.4%***
Net financial income (expense)	(10)	4	***n.m.***
Income (expense) from equity investments	2	4	*(50.0%)*
Income taxes	(38)	(36)	*(5.6%)*
Profit (Loss) from continuing operations	**121**	**70**	***72.9%***
Profit (Loss) from discontinued operations	**(518)**	**(3)**	***n.m.***
Group interest in Profit (Loss)	**(406)**	**62**	***n.m.***

(*) The figures for 2018 have been restated pursuant to IFRS 5 standard.

Positive EBIT of 167 million euros is after depreciation, amortisation and writedowns totalling 154 million euros, the net change in fair value relating to commodity and foreign exchange hedging transactions amounting to a positive 8 million euros and net other expense of 15 million euros.

Depreciation amortisation and writedowns increased by 27 million euros compared with the first half of 2018, due in part to the effect of depreciation and amortisation recognised on assets held under operating leases, in accordance with the new IFRS 16 standard (8 million euros).

Net financial expense, which amounted to 10 million euros, worsened mainly due to higher charges for the assignment of receivables without recourse. Income taxes for the period include IRAP.

The net loss from discontinued operations of 518 million euros refers to E&P business and includes, among other things, the adjustment to the sale value.

Net Financial Debt and Cash Flows

At June 30, 2019, net financial debt amounted to 298 million euros (416 million euros at December 31, 2018). Excluding the impact of IFRS 16 first adoption, from 1 January 2019, for 165 million euros, the net financial debt decreased by 283 million euros.

More detailed information about the individual components of this item is provided in the section 6.3 "Net Financial Debt and cost of debt" of the Condensed Consolidated Semiannual Financial Statements.

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

(in millions of euros)	**First half 2019**	First half 2018
A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD	**(416)**	**(116)**
IFRS 16 first adoption	(165)	-
B. NET FINANCIAL (DEBT) AT JANUARY 1	**(581)**	**(116)**
EBITDA	328	238
Elimination of non-cash items included in EBITDA	51	19
Net financial expense paid	(7)	4
Net income taxes paid (-)	(15)	(12)
Dividends collected	1	8
Other items from operating activities	(10)	(13)
C. CASH FLOW FROM OPERATING ACTIVITIES	**348**	**244**
Change in the operating working capital	30	34
Change in non-operating working capital	(26)	8
Net investments (-)	(84)	(394)
D. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL	**268**	**(108)**
Dividends paid (-)	(32)	(29)
Other items	(13)	(3)
Cash increase/decrease of net indebtedness (Discontinued operations)	60	53
E. NET CASH FLOW FOR THE PERIOD	**283**	**(87)**
F. NET FINANCIAL (DEBT) AT END OF PERIOD	**(298)**	**(203)**

The main cash flows in the period derive from EBITDA, as commented on previously, the positive change in operating working capital, net investments, which include net capital expenditures (-75 million euros), net investments in non-current financial assets (-6 million euros), as well as some acquisitions (-12 million euros) and divestments (+9 million euros).

More specifically, capital expenditures include:

- investments in the sector of electric power generation from renewable sources of 22 million euros, mainly 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, Castiglione Messer Marino, Schiavi d'Abruzzo, Montefalcone e Troia (15 million euros);
- investments in the thermoelectric generation sector (26 million euros), mainly for the project to renovate the Marghera Levante power plant (24 million euros);
- investments in energy and environmental services of 22 million euros, of which 9 million euros abroad and 3 million euros in services targeted at the public administration.

Investments in non-current financial assets include, in particular, the share capital increase of Depositi Italiani GNL Spa (5 million euros) and IGI Poseidon SA for 1 million euros.

The acquisition, which took place in April 2019, concern A.En.B Srl, A.En.W Srl and Vernante Nuova Energia Srl in the district heating sector (12 million euros), while divestments concern the sale of Compagnia Energetica Bellunese Spa (CEB) for 9 million euros.

Discontinued operations

Investments in exploration and production activities totalled 61 million euros. They refer mainly to concessions in Norway (33 million euros), Algeria (5 million euros) and the United Kingdom (7 million euros) and drilling activities in Egypt (6 million euros). Investments in exploration totalled 9 million euros, mainly for exploration activities outside of Italy.

Outlook and Expected Year-end Results

Following the announced divestment of the E&P business, the recent acquisition in the renewable energy sector and taking into account the improving performance of its electric power and natural gas operations, Edison revised its EBITDA estimates for the full year 2019 in the range of 550 million euros to 600 million euros, with an increase of about 50 million euros compared to the previous guidance at same perimeter.

Edison Spa
Financial Highlights

	(in millions of euros)	**First half 2019**	First half 2018 (*)	% Change
	Sales revenues	3,312	3,266	*1.4%*
	EBITDA	172	91	*89.0%*
	as a % of sales revenues	5.2%	2.8%	-
	EBIT	105	25	*n.m.*
	as a % of sales revenues	3.2%	0.8%	-
	Profit (Loss) from continuing operations	125	61	*n.m.*
	Profit (Loss) from discontinued operations	(489)	(26)	*n.m.*
	Net profit/(loss)	(364)	35	*n.m.*
12.31.2018				
	Capital expenditures	34	17	*100.0%*
5,036	Net invested capital(1)	4,723	4,992	*(6.2%)*
(206)	Net financial debt(1)	(172)	(370)	*(16.5%)*
5,242	Shareholders' equity(1)	4,895	5,362	*(6.6%)*
1,293	Number of employees(1)	1,321	1,281	*2.2%*

(*) In accordance with IFRS 5 standard "Discontinued operations", 2018 data have been reclassified to "Profit (Loss) from discontinued operations".
(1) End-of-period data. The changes in these values were calculated as at December 31, 2018.

Pursuant to Consob communication no. DEM/6064293 of July 28, 2006 the schedule below provide a reconciliation of the net result for the year and of the shareholders' equity of Edison Spa with Group interest in net profit and the shareholders' equity attributable to the shareholders of the Parent company at June 30, 2019:

Reconciliation of the net result and the shareholders' equity of Edison Spa to the group interest in net result and the shareholders' equity attributable to Parent company shareholders

(in millions of euros)	**First half 2019** Net result	**06.30.2019** Shareholders' equity	First half 2018 (*) Net result	12.31.2018 Shareholders' equity
Net result and Shareholders' equity of Edison Spa	**(364)**	**4,895**	**35**	**5,242**
- Results and carrying values of the consolidated companies, excluding minority interests	22	1,815	11	2,747
- Elimination of the carrying values of the consolidated investments in associates and in companies valued by the equity method		(1,225)		(2,092)
- Dividends of Edison Spa	(42)		(45)	
- Elimination of Parent company investments' adjustments	6		35	
- Investments in companies valued by the equity method	2	73	3	71
- Difference in profit (loss) from Discontinued Operations	(29)	(29)	23	
- Other consolidation adjustments	(1)	(45)	0	(82)
Group interest in profit (loss) and Shareholders' equity attributable to Parent company shareholders	**(406)**	**5,484**	**62**	**5,886**

(*) Reconciliation items have been restated in order to be comparable with 2019.

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 Frameworks 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, 2018, 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 for IFRS 7 purposes in section 4 of the Condensed Consolidated Semiannual Financial Statements at June 30, 2019 entitled "Market Risk Management", paragraph 3.1 "Credit risk management" and paragraph 6.4 "Financial risk management".

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.
In this context, among the main changes in the evolving legislative framework, the most significant risk factors include:

- the renewal of large-scale diversion hydroelectric concessions, whose regulation was revised extensively under Law no. 12 of February 11, 2019, published in the Official Journal on February 12, 2019. In fact, art. 11-*quater* contains provisions regarding large-scale diversion hydroelectric concessions and establishes, inter alia, that the Regions govern by law, to be issued no later than March 31, 2020, the concession assignment methods and procedures, that must be subsequently started within two years of the approval of the aforementioned regional law. For concessions that envisage an expiry term prior to December 31, 2023, including therein those already expired, the new regulation also establishes that the Regions govern, again by means of law, to be issued no later than March 31, 2020, the methods, conditions and quantification of the additional considerations and other expenses, to be paid by the outgoing concessionaire for the continued operation of the concessions beyond the expiry and for the time needed for completion of the assignment procedures. The law also governs the amendments to regional state property fees;
- the regulation governing hydrocarbon concessions, defined by the aforementioned law 12/2019 of February 11, 2019, which provides for the suspension of authorisation procedures for new research and survey permits, the increase in utilisation royalties starting from June 1, 2019 and the issue, within eighteen months, of a Plan for the Sustainable Energy Transition of the Suitable Areas (PITESAI), for the purpose of identifying a defined reference framework for the areas in which it is permitted to carry out hydrocarbon survey, research and production activities;
- uncertainty concerning detailed measures for the transfer from the protected market to the free market, to be established by an implementing decree in order to transfer, by the current planned deadline of July 1, 2020, from the protected electric power and gas market, as set forth in the Law which entered into force in September 2018.

On the other hand, the Ministry of Economic Development decree of June 28, 2019 approved the regulations on the system for remunerating the availability of electricity production capacity (Capacity market) on which the Authority had provided its favourable opinion, as had the European Commission. The remuneration system, plausibly with a transitional regime given the reduced time horizon, will enter into operation with the auction procedures to be held by the end of 2019 and referring to the delivery years 2022 and 2023.

Market and competitive environment

The energy markets in which the Group operates recorded slight fluctuations in terms of demand in the first half of 2019 compared to the same period of the previous year, with competitive pressure remaining high and, nonetheless, increasing prices. Please refer to the section "The Italian energy market" for more in-depth information.
In the Italian electric power market, demand was confirmed at the levels seen in the first half of 2018. Unlike in the previous year, in the course of the first half of 2019 increased thermoelectric production made it possible to offset a significant reduction in hydroelectric generation, influenced by less favourable weather conditions, and a decline in imports. In addition to thermoelectric generation, the increase in production from other renewable sources, photovoltaic and especially wind also contributed towards meeting demand.
The negative effect of volumes on hydroelectric production margins, with specific reference to the major derivation hydroelectric concessions available to the Group, was partially mitigated by the slight increase in electricity prices, but will remain exposed in the years to come to the effects of the 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 the development of new technologies on an ongoing basis, which are discussed in greater detail in the "Innovation, Research and Development" section.
In the natural gas market, demand recorded a cumulative increase in the first half of 2019, when compared to the same period of the previous year. At sector level, the most significant increase was registered by consumption for thermoelectric generation, impacted by the elements outlined above, while the industrial sector and distribution witnessed a slight reduction.
The clauses for the renegotiation of prices of long-term gas procurement contracts, as with revisions of their flexibility conditions, offer important tools by which to mitigate the effects of changes in the energy scenario and market conditions, as monitored constantly by 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 Company 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 Spa, 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, the end of the third bail-out by the European institutions, closed with the last loan in August 2018, represents an important objective reached for the country and helps the Government regain public support after years of unpopular austerity measures requested by international creditors, although unknowns still remain concerning the management of long-term debt. Despite two consecutive years of growth at pre-2007 crisis levels, which is expected to remain for 2019 as well at a slightly lower rate, the discontent of the middle and working class is weighing down on the country's socio-political situation as, even with subsidies in favour of retirees and workers, the declining unemployment rate has been accompanied by a decrease in salaries. This situation weighed down on European and administrative elections last June, which saw the defeat of the party governing the country, leading to the calling of early elections. The winner, the New Democracy party, promises to enact economic reforms based on privatisation, jump starting investments, including from abroad, large infrastructural projects that are still suspended, lowering fiscal pressure and introducing reforms to stimulate growth.

As concerns the energy sector, after the approval of the new capacity remuneration mechanism last year, in whose first auctions Elpedison Sa successfully participated for only the 2019 period, Greece is expected to launch the energy exchange platform (Hellenic Energy Exchange, HEnEx) in the course of the year to increase competition and support market coupling with Italy and Bulgaria.
The Company is committed to constant monitoring of the country's political and economic environment, to which the Group is exposed as at June 30, 2019, as indicated below:

(in millions of euros)	06/30/2019	12/31/2018
Loan receivable from the affiliate	63	63
Guarantees provided	29	29
Equity investments [(1)]	17	17
Total	**109**	**109**

(1) Refers to the equity investment in IGI Poseidon Sa.

- In Egypt, the improvement of the political and economic context which began last year has been confirmed. After the elections in March 2018 which confirmed Al Sisi as president, and the constitutional amendment in April 2019 which extends his last term until 2030, continuity is expected in the economic restructuring programme aiming to reduce international subsidies (from the International Monetary Fund, the World Bank and the African Development Bank) while also attracting foreign investments. The country's economy marked growth of more than two percentage points compared to the average of 3% in the 2011-2017 period, and is expected to grow at the same rate over the next two years, driven by a robust investment growth plan, growth in natural gas production and the recovery in tourism that could receive a further boost with the resumption of flights from Russia and the United Kingdom. The desired recovery will hinge on security, both internal, which is always a crucial topic although terrorist attacks have declined in the last year, and external, with the cooperation between Egypt and Israel in the fight against terrorism. The above-mentioned situation caused Standard&Poor's to maintain the sovereign rating at B, with a stable outlook.

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 (among which Qatar, 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, 2019 entitled "Health, Safety and the Environment."

Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risk 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 half of 2019 several important projects continued and new ones were also launched; in particular:

- the "Mercurio" program was completed for the Gas Midstream, Energy Management & Optimisation Division, in order to re-engineer the core application supporting gas logistics processes (short-term and long-term);
- the "Data Platform" project is under way as part of the "Digital Transformation" program for the Gas & Power Market Division, 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 innovating current technologies; the launch of the analogous EESM - Energy & Environmental Services Market - project (optimisation of compressor consumption) and Power Asset (predictive maintenance models) project caused the company to transform the departmental data platform into a company data platform (Enterprise Data Platform) with the resulting architectural and organisational consequences;
- the CRM is currently being developed for the Energy Services Market Division, with the extension of modules already in production to new market areas of the division: in addition, the Smart Audit and Smart Power systems have also been released to production;
- the RACE (EESM Corporate Application Revision) project is under way in order to fully re-engineer the company IT system of the EESM - corporate area division, with the adoption of the Edison SAP system appropriately modified to support the division's processes. Lastly, also relating to the EESM Division, the infrastructural integration within the Edison world of the new companies acquired is under way.

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 were regularly tested during normal operations. Lastly, to protect against disasters, a disaster recovery solution is in operation which is tested annually (last successful test performed in June 2019).

The risk relating to the integrity and 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 service of the Security Operation Centre (SOC), operative since January 1, 2016, aims to prevent and manage new forms of computer attack and was optimised through a "refinement" process of analyses to improve their effectiveness. Finally, the Rex Wannacry project is currently being developed, targeted at strengthening the company IT system's resilience to new generation attacks (at the end of 2019, the instrument will be released for a precise and automatic inventory of all devices connected to the network).

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 Group 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 is designed to ensure that the Edison Group has access to sufficient credit facilities to meet financial needs, while at the same time consolidating its funding sources, with margins of flexibility such as not to compromise the balance of the Group in case of unforeseen needs.

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. More specifically, the Group is involved in judicial and arbitration proceedings, through Edison Spa, as universal successor of Montedison, for a description of which is provided in chapter 8 entitled "Non-Energy Activities" in the Notes to 2018 Consolidated financial statements. Updates are reported in the Notes to the Condensed Consolidated Semiannual Financial Statements at June 30, 2019.

OTHER RESULTS FROM OPERATIONS

Innovation, Research and Development

The Research, Development & Innovation (RD&I) Department has launched a reorganisation plan to deal with the change in the energy sector, collaborating with the other Departments and Business Units for the development of solutions supporting the business, and maintaining a special sensitivity towards environmental sustainability, which has characterised its activities for years.

The structural reorganisation plan began in 2018 with the inauguration of Officine Edison Torino, 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.

In the first half of 2019, the Department began to create the new Officine Edison Milano within the PoliHub, the Innovation and Start-up incubator of the Milan Polytechnic. This space, closely linked to academic excellence, is home to continuing studies on various innovation projects as well as the "rooms" of the DAFNE project.
The strengthening of Officine Edison Torino will be completed within the year and the historical Trofarello site will be closed.

Health, Safety and the Environment

The main results achieved in the first half of 2019 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.

The national reference indicators are the injury incidence rate[1] and the injury seriousness rate[2]. It should be noted that the 2019 figures include those for companies acquired during the previous year (not included in the 2018 figures) with more significant risk profiles than in the past (e.g. service activities with the public administration).

On the basis of this approach, the first half of 2019 closed with a combined injury incidence rate for activities in Italy and abroad that came in at 1.5, a slight improvement over the first half of 2018 (1.8). More specifically, the injury incidence rate was 1.4 (1.5 in the first half of 2018) for company employees and 1.8 (2.3 in the first half of 2018) for employees of contractor companies. The total seriousness rate in the first half of 2019 was 0.05, slightly lower than the figure in the first half of 2018 (0.07), confirming the limited severity of accidents.

Activities Concerning Health, Safety and the Environment

The main activities carried out in the first half of 2019 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 programme 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 BS 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. In particular, one of the relevant initiatives is the extension of the 9001 and 14001 certifications of the Fenice Albizzate Operating Unit.

  All audits conducted in relation to the aforementioned schemes were successful, confirming the quality, environment and safety certificates in place, guaranteeing the validity of our management and control systems and compliance with legal worker health and safety requirements, such as risk assessment, health surveillance, training, business coordination and compliance with environmental protection laws implemented by the corporate organisations. In this context, the transition to the new UNI EN ISO 45001 standard to replace the current BS 18001 certification has been initiated and will be completed for all certified organisations by March 2021.
- An overall company-wide review of the environmental and safety systems was carried out in March 2019 also in accordance with the Organisational Model and the relevant protocols pursuant to Legislative Decree No. 231/2001; on that occasion, the progress status of the targets set as part of the 2018-2020 road map were monitored and the internal audit plan and cross-functional training activities for the health, safety, environment and quality professional family were shared.
- The activities of the HSE Select Committee continued, 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 Division, whose main task is to identify, coordinate 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.

monitor the initiatives that impact all operating entities, also in consideration of the Group objectives and policies, through monthly meetings.

- There were no accidents with an impact on the environmental matrices (soil, subsoil, surface waters and biodiversity).
- With regard to the situation that emerged in 2018 during ISPRA's visit to the Vega platform, in relation to which information came to light which showed that authorisation limits had been exceeded on three occasions, and for which action was immediately taken to return within these limits, it should be noted that during the first half of 2019 the Integrated Environmental Authorisation was re-examined by the relevant Authorities, which accepted a new monitoring plan, the sampling of which was carried out during a visit by ISPRA. During this visit, no situations of discrepancy emerged and, while awaiting the analytical results of the samples taken, it is confirmed that the internal monitoring of the environmental matrices (water and air) carried out in the first half of the year confirms compliance with the authorised limits.
- All situations of potential emergency identified in the Edison sites were subject to work simulations or tests, in certain cases also with the participation of third parties present in the area or the authorities responsible for controlling their effectiveness.
- 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 and/or decommissioned a long time ago. In this regard, it should be noted that during the first half of 2019, preparatory activities were launched for projects that will have a significant impact on the Dogaletto (VE), Bussi (PE) and Mantua sites during the year, while groundwater treatment activities continue at the Correzzana, Melegnano, Massa and San Giuliano sites, as well as the land reclamation phase at the Legnago site.
- The process of collecting and analysing the environmental and health and safety data needed to draft and issue the EDF sustainability report and Edison's non-financial statement for 2018 was carried out and completed in accordance with the time-scales and methods required by the reference standards.

During the first half of 2019, a number of significant projects were carried out or started, including:

- conclusion of inspections of the safety management system, carried out in accordance with Legislative Decree No. 105/15, by the commissions appointed by the Regional Technical Committees, chaired by the regional command of the competent local Fire Brigades at the Edison Stoccagio's operating sites of Cellino, San Potito Cotignola and Collato;
- extension of the training and awareness initiatives like the "TUTOR della Sicurezza" (safety tutor) Project at several sites of the Power Asset Division (as a follow-up on the previous training on the perception of risk), and the launch of the initiative at Edison E&P; the recognition of good conduct of personnel from outside companies operating at the sites of the Engineering Department; the extension of the "Safety Challenge" of Fenice to other entities in the Energy & Environmental Services Market Division;
- establishment of a monthly operational meeting on safety/environment in Fenice, attended by employers and RSPPs (Prevention and Protection Service Managers), whose main objectives are the common assessment of problems arising in the Operating Units, including the monitoring of agreed actions; the definition and updating of guidelines on safety/environment; the exchange of information and dissemination of best practices developed in the various Operating Hubs;
- projects were launched and developed with the goal of integrating, taking account of the different business aspects, risk factors and organisational dimensions, the companies recently acquired by the Edison Group that essentially operate in the Energy & Environmental Services Market Division in the energy services sector;
- establishment of the Environment, Health and Safety function in the Gas & Power Market Division, which will have the task of ensuring the management of specific issues within the scope of activities and of the offices and physical locations where the Division operates, in particular to the structures operating in the territories, through support and contribution in the initiatives for the definition / modification / implementation of the layout of the offices and

places where the Division's personnel operates, and ensuring the preparation of contractual documentation on health, safety and the environment and the management of business documentation by the division personnel dedicated to the management of relations with companies/third parties.

Human resources and industrial relations

Human Resources

The headcount as at June 30, 2019 stood at 5,425 employees compared to 5,372 as at December 31, 2018, with total growth in the first half of the year of 53 employees (+1%), mainly due to organic growth in the Energy Environmental Services Market Division (EESM), connected with the launch of new contracts in the Public Administration services sector.
As a perimeter effect, the company Energetica Bellunese (CEB) (-22 employees) was sold.

Industrial relations

The table below shows the main events of general significance for the Edison Group that occurred in the first half of 2019:

Meeting with National and Territorial Secretariats of Edison's E&P Sector: on March 12, 2019, a monitoring meeting was held to discuss the progress of the project to sell Edison's exploration and production operations. At the end of the meeting, Edison's management signed a meeting report in which it reaffirmed its commitment to represent to those interested in formulating a binding purchase offer the conditions required to ensure a framework of overall social protection for all of the employees involved in the transaction.

Transfer of the research centre from Trofarello to the new offices in Milan and Turin: on April 17, 2019, an agreement was signed with the company's RSU (trade union representatives) to govern the consequences of the closure of the research centre in Trofarello and the subsequent transfer of the employees to the new offices of Officine Torino at the Polytechnic of Turin and Officine Milano at the Polytechnic of Milan in Bovisa. This agreement defines - for workers transferred from Trofarello to Milan - the procedures for the application of Article 42 of the National Collective Labour Agreement for employees in the electricity sector.

Transfer of the headquarters of Edison Energia of Acquaviva delle Fonti: an agreement report dated May 6, 2019 addressed the impact on employees of the transfer of the headquarters of Edison Energia from Acquaviva delle Fonti (BA) to the new headquarters in Bari.

European Works Council of the EDF Group: Plenary Meeting: on June 19, 2019, the EDF Group's European Works Council held a plenary meeting, during which Giorgio Colombo, Vice President of HR & ICT, scheduled a speech to update the project for the potential sale of Edison's Exploration & Production business. In this context, the progress of the process was illustrated, also with particular reference to the employment protection clauses provided for in the sales contract.

Edison Group RSU Elections: elections for the renewal of the Trade Union Representatives were held at all Edison Group locations on June 25-26, 2019. More than 67% of the workers took part in the elections.

Energy & Environmental Services Market Division-Agreements for the Performance-related bonuses and conversion of the Performance-related bonuses into welfare services: in May 2019, agreements were signed for the final balance of the 2018 Performance-related bonuses for both Fenice and Sersys. At the same time, a special agreement was signed, as in the previous two-year period, which allowed for the conversion of the balance of the 2018 Performance-related bonuses into welfare services and benefits, in addition to that envisaged on the renewal of the CCNL (national collective labour agreement) of the metal-mechanics sector. Also in this case, the employee will benefit not only from the 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.

Organisation and Employee Services

The main company organisational changes that occurred in the first half of 2019 were as follows:

- during the first half of the year, the organisational macro-structure and the main responsibilities of the Gas & Power Market Division were partly reconfigured through the introduction of "territorial models" that also operate in service of the SME Market Department, in order to enhance channel synergies and territorial presence. These territorial structures have the primary responsibility for the development and management of the customer base, in terms of volumes, profitability and customer service and experience in the reference area.
  A new Retail Services Delivery Department was also created, which was assigned the main responsibility of providing customers with delivery services for insurance products and other value added services (VAS) sold by the Market Departments.
  The integration of the activities and resources previously allocated to Edison Energie within the Gas & Power Market Division was also completed, taking advantage of the management synergies set out in the acquisition business plan and continuing to develop the customer portfolio acquired, also through the gradual expansion of the range of energy commodities, products and services.
- In the Energy & Environmental Services Market Division (EESM), the responsibilities, structure and objectives of the organisational units reporting to the Services Delivery & Contract Management Department are redefined with the aim of providing services to the customers of the Markets and EESM companies in Italy and abroad. In particular, it focuses on the management, continuous improvement and evolution of processes and technologies for the delivery of services and on the technical-industrial activities of Operations & Maintenance.

With regard to employee services, the company continued to provide significant support to the "Edison per Te" employee well-being programme, 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 programme, as shown in the results of the annual My Edf 2018 survey. Through said survey conducted by the company IPSOS, the group of services for employees and pension, healthcare and accident cover proposed to employees also met with an excellent level of satisfaction, sitting at around 85%, higher than the average of other large Italian companies.
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 2019, the new managerial training offer, consistent with the business strategies, was designed and communicated. The new training courses aim to develop a series of mindsets, in particular the engagement and development of people, entrepreneurship and the courage to take risks, innovation, the centrality of the customer and the territory, communication and team spirit. To this end, a series of training initiatives were provided and planned involving around one hundred Group managers. In particular, in the January-March period, the new managerial development path "*Leading People, Leading Business*" was provided, which involved thirty recently appointed managers.
In addition, all development plans for senior staff who participated in the potential assessment course in 2017 and 2018 were completed.
As regards digital training, the platform Digital Training MyLA – My Learning Area was enriched with new contents, an environment integrated with the Edison intranet that makes it possible to quickly and easily access all e-learning contents, in particular, on certain matters like HSE, compliance and digital education.

The process of education on digital skills was launched at the Energy & Environmental Services Division, whose main objectives are increasing employee awareness of the themes of Digital Transformation and enhancing digital expertise connected to the use of company work tools. The project uses different training formats: e-learning, webinars and mentoring sessions, and involves 719 people from the Division.

Edison has always been committed to the education, guidance and training of young people.
Since 2015, Edison has provided Work Experience courses throughout the country. The commitment to guiding young people is driven by the desire to spread the culture of energy and environmental sustainability through the new generations. Among the main initiatives are the following projects:

- "Deploy Your Talent": for the fifth year, Edison participated in the intercompany project promoted by Sodalitas which intends to promote studies of the technical-scientific disciplines (STEM: Scientific, Technology, Engineering & Maths) and dispel the gender stereotypes that surround them;
- "Energia Mi Piace" (I like energy): a Work Experience initiative promoted by the Energy Section of Unindustria Rome, Latina, Frosinone, Rieti and Viterbo which, through a series of conferences, showed high school students the prospects of the energy market and its opportunities, raising awareness among the new generations of the challenges facing the future of our planet;
- "Tuned On Edison": for the third year, the young people of the Edison Young Community launched a programme designed to present the Group's business and staff activities through an interactive tour of the company's Departments. In particular, this year we have established two partnerships with the Ettore Molinari Technical-Technological Institute and the Natta High School in Milan;
- "Power2Talent": Edison continued with the Work Experience project in Valtellina, in partnership with the Enea Mattei Higher Technical Education Institute of Sondrio, which involved future electro-technical, mechanical and IT experts.

In addition to the above-mentioned activities, Edison commenced support activities throughout the entire country for the children of employees who were in need of Work Experience.

Huge attention was also focused on the insertion and training of young personnel, predominantly new graduates or with little professional experience, at whom Edison's graduate programme was aimed, i.e. the Young Community, a three-year development and training programme.
During the first half of 2019, the usual soft skills training courses were held, while as part of the Economics training course for the Young Community, the new Business Game Blended was launched in the photovoltaic sector (the "New Helios" case).
The Edison Energy Camp was held from June 17, 2019 to June 21, 2019 at Edison's headquarters in Rome and the headquarters of the LUISS Business School. This intensive energy training course involved 42 participants, including personnel from Edison's Young Community and university students from various universities (Luiss, Turin Polytechnic, Universities of Bari, Palermo, L'Aquila and Naples). The training week was made possible thanks to the collaboration not only with Edison and LUISS University, but WEC (World Energy Council Italia Services) and other companies (Nissan, SNAM, CISCO), and consulting (EY) and institutional (ACI) firms.
The strategic partnership with MIP continues for the design and delivery of a Corporate Master in Energy Business & Utilities, dedicated to 31 professionals belonging to the various business areas, whose activities require in-depth expertise in the energy sector and the use of cross-company skills. The Corporate Master aims to: support professional development, enhance business and cross-company skills, examine the business rationale and sector trends in depth, while remaining fully aware of the external environment through the field project.
The 2019 edition is the fourth of a long-established project that has capitalised on the "lessons learned" of the previous three editions, confirming the innovation in digital methodology and continuing to pay attention to the contextualisation and strategic guidelines marked out within the Group and at Edison.
For this edition, and in anticipation of subsequent editions in the coming years, the programme is presented as a Corporate Master in ASFOR accreditation, to validate the quality and innovativeness of the Master.

As regards initiatives of this professional family, the high level specialist training provided through internationally recognised partners continued, in particular the Nautilus programme on geo-sciences and sub-soil, which involved employees from the Exploration and Production Division.

With reference to the Energy & Environmental Services Market Division, technical-professional training continues to be the central focus of training investments. In particular, the project called "Top Technical Expertise" is continuing, with the provision of further sessions aimed at developing and consolidating the technical training of plant operating personnel and, at the same time, enhancing the know-how present in the company through greater involvement of in-house tutors. This programme is part of a wider project aimed at achieving the contractual objective of continuous training, which requires each member of personnel to have access to at least 24 hours of non-compulsory training in the 2017-2019 three-year period.

Lastly, the activities of the Edison Market Academy (EMA) continued, the trade academy for employees operating in the commercial world, which was created in 2011 with the aim of pursuing an innovative approach for the development of skills and corporate culture, based on the concepts of customer centrality and service quality, collaboration and operating efficiency.

During the first half of 2019, the Edison Market Academy launched the "My Learning Needs" project, a digital tool for measuring training gaps in the professional skills of employees of the Gas & Power Market Division, which will be fully developed with the launch of a new training platform in the second half of 2019.

OTHER INFORMATION

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

- At June 30, 2019, 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, in addition to what commented in the "Key Events", is provided in the section 9.2 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.

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Condensed Consolidated Semiannual Financial Statements

AT JUNE 30, 2019

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	Chapter	1st half 2019	of which related parties	1st half 2018 (*)	of which related parties
Sales revenues		4,307	598	4,212	433
Other revenues and income		56	11	44	3
Total net revenues		**4,363**	**609**	**4,256**	**436**
Commodity and logistic costs (-)		(3,566)	(306)	(3,579)	(250)
Other costs and services used (-)		(259)	(27)	(241)	(33)
Labor costs (-)		(150)		(141)	
Receivables (writedowns) / reversals	3	(14)		(7)	
Other costs (-)		(46)		(50)	
EBITDA	2	**328**		**238**	
Net change in fair value of derivatives (commodity and exchange rate risk)	4	8		-	
Depreciation and amortization (-)	5	(154)		(125)	
(Writedowns) and reversals	5	-		(2)	
Other income (expense) non Energy activities	8	(15)		(13)	
EBIT		**167**		**98**	
Net financial income (expense) on debt	6	(3)	(1)	(2)	(1)
Other net financial income (expense)	2	3	5	9	4
Net financial income (expense) on assigned trade receivables without recourse	3	(10)		(3)	
Income from (Expense on) equity investments	5	2	2	4	3
Profit (Loss) before taxes		**159**		**106**	
Income taxes	7	(38)		(36)	
Profit (Loss) from continuing operations		**121**		**70**	
Profit (Loss) from discontinued operations	2;10	(518)		(3)	
Profit (Loss)		**(397)**		**67**	
Broken down as follows:					
Minority interest in profit (loss)		9		5	
Group interest in profit (loss)		**(406)**		**62**	

(*) The amounts of 1st half 2018 were restated pursuant to IFRS 5.

The new accounting standard IFRS 16 "Leases" has been applied from January 1, 2019 prospectively without restatement of comparative data.

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	Chapter	1st half 2019	1st half 2018
Profit (Loss)		**(397)**	**67**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	6	**7**	**75**
- Gains (Losses) arising during the period		10	104
- Income taxes		(3)	(29)
B) Differences on the translation of assets in foreign currencies		**4**	**(1)**
- Gains (Losses) arising during the period not realized		5	-
- Income taxes		(1)	(1)
C) Pro rata interest in other components of comprehensive income of investee companies		-	-
D) Actuarial gains (losses) (*)		**-**	**-**
- Actuarial gains (losses)		-	-
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D)		**11**	**74**
Total comprehensive profit (loss)		**(386)**	**141**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		9	5
Group interest in comprehensive profit (loss)		**(395)**	**136**

(*) Items not reclassificable in Income Statement.

CONSOLIDATED BALANCE SHEET

(in millions of euros)	Chapter	06.30.2019	of which related parties	12.31.2018	of which related parties
ASSETS					
Property, plant and equipment	5	2,804		3,647	
Intangible assets	5	483		617	
Goodwill	5	2,242		2,403	
Investments in companies valued by the equity method	5	73	73	71	71
Other non-current financial assets	5	57	51	69	54
Deferred-tax assets	7	167		461	
Non-current tax receivables	7	34		34	
Other non-current assets	3	218		121	
Fair value	4	137		170	
Assets for financial leasing	6	2		3	
Total non-current assets		**6,217**		**7,596**	
Inventories	3	117		223	
Trade receivables	3	1,104	121	1,654	92
Current tax receivables	7	31	19	43	29
Other current assets	3	295	38	387	34
Fair value	4	511		530	
Current financial assets	6	305	6	3	3
Cash and cash equivalents	6	399	298	149	29
Total current assets		**2,762**		**2,989**	
Assets held for sale	10	**1,258**		**-**	
Total assets		**10,237**		**10,585**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,377	
Reserves and retained earnings (loss carryforward)		436		389	
Reserve for other components of comprehensive income		77		66	
Group interest in profit (loss)		(406)		54	
Total shareholders' equity attributable to Parent Company shareholders	6	**5,484**		**5,886**	
Shareholders' equity attributable to minority shareholders	6	232		255	
Total shareholders' equity		**5,716**		**6,141**	
Provisions for employee benefits	5	35		40	
Provisions for decommissioning and remediation of industrial sites	5	140		716	
Provisions for risks and charges	5	272		211	
Provisions for income tax liabilities	7	-		29	
Provisions for risks and charges for non Energy activities	8	257		250	
Deferred-tax liabilities	7	111		120	
Other non-current liabilities	3	5		1	
Fair value	4	119		168	
Non-current financial debt	6	440	55	353	60
Total non-current liabilities		**1,379**		**1,888**	
Trade payables	3	1,179	83	1,580	87
Current tax payables	7	62	38	65	51
Other current liabilities	3	385	178	222	15
Fair value	4	423		471	
Current financial debt	6	388	32	218	28
Total current liabilities		**2,437**		**2,556**	
Liabilities held for sale	10	**705**		**-**	
Total liabilities and shareholders' equity		**10,237**		**10,585**	

The new accounting standard IFRS 16 'Leases' has been applied from January 1, 2019 prospectively without restatement of comparative 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 the first half of 2019 and in the first half of 2018. In order to provide a better understanding of the Group's cash generation and utilization dynamics and changes in net financial debt, please see paragraph 6.3 Net financial debt and cost of debt. The information provided below is supplemented by the data presented in a separate statement included in the Semiannual Report on Operations.

	(in millions of euros)	Chapter	1st half 2019	of which related parties	1st half 2018 (*)	of which related parties
	Profit (Loss) before taxes		**159**		**106**	
	Depreciation, amortization and writedowns	5	154		127	
	Net additions to provisions for risks		11		3	
	Interest in the result of companies valued by the equity method (-)	5	(2)	(2)	(3)	(3)
	Dividends received from companies valued by the equity method	5	1	1	8	8
	(Gains) Losses on the sale of non-current assets		(2)		-	
	Change in the provision for employee benefits		(2)		(2)	
	Change in fair value recorded in EBIT	4	(8)		-	
	Change in operating working capital		30	(33)	34	(27)
	Change in non-operating working capital		(26)	(14)	8	2
	Change in other operating assets and liabilities		43		18	
	Net financial (income) expense		10	(4)	(4)	(3)
	Net financial income (expense) paid		(7)	4	4	3
	Net income taxes paid		(15)		(12)	
	Operating cash flow from discontinued operations	10	129		111	
A.	**Operating cash flow**		**475**		**398**	
	Additions to intangibles and property, plant and equipment (-)	5	(78)		(107)	
	Additions to non-current financial assets (-)	5	(6)		(5)	(4)
	Net price paid on business combinations (**)	1	(2)		(290)	
	Cash and cash equivalents disposed		(1)		-	
	Proceeds from the sale of intangibles and property, plant and equipment		3		5	
	Proceeds from the sale of non-current financial assets		4		4	
	Cash used in investing activities from discontinued operations	10	(69)		(58)	
B.	**Cash used in investing activities**		**(149)**		**(451)**	
	Receipt of new medium-term and long-term loans		-		65	
	Redemption of medium-term and long-term loans (-)		(26)	(5)	(12)	-
	Other net change in financial debt		9	4	58	(5)
	Change in current financial assets		57	-	50	1
	Net liabilities resulting from financing activities (***)	6	40		161	
	Capital and reserves contributions (+)		-		-	
	Dividends and reserves paid to controlling companies or minority shareholders (-)	6	(32)	(1)	(29)	(1)
	Cash used in financing activities from discontinued operations	10	(61)		(67)	
C.	**Cash used in financing activities**		**(53)**		**65**	
D.	**Net currency translation differences**		**-**		**-**	
E.	**Net cash flow for the period (A+B+C+D)**		**273**		**12**	
F.	**Cash and cash equivalents at the beginning of the year**		**149**	**29**	**260**	**141**
G.	**Cash and cash equivalents at the end of the period (E+F)**		**422**	**298**	**272**	**174**
H.	**Cash and cash equivalents at the end of the period discontinued operations**		**23**	**-**	**-**	**-**
I.	**Cash and cash equivalents at the end of the period continuing operations (G-H)**		**399**	**298**	**272**	**174**

(*) The amounts for 1st half 2018 were restated pursuant to IFRS 5

(**) Acquisition prices -5 million euros net of 3 million euros of Cash and cash equivalents acquired

(***) For the reconciliation with the amounts of balance sheet please refer to paragraph 6.3 "Net financial debt and cost of 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: 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)	Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
Balance at December 31, 2017	**5,377**	**601**	**92**	**25**	**-**	**(4)**	**(176)**	**5,915**	**288**	**6,203**
IFRS 9 - first adoption		(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**
Dividends and reserves distributed	-	-	-	-	-	-	-	**-**	(18)	**(18)**
Change in the scope of consolidation	-	(5)	-	-	-	-	-	**(5)**	1	**(4)**
Other changes	-	3	-	-	-	-	-	**3**	1	**4**
Total comprehensive profit (loss)	**-**	**-**	**(125)**	**4**	**-**	**-**	**(8)**	**(129)**	**8**	**(121)**
of which:										
- Change in comprehensive income	-	-	(125)	4	-	-	-	**(121)**	-	**(121)**
- Profit (loss) from 07.01.2018 to 12.31.2018	-	-	-	-	-	-	(8)	**(8)**	8	**-**
Balance at December 31, 2018	**5,377**	**389**	**42**	**28**	**-**	**(4)**	**54**	**5,886**	**255**	**6,141**
IFRS 16 - first adoption	-	-	-	-	-	-	-	**-**	-	**-**
Balance at January 1, 2019	**5,377**	**389**	**42**	**28**	**-**	**(4)**	**54**	**5,886**	**255**	**6,141**
Appropriation of the previous year's profit (loss)	-	54	-	-	-	-	(54)	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	**-**	(32)	**(32)**
Change in the scope of consolidation	-	-	-	-	-	-	-	**-**	-	**-**
Other changes	-	(7)	-	-	-	-	-	**(7)**	-	**(7)**
Total comprehensive profit (loss)	**-**	**-**	**7**	**4**	**-**	**-**	**(406)**	**(395)**	**9**	**(386)**
of which:										
- Change in comprehensive income	-	-	7	4	-	-	-	**11**	-	**11**
- Profit (loss) from 01.01.2019 to 06.30.2019	-	-	-	-	-	-	(406)	**(406)**	9	**(397)**
Balance at June 30, 2019	**5,377**	**436**	**49**	**32**	**-**	**(4)**	**(406)**	**5,484**	**232**	**5,716**

1. INTRODUCTION

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2019 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.).

The Board of Directors, meeting on July 24, 2019, authorized the publication of the Condensed Consolidated Semiannual Financial Statements, which were the subject of a limited audit 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.

1.1 Newly applied standards

The accounting principles, the valuation criteria and the consolidation criteria applied are consistent with those adopted for the preparation of the 2018 Consolidated Financial Statements, which should be referenced for additional details. During the period the following new international accounting standard was adopted:

IFRS 16: "*Leases*": applicable from January 1, 2019, has replaced IAS 17 and it amends the approach of accounting for operating leases, eliminating the distinction between operating and financial leases. The rules of IFRS 16 were applied in transition on a prospective basis, starting from January 1, 2019, adopting some simplifications (so-called practical expedients) allowed, for which the contracts lasting less than twelve months and some contracts of negligible value were excluded from the evaluation. Based on this new standard, a lease is defined as a contract for which, in exchange for a consideration, the lessee is entitled to control the use of an identified asset, for a determined period of time. The application of the new principle to the identified contracts has determined:

- in the balance sheet: the initial recognition (i) of a financial liability equal to the present value of future minimum compulsory lease payments that the lessees will have to pay starting from January 1, 2019 and will be reduced over time as the lease fees are paid; (ii) of an asset, which represent the right of use, of an amount equal to the financial liability increased for some installments paid in advance and already recognized in the 2018 Balance Sheet. The right of use will be subject to systematic amortization over the shortest of the technical and financial useful life and the residual term of the contract.
- in the income statement: an improvement of the EBITDA for the derecognition of the lease fees and the booking of (i) the amortization of the right of use and (ii) the financial expenses on the liability recorded.

In transition the exemption of booking deferred tax liabilities has been applied according to IAS 12 "Income tax"; this approach will take into account, if necessary, subsequent amendments of a regulatory nature.

Based on identified contracts, first application of IFRS 16 determined a financial debt of 165 million euros at January 1, 2019. EBITDA of first half of 2019, instead, recorded an improvement of 9 million euros.

The following table shows the reconciliation between the commitments according to IAS 17 at December 31, 2018 and the beginning balance of financial debt at January 1, 2019 from the first adoption of IFRS 16:

(in millions of euros)	
Future compulsory minimum lease payments for leases contracts according to IAS 17 at December 31, 2018	190
Estimated effects IFRS 16 first adoption:	
- Exemption of low value lease contracts (-)	(4)
- Exemption of short term contracts (-)	-
- Actualization (-)	(21)
Estimated financial debt at January 1, 2019 from first adoption of IFRS 16	165

1.2 Presentation formats adopted by the Group

Based on the numerous projects that IASB is developing on the topic **"Effective communication"** Edison opted for the introduction, starting from 2018 Consolidated Financial Statements, of a new presentation method that will make the financial statements information more relevant and effective, considering information materiality and stakeholders' expectations. For this purpose, the notes to the financial statements have been reviewed and broken down into chapters of similar topics, instead of detailing them for single items of the financial statements. For further information please refer to 2018 Consolidated Financial Statements.

With reference to the effects related to application of accounting standard IFRS 5 please see the following paragraph 1.6. For the reconciliation between the comparative values presented in the statements and those published in the previous year, please refer to paragraph 10.2 Comparability.

1.3 Use of estimated values

The preparation of Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2019 and the accompanying notes required the use of estimates and assumptions both in the measurement of certain assets and liabilities and 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 the company's property, plant and 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 revenues.

For a more detailed description of the valuation processes with a more significant impact on the Group, unchanged compared to December 31, 2018, please see paragraph 10.3 Valuation Criteria in 2018 Consolidated Financial Statements.

1.4 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 2018 Consolidated Financial Statements.

1.5 Main changes in the scope of consolidation compared with December 31, 2018

The main changes in the Group's scope of consolidation involved:

- the merger by incorporation of Edison Energie Spa (formerly Gas Natural Vendita Italia Spa (GNVI)) into Edison Energia Spa with effect for third parties from January 1, 2019, which had no effects on Group's financial statements;
- in January, the sale of Compagnia Energetica Bellunese Spa (CEB), that operates in biomass activities, already consolidated on a line-by-line basis;
- in April, Fenice Qualità per l'Ambiente Spa acquired 100% of the share capital of the companies Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl, that operate in district heating activities.

1.6 Application of accounting standard IFRS 5

On July 4, 2019, Edison announced the signing of an agreement with Energean Oil & Gas Plc to sell the 100% of Edison Exploration & Production Spa and its subsidiaries in the hydrocarbons exploration and production business operating in Italy and abroad (hereafter E&P business). The signing follows the approval of the transaction by Edison Board of Directors on July 3, 2019.

The price of the transaction was based on an Enterprise Value of USD 750 million, with a forecasted additional consideration of USD 100 million contingent on the commissioning of Cassiopea development gas project in Italy. Moreover, Edison will have rights to royalties associated to further potential developments in Egypt. The deal includes also the transfer to the purchaser of the future decommissioning obligations.

The closing of the transaction is expected to take place by the end of 2019 and it is subject to customary conditions precedent for transactions of this kind, among which the Italian Economic Development Ministry approval.

In the present Condensed Consolidated Semiannual Financial Statements the E&P business, which consisted of some Cash Generating Units, considering relevance and its specificity, was consequently treated as discontinued operations in accordance with IFRS 5; therefore:

- in the income statement for the first half of 2019 and, for comparative purposes, for the first half of 2018, the revenues and income and costs and expenses, starting from January 1st, as well as the adjustment of the carrying amount to fair value less cost to sell, of the assets that constitute discontinued operations were reclassified under the item **Profit (Loss) from discontinued operations** (-518 million euros in the first half of 2019, -3 million euros in the first half of 2018); specifically, the determination of the adjustment of the E&P business' book value reflects, other than the expected sale price, an evaluation of some indemnities, defined in the contract, and the allocation, in compliance with the IAS 36 par. 86, of a part of the indistinct goodwill of Hydrocarbons Operations;
- in the balance sheet the assets and liabilities attributable to the E&P business have been reclassified to **Assets** and **Liabilities held for sale**; balance sheet balances as at December 31, 2018 have not been restated;
- in the cash flow statement in the first half of 2019 and, for comparative purposes, in the first half of 2018, the cash flows generated by the assets that constitute the discontinued operations were reclassified to specific dedicated items.

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

In this document, therefore, all the economic and flow data referring to the first half of 2018 have been restated to allow a homogeneous comparison with those of the first half of 2019; the balance sheet figures as at December 31, 2018 are those published in the 2018 consolidated financial statements.

For more information regarding the application of IFRS 5 accounting standard and the related effects on these Condensed Consolidated Semiannual Financial Statements, see paragraph 10.1 Disclosure pursuant to IFRS 5.

1.7 Information pursuant to IFRS 3 revised

Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl

Preliminary fair value of acquired assets and liabilities for the two companies Azienda Energetica Buschese Srl and Vernante Nuova Energia Srl are described in the following table:

(in millions of euros)	Fair value of acquired assets and liabilities
Non current assets	8
Current assets	4
Total assets	**12**
Current liabilities	11
Total liabilities	**11**
Fair value of net acquired assets	**1**
% attributable to Edison	100%
Fair value attributable to Edison	**1**
Goodwill	4
Price of acquisition	**5**
Cash and cash equivalents acquired	(3)
Net price paid on business combination	**2**

Contribution to Income statement of the two companies from the acquisition date as at June 30, 2019 is not material.

Conclusion of Purchase Price Allocation (PPA) referred to 2018 acquisition – Zephyro Spa

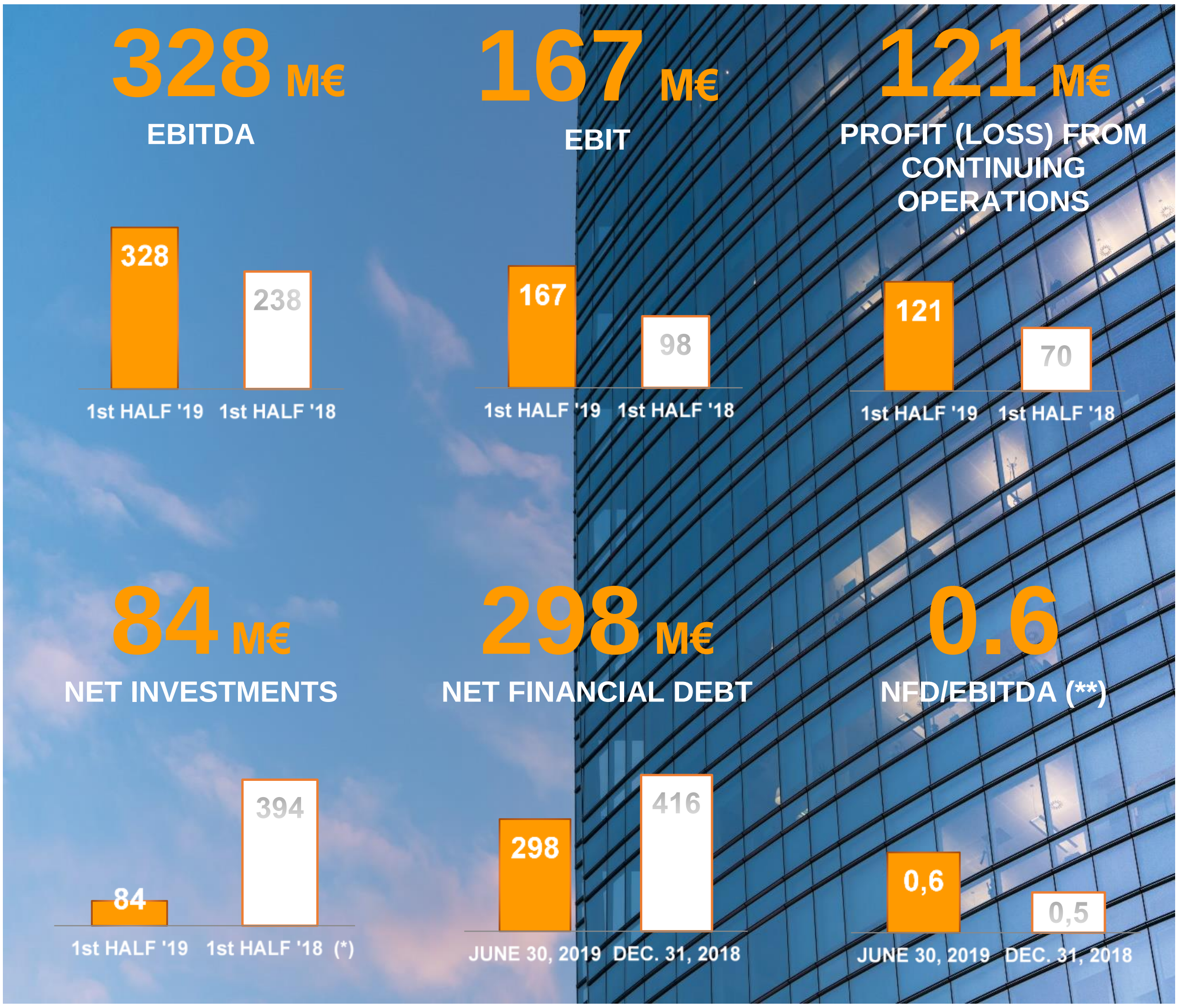
In the first half of 2019 the Purchase Price Allocation process concerning the acquisition of Zephyro Spa by Fenice Qualità per l'Ambiente Spa, occurred in July 2018, was finalized; compared to the preliminary evaluation, it were reviewed the value of intangible assets that was determined at about 32 million euros (previously 58 million euros) and the goodwill that increased from 4 million euros to 17 million euros. The following table shows the assets and liabilities at the date of acquisition, carried out at the conclusion of the Purchase Price Allocation process.

(in millions of euros)	Fair value of acquired assets and liabilities
Non current assets	85
Current assets	62
Total assets	**147**
Non current liabilities	22
Current liabilities	47
Total liabilities	**69**
Fair value of net acquired assets	**78**
% attributable to Edison	70.66%
Fair value attributable to Edison	**55**
Goodwill (*)	17
Price of acquisition	**72**
Cash and cash equivalents acquired	(9)
Price paid for step up	34
Net price paid on business combination	**97**

(*) The Purchase Price Allocation w as carried out on the date of acquisition of control of Zephyro Spa (July 2, 2018) and refers to the acquisition of 70.66% of total share capital. Subsequently, further purchases w ere made to reach the 99.05% of total share capital as at December 31, 2018. These purchases have been considered as transactions betw een shareholders and booked to shareholders' equity; in Edison Group this led to a decrease of shareholders' equity attributable to Parent company shareholders of about 11 millions euros (about 5 million euros in the preliminary evaluation).

2. PERFORMANCE

2.1 Highlights



(*) Include strategic acquisitions

(**) **NFD** Net Financial Debt;

The ratio at June 30, 2019 was calculated using a normalized EBITDA based on the last twelve months.

Highlights 1st half 2019 (in millions of euros)	Electric Power Operations	Hydrocarbons Operations	Corporate	Eliminations
EBITDA	233	146	(51)	-
EBIT	105	135	(74)	1
Gross Investments	70	6	2	-

2.2 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. 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.

Electric Power Operations: the Group operates throughout the entire electricity supply chain with a portfolio of power generation plants from thermoelectric, hydroelectric, wind and photovoltaic sources and performs activities related to plant management and development, enhancement, dispatching and sale of energy to both wholesalers and end customers (residential, PA, SMEs and business). Electric Power Operations also includes the assets and activities of energy and environmental services.

Hydrocarbons Operations: Edison is present in the various phases of the hydrocarbon supply chain with activities: i) upstream: assets for exploration, development and production of hydrocarbons in Italy and abroad; ii) midstream gas: development of transport infrastructure, procurement contracts, storage management and distribution networks; iii) downstream gas: sale to wholesalers and end consumers (industrial and residential). The upstream activities are to be referred to E&P business, whose amounts, as a consequence of the announced agreement for its sale, are now showed in discontinued operations.

Corporate: include centralized and cross-functional activities by the Parent Company and the activities of certain holding and real estate companies. This includes the management of non-Energy Activities discussed in chapter 8. Non-Energy Activities.

The Group does not view geographic area segment information as meaningful.

(in millions of euros)	Electric Power Operations	Hydrocarbons Operations	Corporate	Adjustments	Edison Group
Income statement 1st half 2019					
Sales Revenues	**2,071**	**2,686**	**27**	**(477)**	**4,307**
- Third parties	2,066	2,234	7	-	4,307
- Intra-Group	5	452	20	(477)	-
Commodity and logistic costs	(1,541)	(2,481)	-	456	(3,566)
Other costs and services used	(203)	(31)	(46)	21	(259)
Labor costs	(100)	(18)	(32)	-	(150)
Other revenues and income/(costs), net	6	(10)	-	-	(4)
EBITDA	**233**	**146**	**(51)**	**-**	**328**
Net change in fair value of derivatives	2	5	-	1	8
Depreciation and amortization	(130)	(16)	(8)	-	(154)
(Writedowns) and reversals	-	-	-	-	-
Other income (expenses), net	-	-	-	-	-
Other income (expenses) non Energy activities	-	-	(15)	-	(15)
EBIT	**105**	**135**	**(74)**	**1**	**167**
Balance Sheet at 06.30.2019					
Current and non current assets	5,495	2,448	4,069	(3,033)	8,979
Assets held for sale	-	1,697	-	(439)	1,258
Total assets	5,495	4,145	4,069	(3,472)	10,237
Current and non current liabilities	1,703	1,613	1,588	(1,088)	3,816
Liabilities held for sale	-	1,144	-	(439)	705
Total liabilities	1,703	2,757	1,588	(1,527)	4,521
Total shareholders' equity					5,716
Net financial debt					298
Other information and ratios					
Number of employees	3,314	494	653	-	4,461
Employees in activities held for sale (*)		964			964
EBITDA/Sales revenues	11.3%	5.4%	n.m.	n.m.	7.6%
EBIT/Sales revenues	5.1%	5.0%	n.m.	n.m.	3.9%
NFD/EBITDA (**)					0.6
Income statement 1st half 2018					
Sales Revenues	**1,823**	**2,697**	**29**	**(337)**	**4,212**
- Third parties	1,816	2,390	6	-	4,212
- Intra-Group	7	307	23	(337)	-
Commodity and logistic costs	(1,373)	(2,522)	(2)	318	(3,579)
Other costs and services used	(177)	(35)	(49)	20	(241)
Labor costs	(90)	(20)	(31)	-	(141)
Other revenues and income/(costs), net	(1)	(10)	(1)	(1)	(13)
EBITDA	**182**	**110**	**(54)**	**-**	**238**
Net change in fair value of derivatives	-	-	-	-	-
Depreciation and amortization	(110)	(13)	(2)	-	(125)
(Writedowns) and reversals	-	(2)	-	-	(2)
Other income (expenses), net	-	-	-	-	-
Other income (expenses) non Energy activities	-	-	(13)	-	(13)
EBIT	**72**	**95**	**(69)**	**-**	**98**
Balance Sheet at 12.31.2018					
Total assets	5,274	5,131	3,553	(3,373)	10,585
Total liabilities	1,612	3,111	1,159	(1,438)	4,444
Total shareholders' equity					6,141
Net financial debt					416
Other information and ratios					
Number of employees	3,303	1,437	632	-	5,372
EBITDA/Sales revenues	10.0%	4.1%	n.m.	n.m.	5.7%
EBIT/Sales revenues	3.9%	3.5%	n.m.	n.m.	2.3%
NFD/EBITDA					0.5

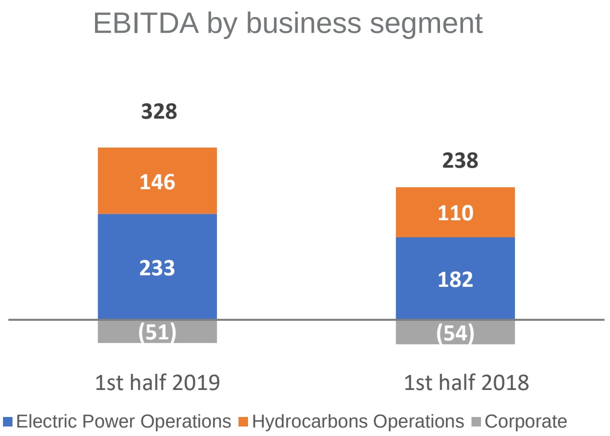
(*) Include operating company Abu Qir Petroleum Company (AQP) staff.
(**) The ratio at June 30, 2019 was calculated using a normalized EBITDA based on the last twelve months.

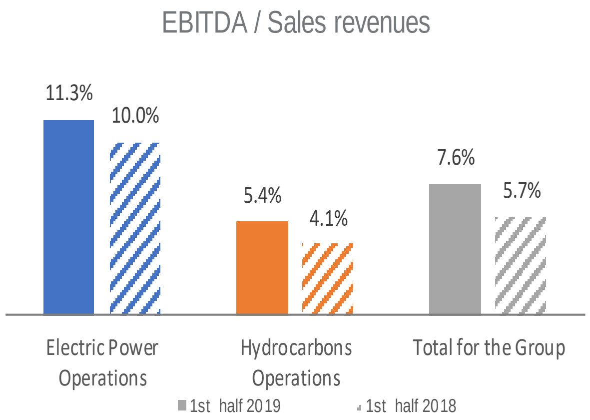
Major customers as defined by IFRS 8

In the Electric Power Operations there is only one major customer with sales revenues for about 580 million euros equal to 28% of sales revenues of the segment and 13.5% of Group's sales revenues.

2.3 EBITDA

EBITDA (in millions of euros)	1st half 2019	1st half 2018	Change	Change %
Electric Power Operations	233	182	51	28.0%
Hydrocarbons Operations	146	110	36	32.7%
Corporate	(51)	(54)	3	(5.6%)
Total for the Group	**328**	**238**	**90**	**37.8%**





In a context of decreasing Italian electricity demand compared to the first half of 2018, the first half of 2019 is marked by a general improvement of the thermoelectric generation profitability in Italy because of a relevant reduction of natural gas prices and a reduced availability of power from hydroelectric plants and import.

The Group benefited from this scenario by increasing thermoelectric production which more than offset the decrease in hydroelectric power generation; it is also to note that 5 new wind farms entered in production. The EBITDA of Electric Power Operations consequently recorded a significant growth. This includes also the activities in energy and environmental services for 44 million euros (41 million euros in the first half of 2018).

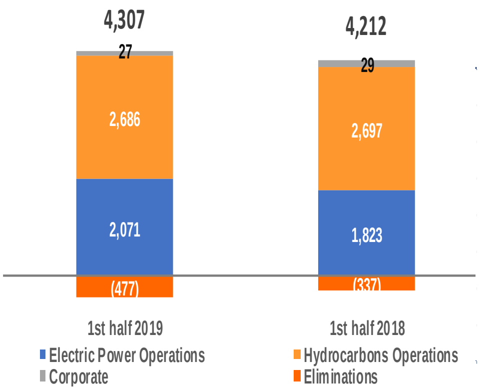
The increase in Hydrocarbons Operations' EBITDA is mainly related to the adverse climatic events occurred in the first six months of 2018 and to an increase in sales to thermoelectric and residential customers.

In this context, the Group's EBITDA is positive and equal to 328 million euros, significantly higher than the one in the same period of 2018 (238 million euros).

The main components of EBITDA are analyzed below.

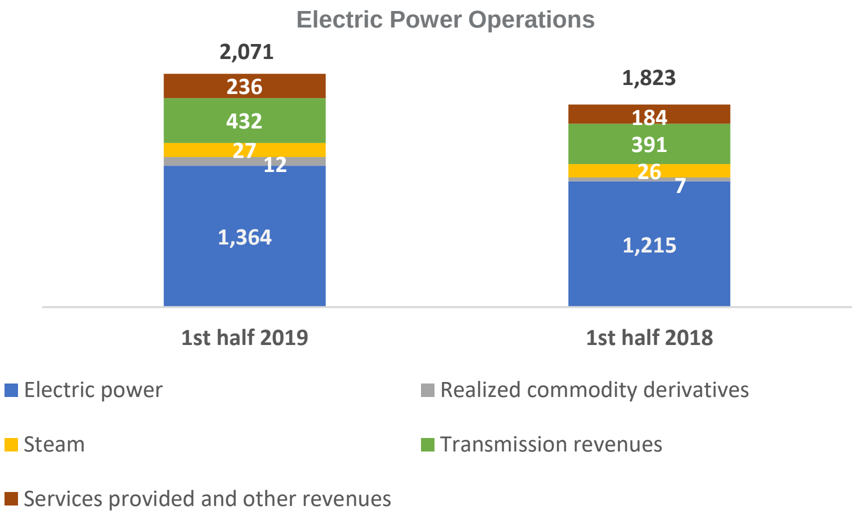
2.3.1 Sales revenues

Sales revenues (in millions of euros)	1st half 2019	1st half 2018	Change	Change %
Electric power	1,362	1,213	149	12.3%
Natural gas	2,153	2,227	(74)	(3.3%)
Realized commodity derivatives	(62)	13	(75)	n.s.
Steam	27	26	1	3.8%
Transmission revenues	544	484	60	12.4%
Storage services	34	36	(2)	(5.6%)
Revenues from services provided	238	195	43	22.1%
Other revenues	11	18	(7)	(38.9%)
Total	**4,307**	**4,212**	**95**	**2.3%**

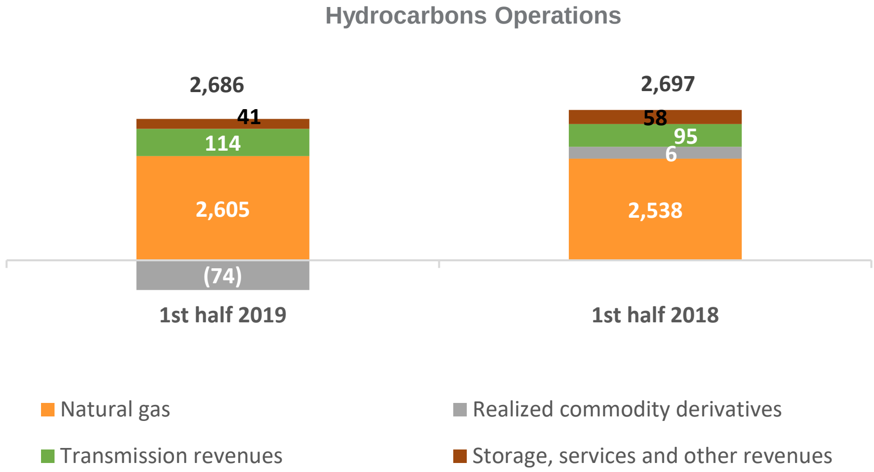


Sales revenues of electric power increased mainly because of the higher thermoelectric and wind power production.

Revenues from services provided include the energy services of Fenice group (210 million euros in the period, 160 million euros in the first half of 2018) which benefit, in particular from the acquisitions made in 2018.



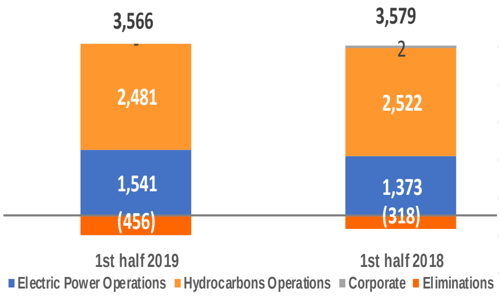
Sales revenues of the Group from natural gas decrease mainly as a consequence of reduction in gas prices. In Hydrocarbons Operations the increase is due to the gas sales to the Electric Power Operations, linked to increasing thermoelectric production.



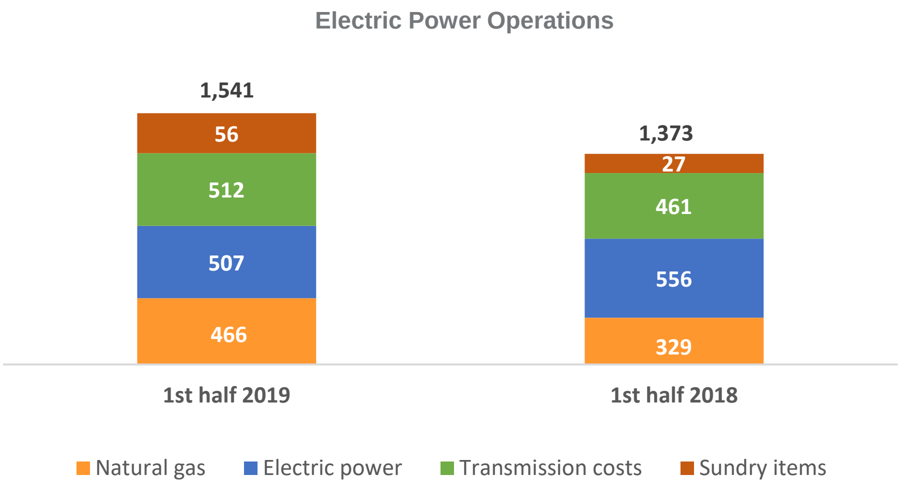
The realized results on commodity derivatives, that should be analyzed together with the corresponding item included in Commodity and logistic costs, concern the commodities and foreign exchange hedge executed to mitigate the risk of fluctuation in the cost of natural gas and that related to its sale, in line with the indexing formulas and the risk factors included.

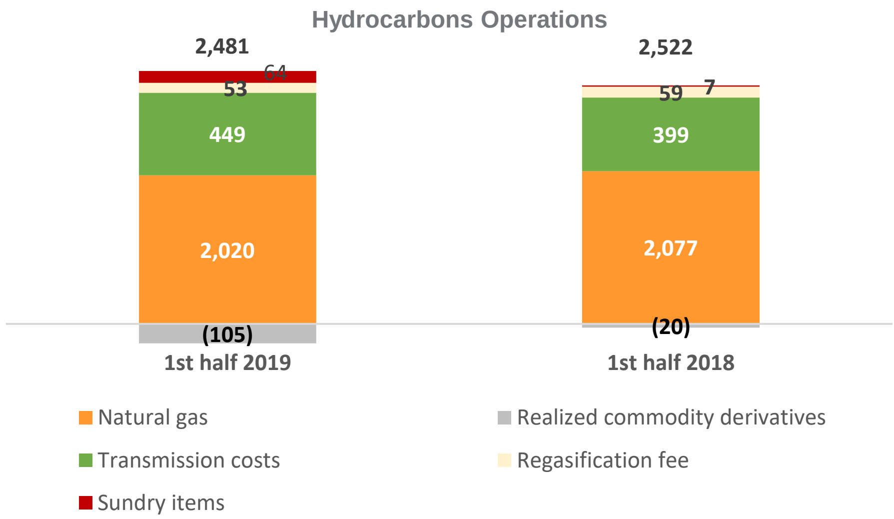
2.3.2 Commodity and logistic costs

Commodity and logistic costs (in millions of euros)	1st half 2019	1st half 2018	Change	Change %
Natural gas	2,034	2,094	(60)	(2.9%)
Realized commodity derivatives	(104)	(17)	(87)	n.s.
Electric power	507	556	(49)	(8.8%)
Transmission costs	961	860	101	11.7%
Regasification fee	53	59	(6)	(10.2%)
Sundry items	115	27	88	n.s.
Total	**3,566**	**3,579**	**(13)**	**(0.4%)**



Commodity and logistic costs are basically in line with those of the first half of the previous year.

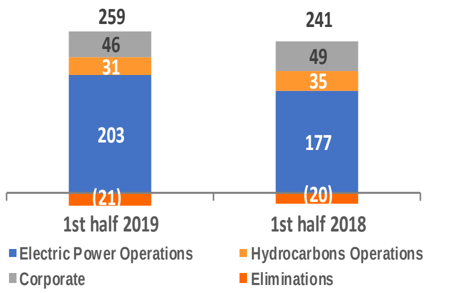




The item Regasification fee, amounting to 53 million euros, includes charges recognized to Terminale GNL Adriatico, for regasification activities.

2.3.3 Other costs and services used

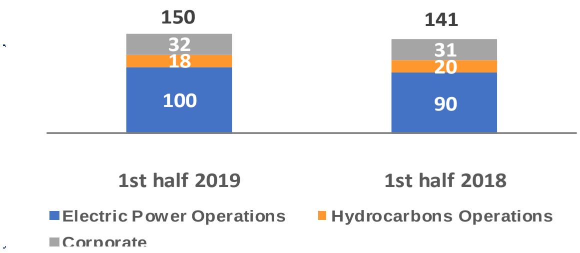
Other costs and services used (in millions of euros)	1st half 2019	1st half 2018	Change	Change %
Maintenance	104	85	19	22.4%
Professional services	51	45	6	13.3%
Use of property not owned	38	44	(6)	(13.6%)
Insurance costs	9	8	1	12.5%
Advertising and communication costs	10	8	2	25.0%
Sundry items	47	51	(4)	(7.8%)
Total	**259**	**241**	**18**	**7.5%**



The increase over the same period of the previous year is mainly related to the maintenance costs' rise due to acquisitions in the scope of the energy and environmental services.

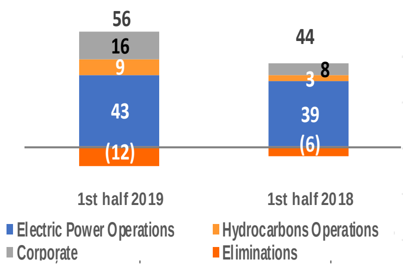
2.3.4 Labor costs

These costs recorded an increase of 9 million euros compared to the same period of 2018, mainly referred to the perimeter effect.



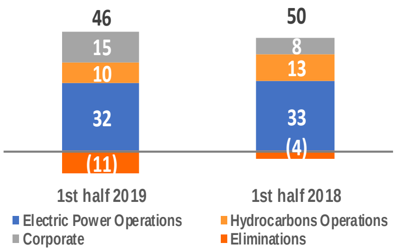
2.3.5 Other revenues and income and Other costs

Other revenues and income (in millions of euros)	1st half 2019	1st half 2018	Change	Change %
Net reversals in earnings of provisions for sundry risks	4	12	(8)	(66.7%)
Gains on disposals	3	-	3	n.s.
Insurance indemnities	5	8	(3)	(37.5%)
Out of period and other income	44	24	20	83.3%
Total	**56**	**44**	12	27.3%



It should be noted that the item Out of period and other income includes 9 million euros from the operations managed in compliance with MASA joint venture agreement with EDF Trading.

Other costs (in million of euros)	1st half 2019	1st half 2018	Change	Change %
Indirect taxes and duties	10	12	(2)	(16.7%)
Additions to provisions for risks	18	24	(6)	(25.0%)
Out of period and sundry items	18	14	4	28.6%
Total	**46**	**50**	(4)	(8.0%)



2.4 From EBITDA to Profit (Loss) from continuing operations

In addition to the industrial performance discussed above, it is worth of noting, in particular, an increase of 29 million euros in depreciation and amortization (please see below chapter 5. Fixed assets and provisions).

EBIT amounted to 167 million euros (98 million euros in the first half 2018).

Financial items recorded a total of 10 million euros in net expenses (a net income of 4 million euros in the first half of 2018). Higher expenses are mainly due to increasing volumes of assigned trade receivables without recourse about which reference should be made to paragraph 3.2 Operating working capital. The following table is a breakdown of the item **Other net financial income (expense).**

Other net financial income (expense) (in millions of euros)	1st half 2019	1st half 2018	Change
Financial expenses on provisions	(5)	(5)	-
Net foreign exchange translation gains (losses) (*)	8	4	4
Other (**)	-	10	(10)
Other net financial income (expense)	**3**	**9**	**(6)**

(*) Including net results of the transactions with EDF Sa to cover exchange rate risk.
(**) Including financial income/expense versus E&P business.

After deducting the charges for **income taxes** (38 million euros, reviewed in chapter 7. Taxation), **the Profit (Loss) from continuing operations is 121 million euros in profit, 70 million euros in the first half 2018.**

2.5 Profit (Loss) from discontinued operations and Group interest in profit (loss)

Profit (Loss) from discontinued operations, a loss for 518 million euros , includes, amongst other, the writedown determined to align the E&P business book value to the sale price. For further information, please refer to paragraphs 1.6 Application of accounting standard IFRS 5 and 10.1 Disclosure pursuant to IFRS 5.
The amount for the first half 2018 (a loss for 3 million euros) refers exclusively to the loss attributable to the E&P business.
After deducting the item described above and allocating the minority interest (9 million euros in profit), the Group interest in profit (loss) is equal to 406 million euros in loss (a profit for 62 million euros in the first half 2018).

3. NET WORKING CAPITAL

Net Working Capital (in millions of euros)	06.30.2019	12.31.2018	Change
Trade receivables	1,104	1,654	(550)
Inventories	117	223	(106)
Trade payables	(1,179)	(1,580)	401
Operating Working Capital (A)	**42**	**297**	**(255)**
Other non-current assets	218	121	97
Other current assets	295	387	(92)
Other non-current liabilities	(5)	(1)	(4)
Other current liabilities	(385)	(222)	(163)
Other assets / (liabilities) (B)	**123**	**285**	**(162)**
Net working capital (A+B)	**165**	**582**	**(417)**

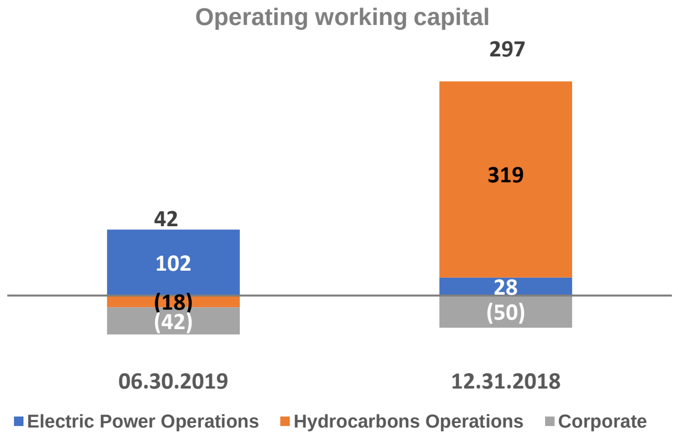
Net working capital decreases significantly compared to December 31, 2018 due to the reclassification of E&P business balances to Assets and Liabilities held for sale, as more widely described in the following paragraph 10.1 Disclosure pursuant to IFRS 5.

3.1 Credit risk management

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.

To control this risk, the Edison Group strengthened the procedures and programs designed to evaluate customer credit standing and optimized the collection strategies for the various customer segments. When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives) the Group deals only with entities with a high credit rating. At June 30, 2019, there were no significant exposures to risks related to a possible deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.

3.2 Operating working capital



Change of the period is mainly due to reclassification to Assets and Liabilities held for sale of E&P business operating working capital and to decrease in inventories of natural gas.

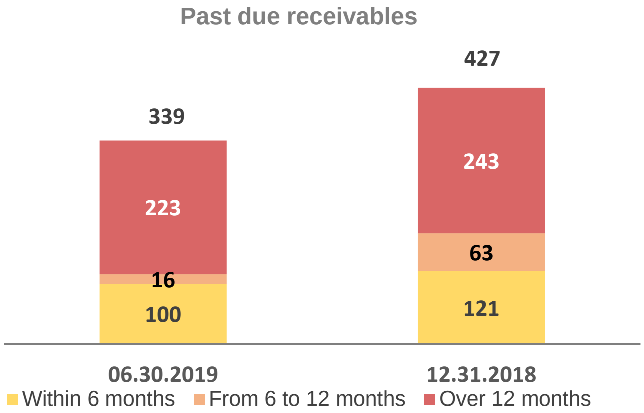
3.2.1 Trade receivables

Trade receivables (in millions of euros)	06.30.2019	12.31.2018	Change
Electric Power Operations	702	670	32
Hydrocarbons Operations	422	1,000	(578)
Corporate and eliminations	(20)	(16)	(4)
Trade receivables	**1,104**	**1,654**	**(550)**
of which allowance for doubtful accounts	**(225)**	**(251)**	**26**
Guarantees owned	27	28	(1)

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, and Power Exchange transactions.

Edison Group regularly carries out transactions to assign trade receivables without recourse on a revolving monthly basis and by the transfer of credit risk on a non-recourse basis. Note that in the first half of 2019 the receivables assigned with such transactions totalled 2,277 million euros (1,894 million euros at June 30, 2018). Note that from July 2018, transactions to assign trade receivables without recourse were initiated for the Retail segment. These receivables were not exposed to the risk of recourse at June 30, 2019. The costs related to managing these activities are recorded under financial items and amount to 10 million euros (3 million euros in the first half of 2018).

Edison Group continues to pursue a credit management approach differentiated over three market segments (Retail, Business and Public Administration), which is aimed, through structural actions, at preventing the formation of new trade receivables and quickly collect both current and non-performing receivables.



The change is mainly due to the reclassification of the balances of E&P business to Assets held for sale, that amounted to 129 million euros as at December 31, 2018.

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

(in millions of euros)	12.31.2018	Reclassification to assets held for sale	Additions	Utilizations	Others	06.30.2019
Allowance for doubtful accounts (*)	**(251)**	**35**	**(16)**	**7**	**-**	**(225)**

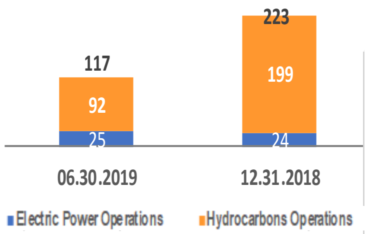
(*) Including default interests.

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 recognised for receivables deemed uncollectible during the first six months of 2019. EBITDA for the period shows net charges related to writedowns and reversals on receivables for 14 million euros (7 million euros in the first half of 2018), an increasing amount due to changes in perimeter of activities.
The amount of the allowance for doubtful accounts is determined based on the different underlying credit statuses or, particularly for receivables owed by Retail customers, taking into account the relative age of the non-performing receivables and the methodology envisaged in the IFRS 9 accounting standard (expected credit losses model).

3.2.2 Inventories

The inventories included 35 million euros for stored natural gas the use of which is restricted as a strategic reserve.

Inventories (in millions of euros)	06.30.2019	12.31.2018	Change
Stored natural gas	90	151	(61)
Fuels	-	16	(16)
Engineering consumables	9	39	(30)
Other	18	17	1
Inventories	**117**	**223**	**(106)**



Changes in fuels and in engineering consumables are due to the reclassification of E&P business to Assets held for sale.

3.2.3 Trade payables

Trade payables (in millions of euros)	06.30.2019	12.31.2018	Change
Electric Power Operations	625	666	(41)
Hydrocarbons Operations	532	880	(348)
Corporate and eliminations	22	34	(12)
Trade payables	**1,179**	**1,580**	**(401)**

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance.

3.3 Other assets and liabilities

Other assets and liabilities (in millions of euros)	06.30.2019	12.31.2018	Change
VAT credit	301	287	14
Other tax receivables	4	11	(7)
Deposits	7	8	(1)
Advances to suppliers	22	19	3
Other	179	183	(4)
Total other assets (A)	**513**	**508**	**5**
Amount owed to employees	24	34	(10)
Payables owed to social security institutions	20	23	(3)
Other	346	166	180
Total other liabilities (B)	**390**	**223**	**167**
Other assets and liabilities (A-B)	**123**	**285**	**(162)**

Other liabilities include the commitment for about 173 million euros for the acquisition of 100% of the shares of EDF EN Italia from EDF Renouvelables. On July 17, 2019 the transaction has been then closed with the acquisition of the shares and the payment of an amount of 172.3 million euros, aside price adjustments contractually agreed.

Commitments

At June 30, 2019, guarantees of about 172 million euros provided from Edison Spa were recognized to the Revenue Agency mainly for VAT credit refunds for 2015 and 2016 (guarantees of about 111 million euros at December 31, 2018).

4. MARKET RISK MANAGEMENT

This Chapter 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, the foreign exchange risk linked to commodities and other risks related to foreign exchange rate.
In accordance with IFRS 7 Financial Instruments - Disclosure, consistently with Semiannual 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.
In addition, effects of derivatives transactions on Income Statement and Balance Sheet at June 30, 2019 are provided too.

4.1 Market risk and risk management

4.1.1 Commodity price risk and exchange rate risk related to commodity transactions

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, petroleum products and environmental securities), both directly, with pricing formula, and indirectly, through statistical correlations and economic relations, which have an impact on the revenues and expenses of its production, storage and marketing operations. Moreover, because some contracts are settled in currencies different from euro and/or include a translation into different currencies through price indexing formulas, the Group is also exposed to exchange rate risk.
The management and control of these risks are governed by the Energy Risk Policies, which involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk.
For further details concerning the governance model adopted by the Group and the operational procedures related to it, please refer to the 2018 Consolidated Financial Statements.
For hedging derivatives of the Industrial Portfolio, a simulation is carried out to measure the potential impact of market prices fluctuations on the fair value of outstanding derivatives. 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 2022.
The following table shows the maximum expected negative variance in the fair value by the end of the year, with a 97.5% probability, compared with the fair value determined at June 30.

Value at Risk (VaR) (*) (in millions of euros)	**06.30.2019**	**06.30.2018**
Maximum negative variance in the fair value of derivatives	369	287
Maximum negative variance in the fair value including the change in the fair value of the contracts object of hedge; of which:	201	123
- potential impact on Income Statement (**)	23	15
- potential impact on balance sheet in Cash Flow Hedge reserve (***)	178	108

(*) Value at Risk: is a statistical measurement of the maximum potential negative variance in portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval.
(**) Referring to derivatives qualified as Economic Hedge and to the ineffective portion of derivatives qualified as Cash Flow Hedge and Fair Value Hedge.
(***) Referring to the effective portion of derivatives qualified as Cash Flow Hedge.

The maximum variance in the fair value increase compared with the level measured at June 30, 2018 is mainly attributable to higher volatility on the energy markets where the Group operates.

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

Industrial portfolio **Economic Capital absorbed**	**1st half 2019**		**1st half 2018**	
	without derivatives	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved limit of Economic Capital	158%	53%	163%	57%
Maximum absorption	198% - June '19	63% - June '19	187% - Jan. '18	67% - Jan. '18

4.1.2 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, 2018.

4.2 Hedge Accounting and Economic Hedge – Fair Value Hierarchy

Whenever possible, the Group applies hedge accounting, provided the transactions comply with the requirements of IFRS 9.

4.2.1. Classification

Forward transactions and derivatives outstanding are classified as follows:

1) **Derivatives that qualify as hedges in accordance with IFRS 9**. This category includes (i) transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedges - CFH) on interest rates, exchange rates and commodity and (ii) transactions that hedge the fair value of the hedged item (Fair Value Hedge - FVH) on commodity (price and exchange rate).
2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IFRS 9** that comply with internal risk policies and procedures on management of exchange rate and energy commodity risks.

4.2.2. 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). As at June 30, 2019, one category is classified at this level (two categories at December 31, 2018), which fair value amount is not material.

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.

4.3 Effects of derivatives transactions on Income Statement and Balance Sheet at June 30, 2019

4.3.1. Effects of derivatives transactions on Income Statement at June 30, 2019

(in millions of euros)	Realized (A)	Change in Fair Value in the period (B)	Amounts recognized in earnings at 06.30.2019 (A+B)	Realized (C)	Change in Fair Value in the period (D)	Amounts recognized in earnings at 06.30.2018 (C+D)
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	**89**	**5**	**94**	**29**	**1**	**30**
Price risk hedges for energy products	70	5	75	49	-	49
Exchange risk hedges for commodities	19	-	19	(20)	1	(19)
Total definables as hedges pursuant to IFRS 9 (FVH)	**(46)**	**3**	**(43)**	**6**	**4**	**10**
Price risk hedges for energy products	(66)	241	175	14	10	24
Exchange risk hedges for commodities	20	2	22	(8)	39	31
Fair value physical contracts	-	(240)	(240)	-	(45)	(45)
Total not definables as hedges pursuant to IFRS 9	**(1)**	**-**	**(1)**	**(5)**	**(5)**	**(10)**
Price risk hedges for energy products	3	(4)	(1)	(3)	5	2
Exchange risk hedges for commodities	(4)	4	-	(2)	(10)	(12)
Total price risk and exchange risk hedges for commodities (A)	**42**	**8**	**50**	**30**	**-**	**30**
Total margin on trading activities (B)	**-**	**-**	**-**	**1**	**(1)**	**-**
TOTAL INCLUDED IN EBIT (A+B)	**42**	**8**	**50**	**31**	**(1)**	**30**
Result from interest rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	-	-	-	-	-	-
Not definables as hedges pursuant to IFRS 9	-	-	-	-	-	-
Total interest rate hedges (C)	**-**	**-**	**-**	**-**	**-**	**-**
Result from exchange rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	10	-	10	1	-	1
Not definables as hedges pursuant to IFRS 9	2	-	2	1	-	1
Total exchange rate hedges (D)	**12**	**-**	**12**	**2**	**-**	**2**
TOTAL INCLUDED IN FINANCIAL ITEMS (C+D)	**12**	**-**	**12**	**2**	**-**	**2**

(*) Includes the ineffective portion.

It is noted that the margin on trading activities (line B in the table above) is referred to the contracts closed by Edison before the signing of the cooperation agreement with EDF Trading (MASA) and not yet expired.
The economic results of the operations managed in compliance with MASA joint venture agreement with EDF Trading – so-called profit sharing – aren't included in the table above because are recorded in the item Other revenues and income (9 million euros in the first half of 2019).

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

The following table provides the first half 2019 and 2018 effects on the Income Statement from the changes in the fair value of the derivatives (commodity and foreign exchange rate), positive for 8 million euros and 0 million euros respectively (please see line A with interception with columns B and D in the table above).

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
2019				
Hedges of price risk on energy products	5	241	(4)	**242**
Hedges of foreign exchange risk on commodities	-	2	4	**6**
Change in fair value in physical contracts (FVH)	-	(240)	-	**(240)**
1st half 2019	**5**	**3**	**-**	**8**
2018				
Hedges of price risk on energy products	-	10	5	**15**
Hedges of foreign exchange risk on commodities	1	39	(10)	**30**
Change in fair value in physical contracts (FVH)	-	(45)	-	**(45)**
1st half 2018	**1**	**4**	**(5)**	**-**

(*) It refers to the ineffective portion.

The strong positive increase of the net change in fair value of commodity derivatives classified as FVH is a consequence of the sharp reduction registered by European (TTF) and Italian (PSV) gas prices.

4.3.2. Effects of derivatives transactions in Balance Sheet as at June 30, 2019

The following table shows Fair Value breakdown recorded in Balance Sheet and gives its classification according to IFRS 13.

(in millions of euros)	06.30.2019			12.31.2018		
Broken down as follows:	**Receivables**	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Financial assets (liabilities)	-	-	-	-	-	-
- Non-current assets (liabilities)	137	(119)	18	170	(168)	2
- Current assets (liabilities)	511	(423)	88	530	(471)	59
Fair Value recognized as assets or liabilities (a)	**648**	**(542)**	**106**	**700**	**(639)**	**61**
of which of (a) related to:						
- Interest Rate Risk Management	-	-	-	-	-	-
- Exchange Rate Risk Management	59	(12)	47	55	(17)	38
- Commodity Risk Management	477	(316)	161	366	(481)	(115)
- Trading Portfolios (physical and financial)	-	-	-	1	(1)	-
- Fair value on physical contracts	112	(214)	(102)	278	(140)	138
Broken down on fair value hierarchy:						
- Level 1	85	(1)	84	68	(1)	67
- Level 2	560	(541)	19	630	(638)	(8)
- Level 3 (*)	3	-	3	2	-	2
IFRS 7 potential offsetting (b)	**(330)**	**330**		**(302)**	**302**	
Potential Net Fair Value (a+b)	**318**	**(212)**	**106**	**398**	**(337)**	**61**

(*) The fair value classified at level 3 is recognized in change of fair value derivatives

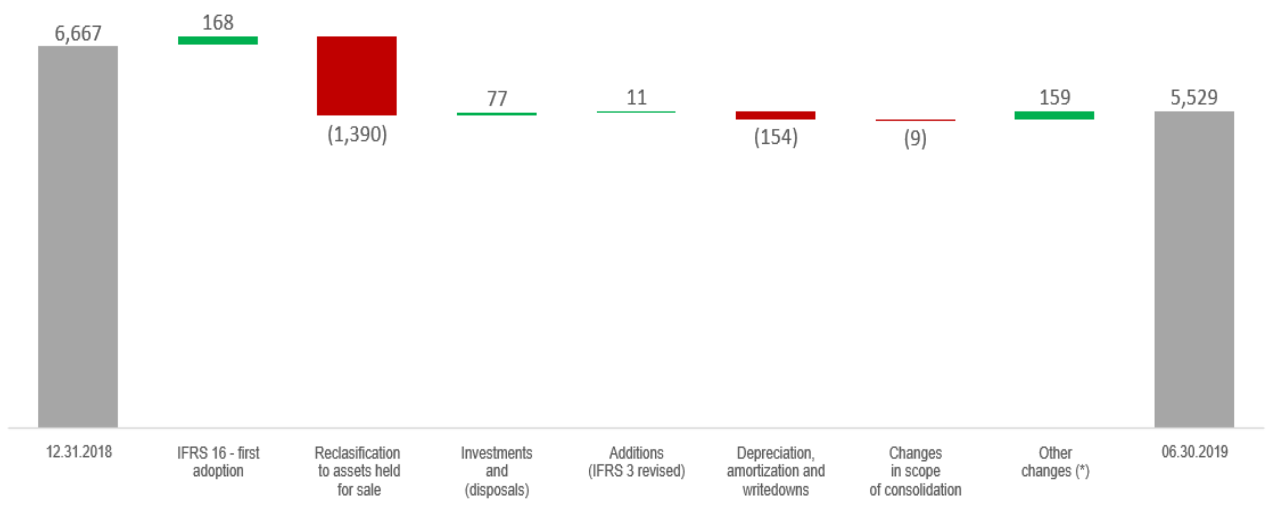
It is worth of mentioning that, as a counterpart of assets and liabilities shown above, a positive Cash Flow Hedge reserve by 67 million euros, gross of deferred tax assets and liabilities, was recorded in the shareholders' equity. For more information, please refer to paragraph 6.1 Shareholders' equity.

5. FIXED ASSETS AND PROVISIONS

5.1 Tangible, intangible assets and goodwill

Tangible, intangible assets and goodwill (in millions of euros)	Property, plant and equipment	Intangible assets	Goodwill	Total
Balance at 12.31.2018	**3,647**	**617**	**2,403**	**6,667**
IFRS 16 - first adoption	168	-	-	**168**
Balance at 01.01.2019 (A)	**3,815**	**617**	**2,403**	**6,835**
Changes in 1st half 2019:				
- reclasification to assets held for sale	(941)	(271)	(178)	(1,390)
- investments	69	9	-	78
- additions (IFRS 3 *revised*)	7	-	4	11
- disposals (-)	-	(1)	-	(1)
- depreciation and amortizations (-)	(138)	(16)	-	(154)
- change in scope of consolidation	(9)	-	-	(9)
- other changes (*)	1	145	13	159
Total changes (B)	**(1,011)**	**(134)**	**(161)**	**(1,306)**
Balance at 06.30.2019 (A+B)	**2,804**	**483**	**2,242**	**5,529**

TANGIBLE, INTANGIBLE ASSESTS AND GOODWILL CHANGES (M€)



(*) Including the effects of the conclusion of the process of Purchase Price Allocation of Zephyro and the booking of the right to acquire the company EDF EN Italia.

Commitments on fixed assets:

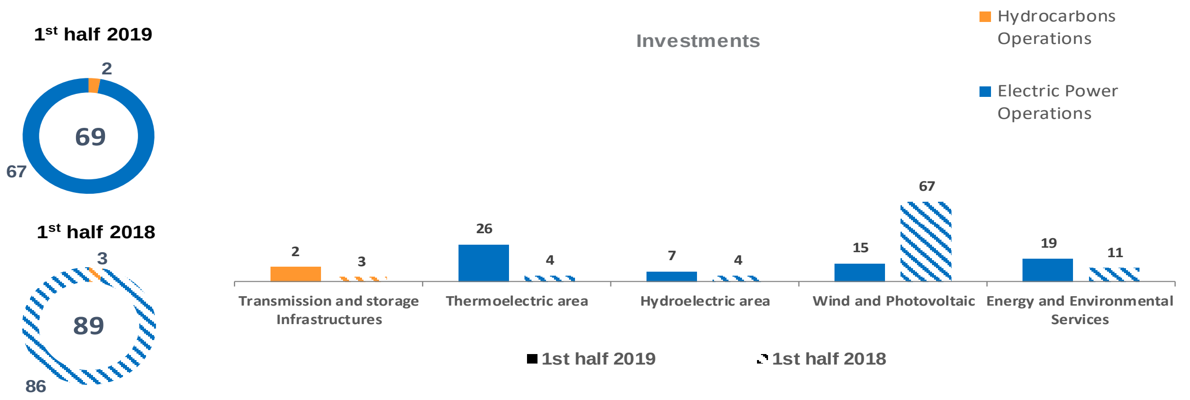
Commitments amount to 624 million euros and mainly include:

- 255 million euros for the completion of investment projects in progress; it should be noted that in the period a commitment was booked, linked to the contract to build a new, latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant (for 178 million years);
- 161 million of euros relating to the O&M Management Fee Agreement for wind sector plants;
- 111 million euros for a long-term 7-year contract (with the possibility of additional extensions up to a maximum duration of 20 years) with Japanese ship owner Nippon Yusen Kabushiki Kaisha for the charter of a LNG vessel. The ship is under construction and will be delivered at the latest by the first quarter of 2023;
- 77 million euros for a 12-year long term charter party agreement (with options to extend it for additional 8 years), entered with the Norwegian shipowner Knutsen OAS Shipping, for a LNG vessel that is under construction and will be delivered in the first half of 2021;
- 20 million euro on the contract for the supply of gas from the Shah Deniz II field in Azerbaijan, transferred to Edison during 2018, to be recognized to Gas Natural Fenosa from 2021 with the first delivery of gas to Italy through the Trans Adriatic Pipeline (TAP).

5.1.1 Property, plant and equipment

Property, plant and equipment (in million of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets under leases IFRS 16 (*)	Other assets	Construction in progress and advances	Total
Balance at 12.31.2018	**317**	**2,744**	**123**	**15**	**14**	**434**	**3,647**
IFRS 16 - first adoption	-	-	-	168	-	-	168
Balance at 01.01.2019 (A)	**317**	**2,744**	**123**	**183**	**14**	**434**	**3,815**
Changes in 1st half 2019:							
- reclassification to assets held for sale (-)	-	(708)	-	(29)	(2)	(202)	(941)
- investments	1	21	1	-	1	45	69
- additions (IFRS 3 revised)	-	7	-	-	-	-	7
- disposals (-)	-	-	-	-	-	-	-
- depreciation (-)	(5)	(116)	(7)	(9)	(1)	-	(138)
- change in scope of consolidation	(1)	(8)	-	-	-	-	(9)
- other changes	1	143	1	(4)	1	(141)	1
Total changes (B)	**(4)**	**(661)**	**(5)**	**(42)**	**(1)**	**(298)**	**(1,011)**
Balance at 06.30.2019 (A+B)	**313**	**2,083**	**118**	**141**	**13**	**136**	**2,804**

(*) Recordered as required by IFRS 16; r elative financial debt is exposed in "Non current Financial debt" (122 million of euros) and in "Current Financial Debt" (15 million of euros)



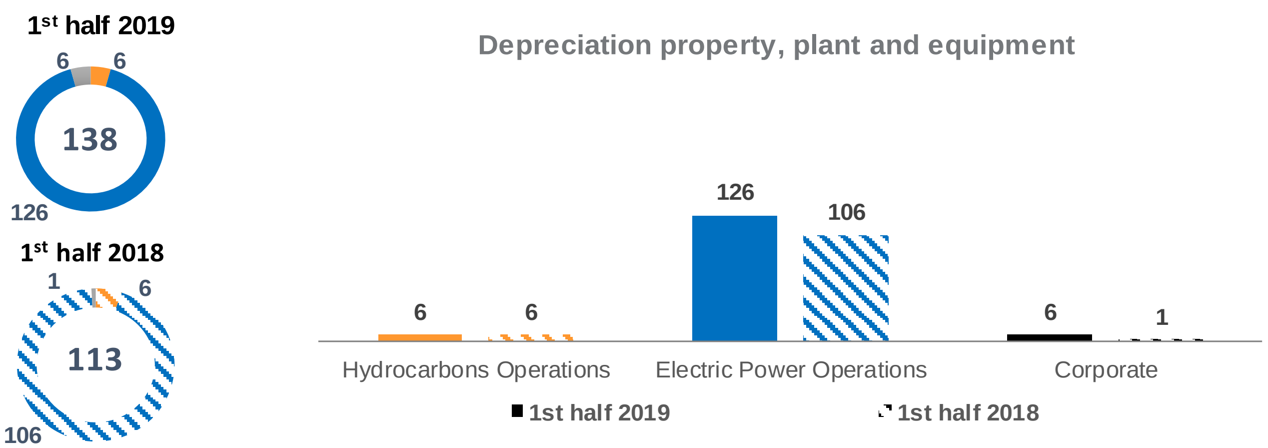
Investments

Investments are mainly related to **Electric Power Operations** and include:

- completion of investments in wind generation plants following the award to company E2i, through the process of calls for tenders issued by the Electric Services Manager in 2016, of new wind power capacity to be installed;
- advances paid to the supplier Ansaldo Energia for the purchase of the new gas turbine for the Marghera Levante thermoelectric plant;
- activities related to energy and environmental services, in particular for Fenice Group.

The borrowing costs capitalized as part of property, plant and equipment, as allowed by IAS 23 revised, were not material. The item **additions (IFRS 3 revised)** refer mainly to the acquisitions of Azienda Energetica Buschese and Vernante Nuova Energia; for a detailed analysis, please refer to the previous paragraph 1.7 Information pursuant to IFRS 3 revised.

Depreciation



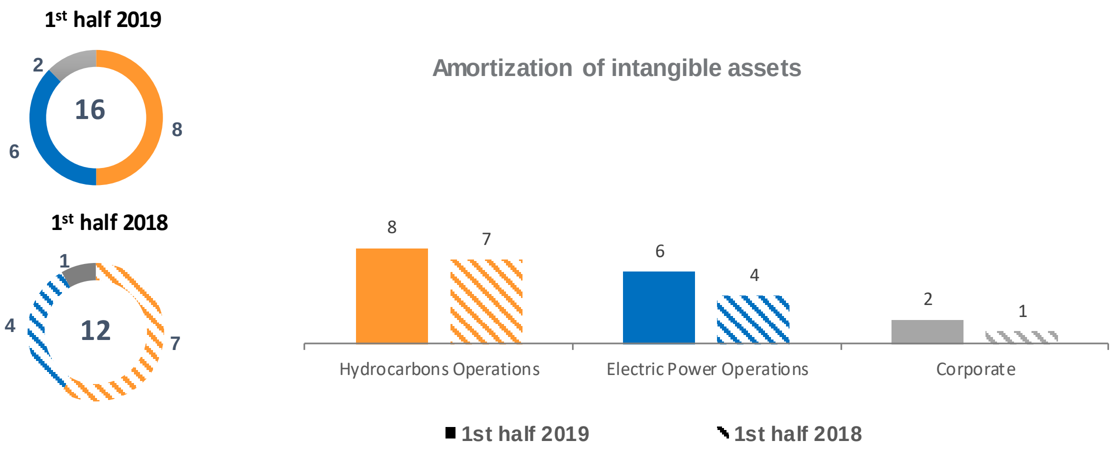
5.1.2 Intangible assets

Intangible assets (in millions of euros)	Hydrocarbon concessions	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progres and advances	Total
Balance at 12.31.2018 (A)	**260**	**103**	**-**	**225**	**29**	**617**
Changes in 1st half 2019:						
- reclasification to assets held for sale	(248)	(1)	-	(12)	(10)	(271)
- investments	-	5	-	3	1	9
- additions (IFRS 3 *revised*)	-	-	-	-	-	-
- disposals	-	-	-	(1)	-	(1)
- amortization (-)	(1)	(5)	-	(10)	-	(16)
- writedowns (-)	-	-	-	-	-	-
- other changes (**)	-	6	-	147	(8)	145
Total changes (B)	**(249)**	**5**	**-**	**127**	**(17)**	**(134)**
Balance at 06.30.2019 (A+B)	**11**	**108**	**-**	**352**	**12**	**483**

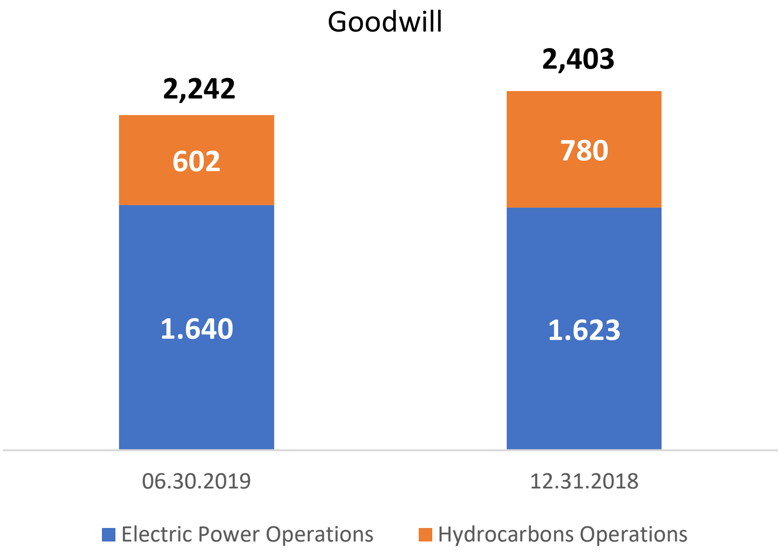
(*) Including the infrastructures used to distribute natural gas (62 concessions) as required by IFRIC 12.
(**) Including the effects of the completion of the process of Purchase Price Allocation of Zephyro and the booking ot the right to acquire the company EDF EN Italia.

The net reduction of 134 million euros for the period mainly reflects the reclassification of E&P business to Assets held for sale (-271 million euros), as well as the right to acquire the company EDF EN Italia booked in the item other intangible assets (about 173 million euro).

Amortization



5.1.3 Goodwill



The change of the period is mainly due to the allocation of a part of the indistinct goodwill to Assets held for sale according to IAS 36 par. 86. Please see the comments in previous paragraphs 1.6 Application of accounting standard IFRS 5 and 1.7 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.

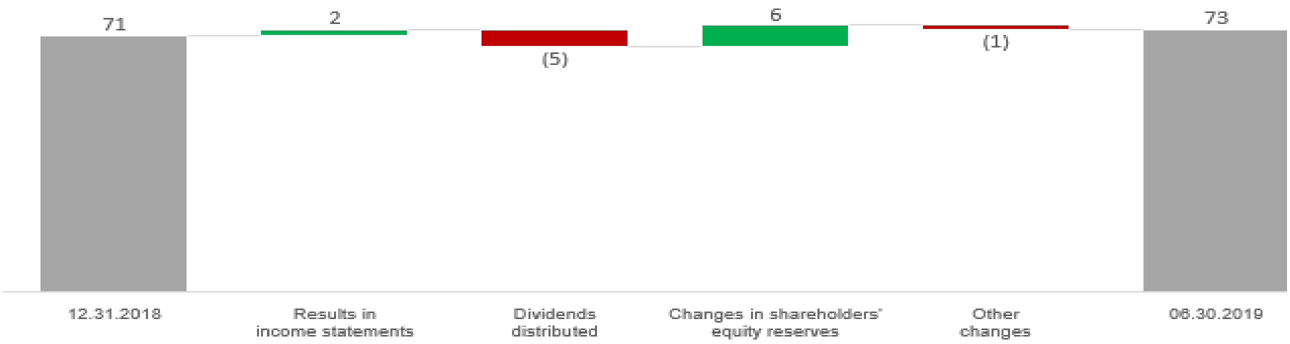
5.1.4 Impairment Test in Accordance with IAS 36

As required by IAS 36, in the first half of 2019 the Group performed analysis to identify potential impairment indicators which may change the Cash Generation Units (CGUs) and goodwill's recoverable value.
Specifically, the short/medium-term economic and scenario variables, the financial performance of the first half and the probable evolutions of the regulatory framework were analyzed. The analysis hasn't shown any trigger to require a semiannual impairment test.

5.2 Equity investments and other non-current financial assets

5.2.1 Investments in companies valued by the equity method

The change during the period is reported below.



The **results in the income statement** refer mainly to the company Ibiritermo. The **dividends** refer mainly to the companies Ibiritermo ed EDF EN Services Italia. The **changes in shareholders' equity reserves** pertain to the companies Depositi Italiani GNL e IGI Poseidon.

5.2.2 Other non-current financial assets

These amount to 57 million euros (69 million euros at December 31, 2018) and include for 48 million euros (51 million euros at December 31, 2018) the financial receivables recognised by Edison International Holding NV (EIH) from the company Elpedison Sa, which was adjusted on January 1, 2018 pursuant to IFRS 9. Note that the capital distributions and the payments of the interest due during the period have been regularly made.

Commitments

Guarantees amounting to approximately 22 million euros (amount in line with December 31, 2018) were recognized, provided by EIH to financial institutions in the interest of Elpedison.

5.3 Provisions for risks and employee benefits

(in millions of euros)	12.31.2018	Reclassification to liabilities held for sale	Additions	Utilizations	Financial expenses	Other changes	06.30.2019
Provisions for employee benefits	40	(3)	-	(2)	-	-	35
Provisions for decommissioning and remediation of industrial sites	716	(579)	-	-	3	-	140
Provisions for risks and charges	211	(41)	16	(13)	2	97	272
Total	**967**	**(623)**	**16**	**(15)**	**5**	**97**	**447**

5.3.1 Provisions for employee benefits

These provisions reflect the accrued severance indemnities and other benefits owed to employees at the end of the period. The actuarial (gains) and losses are recorded in equity. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

5.3.2 Provisions for decommissioning and remediation of industrial sites

Include the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites. The change during the period reflects, in particular, the reclassification of E&P business to liabilities held for sale as described in paragraph 1.6 and in chapter 10, and the increase for the discounting effect, under the income statement item 'Other net financial income (expense)'.

5.3.3 Provisions for risks and charges

These refer to provisions of a purely industrial nature for the various areas in which the Group operates, and also include some provisions related to the sale of equity investments and tax disputes related to property taxes. These reflect, *inter alia*, the valuation of **probable liabilities** linked to some disputes for which it was possible to reliably estimate the underlying expected obligation, even though the timing of any resulting monetary outlay cannot be objectively predicted.
The other changes include, among others, the valuation at market price of the need for CO_2 emission quotas and a reclassification from the provisions for income tax liabilities.

With regard to the changes of the period on tax disputes, please note in particular the following:

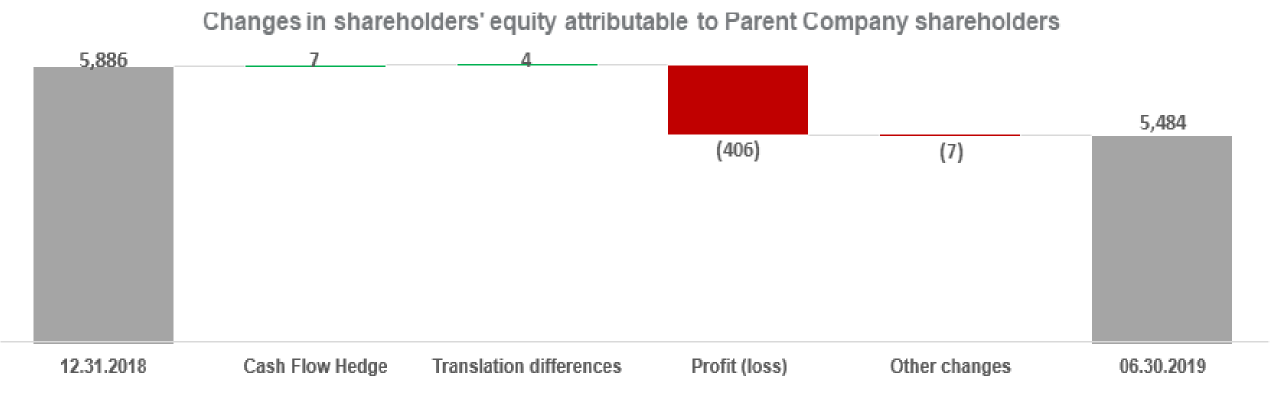
Edison Spa (formerly Edison Trading Spa) – Assessment for VAT year 2010 and disputes for year 2005 – Concluded

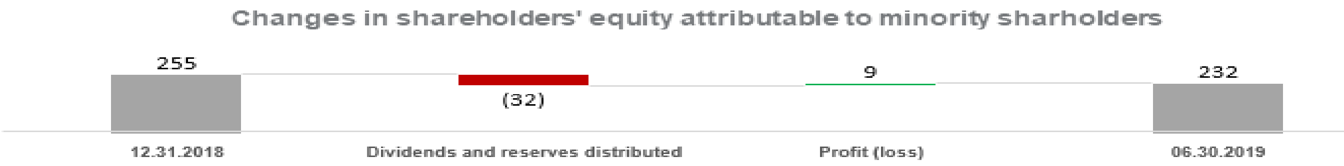
Despite the positive outcome of the dispute obtained in the merit grades, during the month of May 2019 the dispute was settled, taking advantage of the provisions provided for in the Legislative Decree n. 119/2018 (so called "pace fiscale"). At the same time, some minor direct tax disputes were also defined. The overall cost was covered by the existing risk provision, which was booked in the merged Edison Trading against direct tax disputes. Please see also the disclosure in next chapter 7. Taxation.

6. SHAREHOLDERS' EQUITY, FINANCIAL DEBT AND COST OF DEBT

6.1 Shareholders' equity

The main changes that occurred during the period in shareholders' equity attributable to the shareholders of the Parent Company and in net equity attributable to minority shareholders are presented below. 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".





Dividends and reserves distributed are mainly related to those from E2i, which is consolidated line by line, to its shareholder F2i.

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 recognized directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items.

Cash Flow Hedge Reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at 12.31.2018	57	(15)	42
Change in the period	10	(3)	7
Reserve at 06.30.2019	**67**	**(18)**	**49**

6.2 Management of financial resources

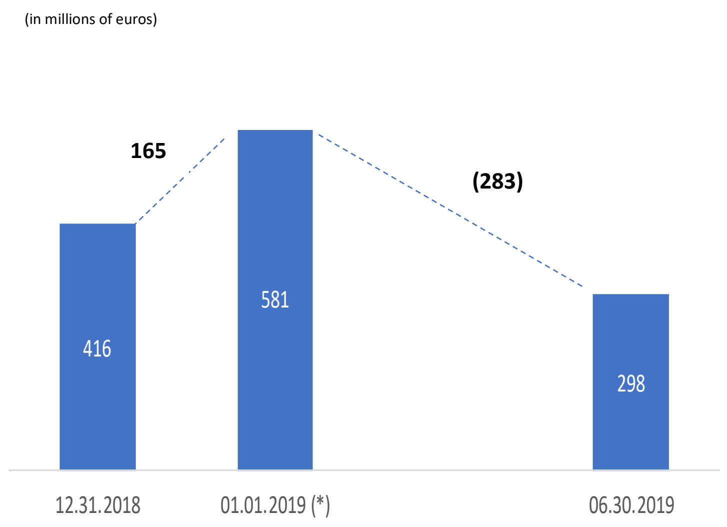
Edison defines its financial strategy with the primary objective of guaranteeing the availability of financial resources at the best market conditions and, with the appropriate balancing, to support ordinary business management and the development of investments to sustain future growth.
For this purpose, Edison also, but not exclusively, relies on the controlling company EDF Sa to obtain loans in any technical form, to guarantee flexibility in liquidity and/or coverage of structural needs. For Edison, terms and conditions are in line with the best market conditions.
Concerning treasury, Edison dedicates one of its current bank accounts to a cash-pooling agreement with EDF Sa, which allows significant flexibility thanks to the availability of up to 199 million euros at market conditions.
Liquidity management is mainly centralized at the level of Edison Spa, which in general directly manages, or in some cases simply co-ordinates, the treasury operations of its subsidiaries through intercompany current accounts and intra-group loans at market conditions.
To support certain investment activities, Edison resorts to the market whenever specifically attractive opportunities of financing arise. This is the case of some credit lines granted to Edison by the European Investment Bank (EIB), directly or through EDF Sa. These credit lines are dedicated to the development of specific projects in the wind, gas storage and E&P businesses.

At June 30, 2019 Edison's credit rating is BBB- with a stable outlook for Standard & Poor's and Baa3 with a stable outlook for Moody's.

6.3 Net financial debt and cost of debt

Net financial debt at June 30, 2019 amounts to 298 million euros (416 million euros at December 31, 2018), despite the new accounting standard IFRS 16 "Leases", applied prospectively, determined at January 1, 2019, date of first adoption, an increase in net financial debt of about 165 million euros.

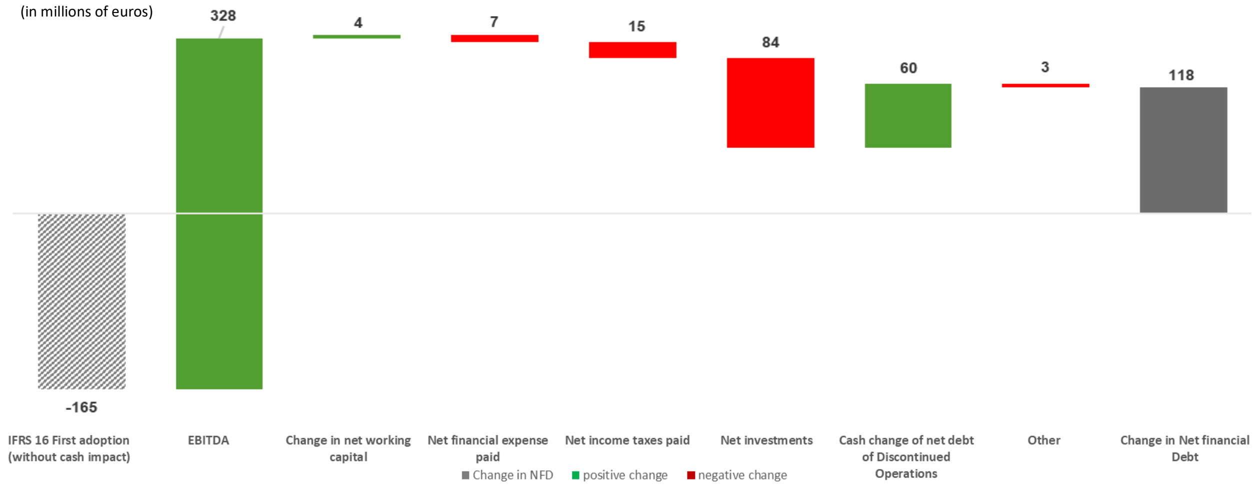
Change in net financial debt



(*) Data at January 1, 2019 reflect for about 165 million euros the impact of first time adoption of the new accounting standard IFRS 16 "Leases"

The reduction in net financial debt from December 31, 2018 amounts to 118 million euros.

Analysis of changes in net financial debt



In addition to the effect of first adoption of accounting standard IFRS 16 and the monetary change of net debt attributable to E&P business, which is a discontinued operation, the main cash flows during the period derive from EBITDA, previously commented, and net investments which include:

- capital expenditures (78 million euros), mainly for investments in power renewables sector (22 million euros), thermoelectric sector (26 million euros, particularly for the refurbishment of Porto Marghera power plant) and environmental and energy services;
- investments in non-current financial assets (6 million euros);
- business combinations (-12 million euros) and disposals (+9 million euros).

Net financial debt can be broken down as follows:

Net financial debt (in millions of euros)	06.30.2019 (*)	12.31.2018	Change
Non-current financial debt	440	353	87
- Due to banks	261	275	(14)
- Due to EDF Group companies	55	60	(5)
- Debt for leasing	122	9	113
- Due to other lenders	2	9	(7)
Assets for financial leasing	(2)	(3)	1
Non-current net financial debt	**438**	**350**	**88**
Current financial debt	388	218	170
- Due to banks	156	120	36
- Due to EDF Group companies	18	16	2
- Debt for leasing	15	2	13
- Due to other lenders (**)	199	80	119
Current financial assets (***)	(305)	(3)	(302)
Cash and cash equivalents	(399)	(149)	(250)
Current net financial debt	**(316)**	**66**	**(382)**
Net financial debt Assets held for sale	**176**	**-**	**176**
Net financial debt	**298**	**416**	**(118)**
of which:			
Gross financial debt	**730**	**571**	**159**
Cash and cash equivalents and financial assets	**(432)**	**(155)**	**(277)**

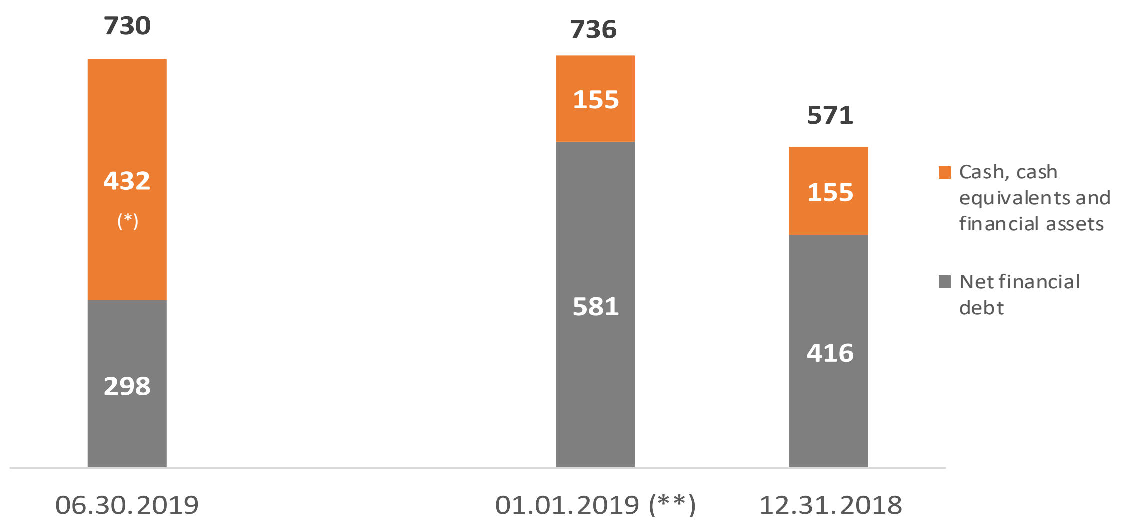
(*) At January 1, 2019 the adoption of the new accounting standard IFRS 16 determined an increase of debt for about 165 million euros.
(**) Include financial debt versus Assets held for sale for 135 million euros.
(***) Include financial receivables versus Assets held for sale for 297 million euros.

The increase in **non-current net financial debt** mainly reflects the adoption, starting from January 1, 2019, of the new accounting standard IFRS 16.
Excluding financial assets and liabilities versus Assets held for sale, **current net financial debt** mainly changes for the normal repayment plan of existing loans.

Cash and cash equivalents include for 298 million euros (28 million euros at December 31, 2018) available funds held in the current accounts with EDF Sa.

Gross financial debt and breakdown by financial source

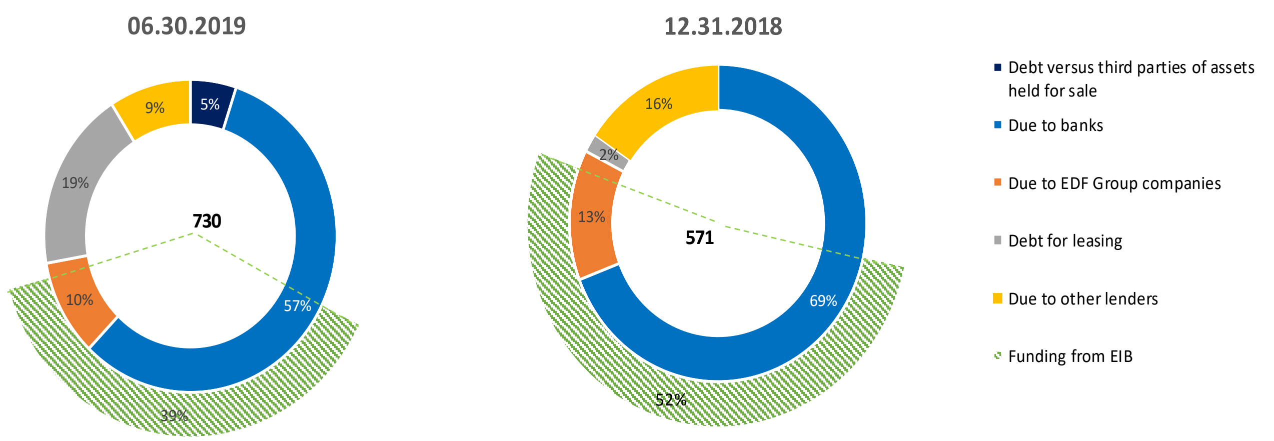
(in millions of euros)



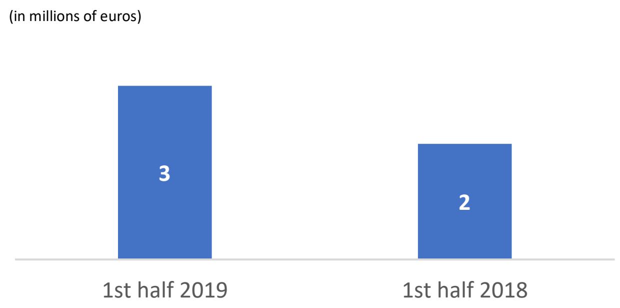
(*) Amounts related to Assets held for sale are included.

(**) Data at January 1, 2019 reflect for about 165 million euros the impact of first time adoption of the new accounting standard IFRS 16 '*Leases*'.

The medium-long term funding sources of which Edison made use during the period are primary represented by long-term loans for the development of specific projects in the wind sector, in gas storage, Exploration & Production and, to a residual extent, in thermoelectric generation, granted by the EIB, directly or through EDF Sa. It should be noted that the EIB loan granted through EDF Sa will cease with the finalization of the sale of E&P business.



Net financial expense on debt



Net financial expense remains at a low level and benefit from a limited level of average debt.
For the analysis of interest rate risks, please refer to paragraph 6.4 – section 6.4.1 below.

In accordance with IAS 7 “Cash Flow Statement”, the changes in liabilities resulting from financing activities are reported below. The table shows the reconciliation of cash flows exhibited in the “Cash Flow Statement” with the total changes recorded during the period from balance sheet items that contribute to net financial debt.

(in millions of euros)	12.31.2018	Cash Flow (*)	Non-cash Flow						06.30.2019
			IFRS 16 - first adoption	IFRS 5 effects (**)	Changes in scope of consolidation (***)	Currency differences	Changes in fair value (****)	Other changes	
Non-current financial debt	353	(26)	141	(19)	(1)	-	-	(8)	440
Current financial debt	218	9	24	124	6	-	-	7	388
Assets for financial leasing	(3)	-	-	-	-	-	-	1	(2)
Current financial assets	(3)	57	-	(356)	-	-	-	(3)	(305)
Net liabilities resulting from financing activities	**565**	**40**	**165**	**(251)**	**5**	-	-	**(3)**	**521**
Cash and cash equivalents (*)	(149)	(272)	-	24	(2)	-	-	-	(399)
Net financial debt Assets held for sale	-	**(61)**	-	**227**	-	**3**	-	**7**	**176**
Net financial debt	**416**	**(293)**	**165**	-	**3**	**3**	-	**4**	**298**

(*) Flows shown in the Cash Flow Statement.
(**) E&P business reclassified to held for sale, financial assets and liabilities continuing operations versus discontinued operations.
(***) Related to business combinations and disposals commented in paragraphs 1.5 and 1.7.
(****) Related to the hedge (IRS) operated in 2018 by the company E2i which fair value as at June 30, 2019 and December 31, 2018 is not material.

6.4 Financial risk management

6.4.1 Interest rate risk

Considering the low level of debt, Edison Group’s exposure to interest rate risk is currently limited. Given that the Group has outstanding bank loans at variable rates (primarily the Euribor rate), Edison assesses its exposure to the risk of fluctuations in interest rates on a regular basis and manages it mainly by negotiating loans, and, if appropriate, with hedging instruments.

Gross Financial Debt Mix fixed and variable rate: (in millions of euros)	06.30.2019			12.31.2018		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	90	126	22%	98	134	23%
- variable rate portion	474	438	78%	473	437	77%
Total gross financial debt *	**564**	**564**	**100%**	**571**	**571**	**100%**

* Debt analyzed at 06.30.2019 excludes the portion relative to operating leases booked in balance sheet starting from January 1, 2019 pursuant to IFRS 16.

The table shows that the financial debt is mainly indexed to a variable rate, which, to date, has allowed significant savings in financial expense. In 2018 some transactions have been implemented to mitigate the risk of increase of interest rates. The fixed rate portion is, in fact, due to the drawdown of two fixed rate tranches of the EIB loan provided for the development of wind generation capacity of E2i. Furthermore, E2i has purchased interest rate swaps (IRS) with a notional amount of 36 million euros to hedge from interest rate fluctuations (Euribor 6 months). This hedging, carried out on the E2i Club Deal loan at variable rate, is qualified as Cash Flow Hedge pursuant to IFRS 9; at June 30, 2019 the relevant fair value is not material.

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 2019 and provides a comparison with the corresponding data for 2018.

Sensitivity analysis (in millions of euros)	1st half 2019 Impact on financial expense			1st half 2018 Impact on financial expense		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	3	2	2	1	1	1

6.4.2 Liquidity risk

Liquidity risk is the risk that Edison Group may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.
Edison aims to ensure that the Group always has sufficient funding sources to meet its obligations that are falling due and to support in time the established investment programs, with reasonable margins of financial flexibility.

The table below provides a prudential assessment of the total outstanding liabilities at the time the financial statements were prepared until their natural expiry. It includes:
- in addition to principal and accrued interest, all future interest payments estimated for the entire duration of the underlying debt obligation; where applicable, the effect of interest rate derivative contracts is also included;
- 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.

For a better representation, the prudential value thus obtained is compared with the existing cash and cash equivalents, without considering other assets (e.g. trade receivables).

Cash flow projections (in millions of euros)	06.30.2019			12.31.2018		
	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
Financial debt (*)	125	57	325	83	51	346
Interests due on financial debt	-	3	17	1	3	29
Trade payables	1,119	60	-	1,523	57	-
Total debt	**1,244**	**120**	**342**	**1,607**	**111**	**375**
Guarantees provided to third parties (**)	**-**	**1**	**21**	**-**	**-**	**22**
Cash and cash equivalents	**399**	**-**	**-**	**149**	**-**	**-**

(*) Include debts due to banks, EDF Group companies, financial leases and loans from minority shareholders
(**) These guarantees have been issued to lenders of unconsolidated companies.

The future cash outflows are compared with available resources below.

The **financial debt maturing within one year**, amounting to 185 million euros (138 million euros at December 31, 2018) refers to ordinary operating management of current accounts, to accounts dedicated to spot and hedge derivatives transactions on commodity of Industrial Portfolio and, to a residual extent, to principal and accrued interest falling due related to long-term loans.

The financial debt after one year, amounting to 342 million euros (375 million euros at December 31, 2018) decreased following the normal repayment plan of existing loans.

At June 30, 2019, the Edison Group has cash and cash equivalents for 399 million euros, of which 298 million euros held in the treasury current account with EDF Sa.

The following available resources help ensuring financial flexibility and coverage of the financial needs over the coming months:

- 50 million euros of a Club Deal loan granted in 2018 to E2i by a pool of banks and Cassa Depositi e Prestiti (total nominal value of 100 million euros, of which a total of 50 million euros used as at June 30, 2019);
- 40 million euros of the loan granted by EIB to Edison in 2017, usable in tranches with expirations up to 15 years, for the construction of specific wind power plants (total nominal value of 150 million euros, of which a total of 110 million euros used as at June 30, 2019);
- the revolving credit line with 2 years maturity for a nominal amount of 600 million euros, subscribed with EDF Sa on April 9, 2019 (replacing a similar credit line subscribed by Edison Spa in 2017 that contractually expired) which at June 30, 2019 is fully available.

In March 2019 the revolving credit line Club Deal subscribed by Edison Spa in 2017 with a pool of banks for a nominal value of 300 million euros expired and was not renewed.

For a more complete evaluation of the available cash resources, please consider that on July 17, 2019 was completed the purchase of the whole shareholders' capital of EDF EN Italia with the payment by Edison of 172.3 million euros.

6.4.3 Risk of anticipated reimbursement of loans

The financial covenants apply to certain bank loans granted to some subsidiaries (mainly to bank loans granted to E2i). Their non-compliance can entail an early repayment of the loan.
At June 30, 2019, the covenants were adequately met.

Financial covenant	Covenant observed	Adequacy margin
NFD/EBITDA	✓	✓

For an explanation of the effects that a change in control of Edison could have on outstanding loans, please refer to the discussion in the 2018 Report on Corporate Governance and on the Company's Ownership Structure, in the paragraph Change of Control clauses.
The loan agreements do not contain clauses that could result in the early termination of the loan as an automatic effect if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled.
Note that the medium/long-term credit lines provided by EIB envisage restrictions on the use of funds and on the management of projects financed, typical of specific-purpose loans for industrial businesses.

At the time of the semiannual financial statements were prepared, there are no situations of default.

7. TAXATION

7.1 Tax risk management

Starting from 2018, a tax risk management and reporting system was adopted (so-called the Tax Control Framework or TCF), which is integrated within the Group's overall control system. 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 Saving Law 262, to monitor activities with potential tax impacts on the main business processes and the Group's results.

7.2 Taxes

7.2.1. Income taxes and tax rate

Income taxes (in millions of euros)	1st half 2019	1st half 2018	Change
Current taxes	(32)	(34)	2
Net deferred tax liabilities (assets)	(7)	-	(7)
Other	1	(2)	3
Total	**(38)**	**(36)**	**(2)**
Tax rate	**23.9%**	**34.0%**	**(10.1%)**

The Group's tax rate improves compared to first half of 2018, as it benefits from the income recognized in the tax consolidation by the controlling company Transalpina di Energia (TDE) for the use of tax losses carried forward, that were not fully valued in deferred tax-assets. The calculation of taxes was performed on the assumption that the sale of the companies in the E&P business (discontinued operations) will be completed during the current year.

7.2.2. Income taxes paid

Net income taxes paid amounted to 15 million euros and include 13 million euros for the first tranche of payments related to certain tax disputes that were included in the scope of application of the so-called "pace fiscale" (see next paragraph).

7.3 Tax assets and liabilities

7.3.1. Current and non-current tax receivables and payables

At June 30, 2019, net receivables of 3 million euros were recognized (12 million euros at December 31, 2018); details are provided in the following table.

Current and non current tax receivables and payables (in millions of euros)	06.30.2019	12.31.2018	Change
Non current tax receivables	34	34	-
Current tax receivables	12	14	(2)
Receivables owed by the controlling company in connection with the filing of the consolidated income tax return	19	29	(10)
Total tax receivables (A)	**65**	**77**	**(12)**
Current tax payables	24	14	10
Liabilities owed to the controlling company in connection with the filing of the consolidated income tax return	38	51	(13)
Total tax payables (B)	**62**	**65**	**(3)**
Current and non current tax receivables (payables) (A-B)	**3**	**12**	**(9)**

Receivables for non-current taxes mainly refer to the taxes paid for the so-called Robin Tax and claimed for reimbursement. Tax payables include the amounts still to be settled following adherence to the facilitated definition of tax disputes (so-called "pace fiscale") which provide for an installment payment method.

7.3.2. Deferred-tax assets and deferred-tax liabilities

At June 30, 2019, net assets of 56 million euros were recognized (341 million euros at December 31, 2018); details are provided below.

Deferred-tax asset (in millions of euros)	06.30.2019	12.31.2018	Change
Tax loss carryforward	-	26	(26)
Taxed provision for risks	100	103	(3)
Valuation differences of fixed assets	59	323	(264)
Others	8	9	(1)
Deferred-tax assets	**167**	**461**	**(294)**

Deferred tax assets were valued based on the likelihood that they would be realized and their possible tax benefits recovered within the limited time horizon consistent with the business plans of the various companies.
The following table shows a breakdown of deferred-tax-liabilities by type of underlying temporary difference and the deferred tax assets used as an offset when they meet the requirements of IAS 12.

Deferred-tax liabilities (in millions of euros)	06.30.2019	12.31.2018	Change
Deferred-tax liabilities:			
- Valuation differences of fixed assets	76	103	(27)
- Adoption of IFRS 9 to value financial instruments with impact:			
- on Shareholders' equity	18	15	3
- Others	17	57	(40)
Total deferred-tax liabilities (A)	**111**	**175**	**(64)**
Deferred-tax assets usable for offset purposes:			
- Valuation differences of fixed assets	-	6	(6)
- Others	-	49	(49)
Total Deferred-tax assets (B)	**-**	**55**	**(55)**
Total Deferred-tax liabilities (A-B)	**111**	**120**	**(9)**

7.3.3. Provisions for income tax liabilities

These represent the valuation of **probable liabilities** related to certain tax disputes involving the Group for which it was possible to reliably estimate the underlying expected obligation, even though the timing of any monetary outlay cannot be objectively predicted; in the first half of 2019 they have been totally used. The following table shows changes in the period:

(in millions of euros)	12.31.2018	Additions	Utilizations	Other changes	06.30.2019
Provisions for income tax liabilities	**29**	1	(23)	(7)	**-**

Facilitated tax disputes definition (so-called "pace fiscale")

During the half year, some Group companies benefited from the possibility of facilitating tax disputes (so-called "pace fiscale") provided for by Decree Law no. 119/2018 "Urgent provisions in tax and financial matters", as converted into Law 136 of 2018, for some tax disputes that fell within the scope of application of the law; in this way the dual objective of eliminating the risks connected to the possible development of the dispute and of benefiting from the reduction, where applicable, of the taxes due and the total cancellation of the interest charges and any penalties was obtained.

The other changes include the reclassification to provisions for risks and charges of a portion intended to cover VAT disputes. The overall burden for the settlement of the disputes involved was entirely covered by the reversal of the existing provisions; the remaining exceeding part of the provision was then released, with a positive impact in the income statement of about 2 million euros. During the six-month period, 50% of the amount due was paid while the remaining part will be settled on a quarterly basis until 2020.

Edison Spa (incorporated Edison Spa) - Dispute related to direct taxes (IRPEG and ILOR) for years 1995-1997 - Concluded

During the month of May 2019 the dispute was settled, taking advantage of the provisions provided for in the Legislative Decree n. 119/2018 (so called "pace fiscale"). The cost has been covered by the existing risk provision.

Commitments

In front of this dispute, because not yet expired, a guarantee equal to 15 million euros, unchanged compared to December 31, 2018, is recognized by Edison Spa to the Revenue Agency and in the process of being returned as a consequence of the conclusion of the dispute.

Edison spa – Dispute related to direct taxes (IRES and IRAP) for years 2005-2007 - Concluded

During the month of May 2019 the disputes still pending before the Court of Cassation have been settled, taking advantage of the provisions provided for in the Legislative Decree n. 119/2018 (so-called "pace fiscale"). The cost has been covered by the existing risk provision.

8. NON-ENERGY ACTIVITIES

The Edison Group is involved in various legal and arbitral disputes ranging in different types, through Edison Spa, as universal successor of Montedison Spa, merged in it. As a result, there are charges and risk provisions in the financial statements recognized in relation to disputes arising from events over the time, connected, *inter alia*, to the management of chemical production plants already held by Montedison Group – that were object, from the 1990s to 2010, of a wide-range divestment policy that led to Edison Group's activities being redirected into the energy sector - and which therefore are not relevant to the current business management of Edison Spa and its subsidiaries.
For this reason, it was decided to isolate and represent in a dedicated chapter the contribution of these activities to the consolidated income statement and balance sheet, as well as the related contingent liabilities.

In following the legal and tax disputes related to these activities and in the assessment of likely impacts, the Company's management must use estimates and assumptions that are more relevant, in particular as regards provisions related to environmental litigation for the chemical facilities of Montedison Group. In this regard, note that the present quantification of the provisions was determined as residual amount of the original accrual referred to the specific dispute, considering the juridical complexity, the type of proceeding and also the uncertainty about the evolution of every proceeding in terms of duration and thus of the outcomes. The quantification and the review of these provisions are part of a recurring process of assessment based on what stated above; likewise, and in general, the periodical assessment also includes the quantification and updating of the other provisions for risk related to legal and arbitral disputes.

The resulting effects are recognized in the Corporate segment and in particular, in the income statement, the related income and expenses, including the associated legal costs, are recorded in the item 'Other income (expense) non-Energy activities' included in EBIT.

Net expenses for first half of 2019 amounted to 15 million euros (net expenses of 13 million euros in the same period of the previous year).

The breakdown and changes in the **risk provisions** present in the financial statements are as follows:

(in millions of euros)	12.31.2018	Additions	Utilizations	Financial expenses	06.30.2019
A) Risks for disputes, litigations and contracts	133	3	-	1	137
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	52
C) Environmental risks	62	3	-	-	65
D) Disputed tax items	3	-	-	-	3
Provisions for risks and charges for non-Energy activities	**250**	**6**	**-**	**1**	**257**

Concerning the events that determined the booking of the above mentioned risk provision, please refer to the 2018 Consolidated financial statements.
As an update at June 30, 2019, it is worth of mentioning:

Bussi sul Tirino Industrial Site - MATTM (Ministry of the Environment and Protection of Land and Sea) vs. Edison lawsuit - Alleged environmental disaster

On April 8, 2019 the Ministry of the Environment and Protection of Land and Sea, the Abruzzo Region and the Presidency of the Council of Ministers sued Edison S.p.A. before the Court of L'Aquila and, with it, six of the defendants who had already been involved, in relation to the same events, in the criminal proceedings brought in 2011 before the Court of Pescara and concluded with the acquittal decision of the Court of Cassation No. 47779 of 2018, asking the judge before whom the proceedings were filed to:

a) *"ascertain and declare that the defendants are obligated to accept liability for the environmental damage caused by the pollution"*, allegedly occurred in the industrial area of Bussi sul Tirino and, *"as a consequence"*, "*to order the defendants to pay compensation for environmental damage to the Ministry of the Environment and Protection of Land and Sea, quantified at 1,376,954,137 euros subject to better quantification in the course of the proceedings;*
b) *order the defendants to restore, even naturally, the state of the sites by carrying out, at their own expense, environmental repairs in the manner and within the time-limits laid down by the relevant legislation;*
c) *order the defendants to reimburse all costs which may be paid in advance and/or incurred in lieu of payment by the Ministry of the Environment;*
d) *order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, resulting from the damage to the environment and the damage to the protected assets/interests belonging to the Abruzzo Region, to be settled on an equitable basis and in any event in an amount of no less than 500,000,000 euros;*
e) *order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, caused to the Abruzzo Region and the Presidency of the Council of Ministers* [and] *damage to their image in such a way as the Court may consider fair, and in any event no less than 50,000,000 euros".*

As mentioned earlier, the charges on which the current lawsuit is based are the same as those raised in the above-mentioned criminal proceedings, from which Edison was excluded *pursuant to law* and which ended with the acquittal of all of the defendants.

These charges refer mainly to the management of the Bussi plant, which was transferred from Montedison (now Edison) to the Ausimont/Montefluos Group in 1981, the 2A and 2B landfills, which were opened, developed and closed by Ausimont in the 1990s, and the so-called "Tre Monti" area, currently owned by Edison, in which, in the 1970s, production residues from the same factory were collected and for which a reclamation process is already under way.

Edison joined the proceedings on July 18, 2019, vigorously contesting the opposing claims in a number of areas, from the inapplicability at this juncture of the aspects established in the criminal proceedings, to the lack of capacity to be sued, from the statute of limitations, to the lawfulness on the merits of the conduct being investigated and, finally, to the erroneous quantification of any damage to the environment.

The first hearing is expected to take place on September 9, 2019.

With reference to this dispute, Edison, as a result of the checks shared with leading legal and accounting advisors, does believe that there aren't met the necessary conditions for defining a provision linked to a contingent liability, i.e. the issues of actual existence, probability and quantification. Substantially, indeed, there isn't any present obligation, either juridical or environmental to be fulfilled actually with the commitment of economic resources.

9. OTHER INFORMATION

9.1 Other commitments

In the following table are indicated the other commitments outstanding to be considered in addition, to the ones disclosed as a complement of information and homogeneousness of topic, in the previous chapters.

(in millions of euros)	06.30.2019	12.31.2018 (*)	Change
Guarantees provided	1,034	1,103	(69)
Other commitments and risks	150	145	5
Total for the Group	**1,184**	**1,248**	**(64)**

(*) The Other commitments and risks have been restated including the amount linked to E&P business.

Guarantees provided, for 902 million euros, were determined based on the undiscounted amount of contingent commitments on the end of reporting period. 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 also include, 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 Group carries out electricity and gas trading activities.

Please also note that with regard to **Other commitments and risks** are considered also the procurement of CO2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2013-2020 period, Edison Spa signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.

Considering the Guarantee provided, and Other commitments and risks linked to **E&P business**, please also note that:

- the **Guarantees provided,** are provided by the Group's parent company or by banks with the parent company's counter-guarantee, for an amount of about 132 million euros;
- the **Other commitments and risks,** for an amount of 113 million euros, are mainly linked to the completion of investment projects in progress in Italy and abroad.

Unrecognized commitments and risks

The main commitments and risks that were unrecognized, pertaining to Hydrocarbons Operations, are in relation 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.

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	11.2	40.0	82.0	**133.2**

The economic data are based on prospective pricing formulas.

With reference to these contracts, with some counterparties, Edison is currently engaged in discussions and commercial negotiations.

Furthermore, based on the outstanding contract in place with Terminale GNL Adriatico, Edison benefits from 80% of the terminal's regasification capacity until 2034, for an annual fee of about 100 million euros.

9.2 Intercompany and related-party transactions

In line with the Group policies, the economic, equity and financial transactions in place as at June 30, 2019 with related parties are shown below, 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 practices.

(in millions of euros)	Related parties pursuant to IAS 24			Total for related parties	Total for financial statement item	Impact %
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies			
Balance Sheet transactions:						
Investments in companies valued by equity method	70	-	3	**73**	**73**	**100.0%**
Non-current financial assets	51	-	-	**51**	**57**	**89.5%**
Trade receivables	-	-	121	**121**	**1,104**	**11.0%**
Current tax receivables	-	19	-	**19**	**31**	**61.3%**
Other current assets	6	7	25	**38**	**295**	**12.9%**
Current financial assets	6	-	-	**6**	**305**	**2.0%**
Cash and cash equivalents	-	298	-	**298**	**399**	**74.7%**
Non-current financial debt	-	55	-	**55**	**440**	**12.5%**
Trade payables	-	2	81	**83**	**1,179**	**7.0%**
Current tax payble	-	38	-	**38**	**62**	**61.3%**
Other current liabilities	-	5	173	**178**	**385**	**46.2%**
Current financial debt	13	19	-	**32**	**388**	**8.2%**
Income Statement transactions:						
Sales revenues	2	2	594	**598**	**4,307**	**13.9%**
Other revenues and income	1	-	10	**11**	**56**	**19.6%**
Commodity and logistic costs	(5)	-	(301)	**(306)**	**(3,566)**	**8.6%**
Other costs and services used	(1)	(8)	(18)	**(27)**	**(259)**	**10.4%**
Net financial income (expense) on debt	-	(1)	-	**(1)**	**(3)**	**33.3%**
Other financial income (expense)	1	4	-	**5**	**3**	**n.s.**

A) Transactions with unconsolidated Edison Group companies

These outstanding transactions relating to unconsolidated Group companies, joint ventures and affiliated companies, primarily include:

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

Relating to Investments and Non-current financial assets please refer to the chapter 5. Fixed assets and Provisions.

B) Transactions with controlling companies

B.1. Transactions with Transalpina di Energia (TdE)

Consolidated Corporate Income Tax (IRES) Return Filed by TdE

Please refer to the chapter 7. Taxation.

Intercompany current account

Please note that at June 30, 2019, the current account established by Edison Spa with TdE had a debit balance of 9 million euros (5 million euros at December 31, 2018).

B.2. Transactions with EDF Sa

Cash-pooling

Please note that at June 30, 2019, the Edison Spa current account dedicated to cash pooling with EDF Sa had a credit balance of 298 million euros (28 million euros at December 31, 2018).

Credit Lines

The revolving credit line provided in 2017 and granted to Edison by EDF SA, with a two-year duration for a nominal value of 600 million euros was expired on April 9, 2019 and has been replaced by a new revolving credit line granted to Edison SA by EDF SA, with a two-year duration for a nominal value of 600 million euros at market condition; this credit line is fully available at June 30, 2019.

The medium/long-term credit facility, granted in 2015 (for a maximum amount of 200 million euros), earmarked for investment projects and originating from a credit facility provided by EIB to EDF Sa, as at June 30, 2019, had been drawn for 65 million euros (55 million euros in Non-current financial debt; 10 million of euros in Current financial debt.

For more details please refer to the chapter 6. Shareholders' equity, financial debt and cost of debt.

Other transactions

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 8 million euros, which includes, among other, a brand fee for about 1 million euro. As part of financial transactions, Edison entered into transactions to hedge exchange rate risk that, affected by currency trends, generated net realized income for about 4 million euros.

C) Transactions with other EDF Group companies

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

(in millions of euros)	EDF Trading Ltd	EDF EN Services Italia	Citelum	Others	**Total**
Balance Sheet transactions:					
Trade receivables	106	-	15	-	**121**
Other current assets	25	-	-	-	**25**
Trade payables	72	8	-	1	**81**
Other current liabilities	-	-	-	-	**-**
Income Statement transactions:					
Sales revenues	**580**	**-**	**14**	**-**	**594**
Electric power and natural gas	605	-	14	-	619
Realized commodity derivatives	(25)	-	-	-	(25)
Margin on physical trading activities	-	-	-	-	-
Other revenues	-	-	-	-	-
Other revenues and income	**9**	**-**	**-**	**1**	**10**
Commodity and logistic costs	**(301)**	**-**	**-**	**-**	**(301)**
Electric power and natural gas	(358)	-	-	-	(358)
Realized commodity derivatives	58	-	-	-	58
Sundry items	(1)	-	-	-	(1)
Other costs and services used	**-**	**(15)**	**-**	**(3)**	**(18)**
Maintenance	-	(15)	-	-	(15)
Professional services	-	-	-	(3)	(3)

Referring to EDF Trading it is worth mentioning that from the September 1st, 2017, is in force the MASA (Trading Joint Venture and Market Access Services Agreement); the so-called profit sharing (remuneration mechanism) is booked in "Other revenue and income".

Furthermore, note that during the period insurance reimbursement of about 1 million euros were obtained by Wagram Insurance Company.

The costs towards EDF EN Services Italia are referred to the maintenance of E2i power plants.

D) Relevant operations with related parties

On June 19, 2019 the Board of Director of Edison approved an articulated industrial operation which envisaged as a first step that Edison would acquire the entire share capital of EDF EN Italia from EDF Renouvelables. Both companies are controlled by EDF Sa and are therefore related parties. At June 30, 2019, the conditions for the control of Edison on EDF EN Italy had not yet matured, however, taking into account the agreements signed, Edison had the obligation to pay the price of the transaction; in these semiannual financial statements, a debt was therefore recorded for the obligation related to the acquisition (about 173 million euros), which was then finalized on July 17, 2019.

10. CRITERIA AND METHODS

10.1 Disclosure pursuant to IFRS 5

As described above in paragraph 1.6 Application of accounting standard IFRS 5, E&P business was treated as a discontinued operation in these Condensed Consolidated Semiannual Financial Statements.

Below is provided the contribution of E&P business to profit (loss) and to assets, liabilities and financial position of Edison Group.

Income statement discontinued operations E&P (in millions of euros)	1st half 2019	1st half 2018
Sales revenues	209	213
Other revenues and income	11	13
Total net revenues	**220**	**226**
Raw materials and services used (-)	(46)	(37)
Labor costs (-)	(26)	(20)
EBITDA	**148**	**169**
Depreciation and amortization (-)	(81)	(86)
(Writedowns) and reversals	-	(21)
EBIT	**67**	**62**
Other net financial income (expense)	(13)	(19)
Profit (Loss) before taxes	**54**	**43**
Income taxes	(37)	(46)
Profit (Loss) from discontinued operations	**17**	**(3)**
Value adjustment discontinued operations	(535)	-
Profit (Loss)	**(518)**	**(3)**
Broken down as follows:		
Minority interest in profit (loss)	-	-
Group interest in profit (loss)	**(518)**	**(3)**

For an analysis of the operational performance of the period, please refer to what previously disclosed in the Semiannual Report on Operations. Depreciation and amortization include, amongst other, exploration costs for 9 million euros (11 million euros in the first half of 2018). The other net financial income (expense) includes also the ones referred to financing activities existing with continuing operations. Income taxes include foreign taxes.

Balance sheet discontinued operations E&P (in millions of euros)	06.30.2019
Non-current non-financial assets	1,685
Non-current financial assets	-
Current non-financial assets	401
Current financial assets versus continuing operations	135
Other current financial assets	23
Eliminations from and versus Assets held for sale	(451)
Value adjustment discontinued operation	(535)
Assets held for sale	**1,258**
Non-current non-financial liabilities	637
Non-current financial liabilities	24
Current non-financial liabilities	185
Current financial liabilities versus continuing operations	297
Other current financial liabilities	13
Eliminations from and versus Assets held for sale	(451)
Liabilities held for sale	**705**
Net financial debt of Assets held for sale	**176**

Non-current non-financial assets include, amongst other, the value referred to plants and hydrocarbons concessions, and part of the indistinct goodwill of Hydrocarbons Operations allocated to E&P business, in compliance with the IAS 36 par. 86.

The non-current non-financial liabilities include, amongst other, the provisions for decommissioning and remediation of industrial sites.

Cash flow statement discontinued operations E&P (in millions of euros)	1st half 2019	1st half 2018
A. Operating cash flow from discontinued operations	129	111
B. Cash used in investing activities from discontinued operations	(69)	(58)
C. Cash used in financing activities from discontinued operations	(61)	(67)
D. Net cash flow for the period from discontinued operations (A+B+C)	**(1)**	**(14)**
E. Cash and cash equivalents at the beginning of the period from discontinued operations	24	23
F. Cash and cash equivalents at the end of the period from discontinued operations	23	9

The operating cash flow refers to ordinary operations and includes the foreign taxes paid; the cash used in financing activities is mainly related to the flows of the financial items existing with the continuing operations. Concerning the investing activities, please refer to what previously disclosed in the Semiannual Report on Operations.

10.2 Comparability

As described above in chapter 1. Introduction, starting from 2018 Consolidated Financial Statements, based on the numerous projects that IASB is developing on the topic of "**Effective Communication**", Edison decided to introduce a new presentation method in order to make the Financial Statements information more relevant, more effective, and more in line with the expectations of its Stakeholders.
Thus, primary statements have been revised and supplemented and comparative data have been appropriately restated.

The following tables show the reconciliation between the values published in the first half of 2018 and those now exposed for comparative purposes. To this aim, concerning the effects of the application of accounting standards it should be noted that:

- new accounting standard IFRS 16 "Leases" was applied from January 1, 2019 prospectively, without restatement of comparative data;
- as required by accounting standard IFRS 5, income statement and cash flow data were restated in order to isolate the contribution of E&P business.

CONSOLIDATED INCOME STATEMENT

(in millions of euros)	1st half 2018 published	Exposure reclassifications	1st half 2018 with new exposure	Application of accounting standard IFRS 5	1st half 2018 restated
Sales revenues	4,425	-	4,425	(213)	4,212
Other revenues and income	57	-	57	(13)	44
Total net revenues	**4,482**	**-**	**4,482**	**(226)**	**4,256**
Raw materials and services used (-)	(3,914)	3,914	-	-	-
Commodity and logistic costs (-)	-	(3,560)	(3,560)	(19)	(3,579)
Other costs and services used (-)	-	(290)	(290)	49	(241)
Labor costs (-)	(161)	-	(161)	20	(141)
Receivables (writedowns) / reversals	-	(7)	(7)	-	(7)
Other costs (-)	-	(57)	(57)	7	(50)
EBITDA	**407**	**-**	**407**	**(169)**	**238**
Net change in fair value of derivatives (commodity and exchange rate risk)	-	-	-	-	-
Depreciation, amortization and writedowns (-)	(234)	234	-	-	-
Depreciation and amortization (-)	-	(211)	(211)	86	(125)
(Writedowns) and reversals	-	(23)	(23)	21	(2)
Other income (expense) net	(13)	13	-	-	-
Other income (expense) non Energy activities	-	(13)	(13)	-	(13)
EBIT	**160**	**-**	**160**	**(62)**	**98**
Net financial income (expense)	(15)	15	-	-	-
Net financial income (expense) on debt	-	(2)	(2)	-	(2)
Other net financial income (expense)	-	(10)	(10)	19	9
Net financial income (expense) on assigned trade receivables without recourse	-	(3)	(3)	-	(3)
Income from (Expense on) equity investments	4	-	4	-	4
Profit (Loss) before taxes	**149**	**-**	**149**	**(43)**	**106**
Income taxes	(82)	-	(82)	46	(36)
Profit (Loss) from continuing operations	**67**	**-**	**67**	**3**	**70**
Profit (Loss) from discontinued operations	-	-	-	(3)	(3)
Profit (Loss)	**67**	**-**	**67**	**-**	**67**
Broken down as follows:					
Minority interest in profit (loss)	5	-	5	-	5
Group interest in profit (loss)	**62**	**-**	**62**	**-**	**62**

CASH FLOW STATEMENT

(in millions of euros)	1st half 2018 published	Application of accounting standard IFRS 5	1st half 2018 restated
Profit (Loss) before taxes	**149**	**(43)**	**106**
Depreciation, amortization and writedowns	234	(107)	127
Net additions to provisions for risks	1	2	3
Interest in the result of companies valued by the equity method (-)	(3)	-	(3)
Dividends received from companies valued by the equity method	8	-	8
(Gains) Losses on the sale of non-current assets	-	-	-
Change in the provision for employee benefits	(2)	-	(2)
Change in fair value recorded in EBIT	-	-	-
Change in operating working capital	50	(16)	34
Change in non-operating working capital	7	1	8
Change in other operating assets and liabilities	18		18
Net financial (income) expense	15	(19)	(4)
Net financial income (expense) paid	(7)	11	4
Net income taxes paid	(72)	60	(12)
Operating cash flow from discontinued operations	-	111	111
A. Operating cash flow	**398**	**-**	**398**
Additions to intangibles and property, plant and equipment (-)	(199)	92	(107)
Additions to non-current financial assets (-)	(5)	-	(5)
Net price paid on business combinations	(290)	-	(290)
Cash and cash equivalents disposed	-	-	-
Proceeds from the sale of intangibles and property, plant and equipment	39	(34)	5
Proceeds from the sale of non-current financial assets	4	-	4
Repayment of capital contribution by non-current financial assets	-	-	-
Cash used in investing activities from discontinued operations	-	(58)	(58)
B. Cash used in investing activities	**(451)**	**-**	**(451)**
Receipt of new medium-term and long-term loans	65	-	65
Redemption of medium-term and long-term loans (-)	(12)	-	(12)
Other net change in financial debt	40	18	58
Change in current financial assets	1	49	50
Net liabilities resulting from financing activities	94	67	161
Capital and reserves contributions (+)	-	-	-
Dividends and reserves paid to controlling companies or minority shareholders (-)	(29)	-	(29)
Cash used in financing activities from discontinued operations	-	(67)	(67)
C. Cash used in financing activities	**65**	**-**	**65**
D. Net currency translation differences	**-**	**-**	**-**
E. Net cash flow for the period (A+B+C+D)	**12**	**-**	**12**
F. Cash and cash equivalents at the beginning of the year	**260**	**-**	**260**
G. Cash and cash equivalents at the end of the period (E+F)	**272**	**-**	**272**

11. ADDITIONAL DISCLOSURE

11.1 Significant non-recurring events and transactions

In accordance with Consob Communication No. DEM/6064293 of July 28, 2006, we note that in the month of July 2019, following the approval by the Board of Directors on July 3, 2019, Edison Spa signed an agreement with Energean Oil & Gas Plc to sell the 100% of Edison Exploration & Production Spa and its subsidiaries in the hydrocarbons (oil and natural gas) exploration and production business. Following this agreement the E&P business was treated as a discontinued operation in accordance with the accounting standard IFRS 5 and its value was aligned to realizable value. The closing of the transaction with Energean Oil & Gas Plc is expected to take place by the end of 2019 and it is subject to customary conditions precedent for transactions of this kind, among which the Italian Economic Development Ministry approval.

11.2 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 2019 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2019

Edison Spa – Common representative of savings shareholders - civil action

On July 2, 2019, the Common representative of savings shareholders notified Edison Spa of a summons in which, assuming the existence of management and coordination activities of the Company by EDF Sa, it requests the Court of Milan to annul the resolution of the Shareholders' Meeting which approved the 2018 financial statements and the Board of Directors' resolution which approved the purchase of EDF EN Italia.

Edison Spa – Acquisition of EDF EN Italia

On July 17, 2019, Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia which owns 265 MW of wind capacity (including the 50% stake in Greentech for which the Tag-Along right has been subsequently exercised) and 77 MW of photovoltaic. The closing follows the acceptance by EDFR of Edison's contractual proposal on June 28, 2019.

Thanks to this transaction, Edison becomes the second wind operator in Italy and will lay the foundations for a significant development in photovoltaics in collaboration with EDFR. With this transaction, Edison continues the path of consolidation in renewables through both organic development and external growth.

The consideration paid for the acquisition of EDF EN Italia amounts to 172.3 million euros, aside price adjustments contractually agreed. The overall transaction will allow Edison to consolidate approximately 70 million euros of additional EBITDA per year with an increase in net financial debt of approximately 431 million euros, without compromising financial strength or limiting the possibility to seize any new investment opportunity.

Edison Energia Spa – Signs agreement to acquire 49% of Assistenza Casa

On July 18, 2019 Edison Energia signed an agreement with HomeServe Group to acquire the remaining 49% of the share capital of Assistenza Casa, company dedicated to support services on domestic, apartment buildings and small entreprises' systems. In 2017, Edison acquired the 51% so, by this operation, it will obtain the 100% of the share capital strengthening its position in the Retail market.

SCOPE OF CONSOLIDATION AT JUNE 30, 2019

LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2019	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
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									
A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	Rivoli (TO) (IT)	EUR	12,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
A.EN.W. Srl Antilia Energy Wood Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,116,026	100.00	-	100.00	A.EN.B. Srl Azienda Energetica Buschese (single shareholder)	S	-
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	51.00	100.00	Comat Energia Srl	S	(v)
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	(v)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Consorzio Esco Energy	Milan (IT)	EUR	10,000	50.77	50.51	51.00	Zephyro Spa	S	(v)
Consorzio SST Scarl	Trento (IT)	EUR	10,000	51.00	51.00	51.00	Edison Facility Solutions Spa (single shareholder)	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	75.00	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	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Facility Solutions Spa (single shareholder) ex Energon 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)
Energy Solutions 1 Srl (single shareholder) ex Modularis Group Srl	Rivoli (TO) (IT)	EUR	10,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
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	113,400	90.00	90.00	90.00	EDF Fenice Iberica Slu	S	-
Frendy Energy Spa	Milan (IT)	EUR	14,829,312	72.93	72.93	72.93	Edison Spa	S	(i)
Idroblu Srl	Milan (IT)	EUR	100,000	37.19	37.19	51.00	Frendy Energy Spa	S	(vi)
Idrocarrù Srl	Milan (IT)	EUR	20,410	37.20	37.20	51.00	Frendy Energy Spa	S	(vi)
Idroelettrica Brusson Srl (single shareholder)	Courmayeur (AO) (IT)	EUR	20,000	100.00	100.00	100.00	Edison Spa	S	(i)
Idroelettrica Cervino Srl (single shareholder)	Courmayeur (AO) (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	(i)
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	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) 06.30.2019	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Pavoni Rossano Srl	Filottrano (AN) (IT)	EUR	100,000	60.00	60.00	60.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Prima Aviv Energy Technologies Ltd	Ramat Gan (IL)	ILS	1,000	99.54	99.04	100.00	Zephyro Spa	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)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	88.28	88.28	88.28	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)
Tabacchi Srl (single shareholder)	Milan (IT)	EUR	500,000	99.54	99.04	100.00	Zephyro Spa	S	(viii)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(i)
Vernante Nuova Energia Srl (single shareholder)	Rivoli (TO) (IT)	EUR	10,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
West Tide Srl (single shareholder)	Modena (IT)	EUR	20,000	100.00	100.00	100.00	Edison Facility Solutions Spa (Socio Unico)	S	(ix)
Zephyro Spa	Milan (IT)	EUR	1,263,704	99.54	99.04	99.04	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
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	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	40,000,000	100.00	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	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
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	-
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)
Tremonti Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Spa	S	-
Discontinued Operations									
Hydrocarbons Operations									
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	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 Exploration & Production Spa (single shareholder)		
Edison Exploration & Production Spa (single shareholder)	Milan (IT)	EUR	500,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	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	-
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison Exploration & Production Spa (single shareholder)	S	-

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
B) Investments in companies valued by the equity method									
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	-	JV	(iii)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	12	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	17	JV	(iii)
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
Depositi Italiani GNL Spa	Ravenna (IT)	EUR	20,000,000		49.00	Edison Spa	9	AC	-
EDF EN Services Italia Srl	Bologna (IT)	EUR	10,000		30.00	Edison Spa	3	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	3	AC	-
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000		40.00	EDF Fenice Iberica Slu	1	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	4	AC	-
Italia Servizi Integrati Spa	Milan (IT)	EUR	1,000,000		40.00	Zephyro Spa	-	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	22	AC	-
Palmanova Servizi Energetici Scarl	Zola Predosa (BO) (IT)	EUR	10,000		40.00	Edison Facility Solutions Spa (single shareholder)	-	AC	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,826,285		20.91	Edison Spa	2	AC	(vii)
San Gerardo Servizi Scarl	Zola Predosa (BO) (IT)	EUR	10,000		40.00	Zephyro Spa	-	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. 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)	-	AC	-
Total investments in companies valued by the equity method							**73**		
Discontinued Operations									
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)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)
North Amryia Petroleum Company	Cairo (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iv)
North Idku Petroleum Company	Cairo (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iv)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2018	Interest held in share capital % (b)	by	Type of investment relationship (c)	Notes
(*) The carrying value includes the valuation of Elpedison Sa								
Elpedison Sa	Marousi Attiki (GR)	EUR	99,633,600		75.78	Elpedison Bv	JV	-
(**) The carrying value includes the valuation of ICGB AD.								
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 % (b)	Interest held in share capital by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
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)	-	AC	-
Edison Engineering Sa (in liquidation)	Atene (GR)	EUR	260,001	100.00	100.00	Edison Spa	-	S	-
Interenergoeffect LL (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)	L 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)
Sinergia Srl (single shareholder) (in liquidation)	Rivoli (TO) (IT)	EUR	99,000		100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	-	S	(v)
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)	L 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									
D.1) Trading									
Amsc-American Superconductor	Devens (MA) (USA)	USD	214,178		0.07	Edison Spa	-	NG	-
D.2) Investments in other companies valued at fair value through profit and loss									
Città Salute Ricerca Milano Spa	Milan (IT)	EUR	5,000,000		10.00	Zephyro Spa	-	NG	-
European Energy Exchange Ag - Eex	Lipsia (D)	EUR	60,075,000		0.50	Edison Spa	1	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	-
Synchron Nuovo San Gerardo Spa	Zola Pedrosa (BO) (IT)	EUR	8,160,000		6.85	Zephyro Spa	-	NG	-
Total investments in other companies valued at fair value through profit and loss							**1**		
Total equity investments							**76.4**		

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 valuated 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 Spa.
(vii) Of which n. 183.699 of common shares and n. 407.136 of common share cat. A.
(viii) Company subject to the oversight and coordination of Zephiro Spa.
(ix) Company subject to the oversight and coordination of Edison Facility Solutions SpA (Single Shareholder).

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

BGL Bulgarian lev
BRL Brazilian real
CHF Swiss franc
EGP Egyptian pound
EUR Euro
GBP British pound
HRK Croatian kuna
ILS New Israeli sheqel
L Italian lira
MAD Moroccan dirham
NOK Norvegian krone
PLZ Polish zloty
RUR Russian ruble
USD U.S. dollar

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Condensed Semiannual Financial Statements of Edison Spa, the Group's Parent Company

AT JUNE 30, 2019

INCOME STATEMENT

(in millions of euros)	Note	First half 2019	First half 2018 restated (*)
Sales revenues	2.4	3,312	3,266
Other revenues and income	2.4	49	34
Total revenues		**3,361**	**3,300**
Raw materials and services used (-) (**)	2.4	(3,128)	(3,151)
Staff costs (-)	2.4	(62)	(58)
(Write-downs) reversal on receivables	3.2	1	-
EBITDA	2.4	**172**	**91**
Net change in fair value of derivatives	2.4	11	1
Depreciation and amortisation (-) (**)	5.1	(63)	(54)
(Write-downs) reversal on non-current assets	5.1	-	-
Other net income (expense) - non-energy activities	9	(15)	(13)
EBIT		**105**	**25**
Net financial income (expense) on net financial debt (available funds)	7.2	7	13
Income (expense) on assignment of receivables without recourse	3.2	-	-
Financial expense for decommissioning and adjustment of provisions	5.3 - 8.3- 9	(4)	(4)
Charges for financial leasing (**)	7.2	(1)	-
Other net financial income (expense)	2.4	8	4
Revaluations (write-downs) from equity investments	5.2	(6)	(5)
Dividends	5.2	42	45
Gains (losses) on the sale of equity investments	5.2	-	-
Income (loss) before taxes		**151**	**78**
Income taxes	8.2	(26)	(17)
Profit (Loss) from continuing operations		**125**	**61**
Profit (Loss) from discontinued operations		(489)	(26)
Net income/(loss) for the period	2.4	**(364)**	**35**

(*) In accordance with IFRS 5 - Discontinued operations, the figures at June 30, 2018 have been reclassified under "Profit (Loss) from discontinued operations"

(**) The figure for the first half of 2018 does not include the effects of the application of IFRS 16.

OTHER COMPREHENSIVE INCOME

(in millions of euros)	*Note*	First half 2019	First half 2018
Net income/(loss) for the period	2.4	**(364)**	**35**
A) Change in the cash flow hedge reserve	*6*	***16***	***81***
Gains (Losses) from valuations for the period		22	113
Income taxes (+/-)		(6)	(32)
B) Actuarial gains (losses (*)	*6*	**-**	**-**
Total other components of comprehensive income net of taxes (A+B)		**16**	**81**
Total comprehensive profit (loss)		**(348)**	**116**

BALANCE SHEET

(in millions of euros)	Note	06/30/2019	12/31/2018 published
ASSETS			
Property, plant and equipment (*)	5.1	1,277	1,201
Intangible Assets	5.1	239	72
Goodwill	5.1	1,573	1,707
Other non-current financial assets	5.1	5	14
Equity investments	5.2	1,230	2,093
Investments at fair value through profit and loss	5.2	1	1
Non-current financial assets from subsidiaries and affiliated companies (*)	7.2	560	574
Deferred-tax assets	8.3	73	84
Receivables for taxes	8.3	25	25
Other non-current assets	3.3	215	116
Derivative financial instruments and FVH - non-current	4.1	142	173
Total non-current assets		**5,340**	**6,060**
Inventories	3.2	56	117
Trade receivables	3.2	763	824
Receivables for taxes	8.3	9	18
Other current assets	3.3	203	269
Derivative financial instruments and FVH - current	4.1	534	539
Current financial assets	7.2	-	-
Current financial assets from subsidiaries and affiliated companies (*)	7.2	366	390
Cash and cash equivalents	7.2	320	45
Total current assets		**2,251**	**2,202**
Assets under disposal	2.4	**519**	**-**
Total assets		**8,110**	**8,262**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		5,377	5,377
Statutory reserve		3	-
Reserve from merger by absorption		218	218
Reserves for other components of comprehensive income		47	31
Retained earnings/(loss carryforward)		(386)	(439)
Income/(loss) for the period		(364)	55
Total shareholders' equity	6	**4,895**	**5,242**
Provisions for employee benefits	5.3	14	15
Provisions for decommissioning and remediation of industrial sites	5.3	65	64
Provisions for other risks and charges	5.3	169	70
Provision for income tax liabilities	8.3		29
Provisions for risks on non-energy activity disputes	9	258	251
Deferred-tax liabilities	8.3	18	12
Derivative financial instruments and FVH - non-current	4.1	124	175
Long-term financial debt (*)	7.2	353	271
Total non-current liabilities		**1,001**	**887**
Trade payables	3.2	780	1,012
Payables for taxes	8.3	19	-
Other current liabilities	3.3	249	96
Derivative financial instruments and FVH - current	4.1	445	493
Current financial payables (*)	7.2	156	114
Current financial payables to subsidiaries and affiliated companies	7.2	565	418
Total current liabilities		**2,214**	**2,133**
Liabilities under disposal		**-**	**-**
Total liabilities		**8,110**	**8,262**

(*) The amount at December 31, 2018 does not include the effects resulting from the application of IFRS 16, applied from January 1, 2019

CASH FLOW STATEMENT

This cash flow statement analyses **cash flows** relative to short-term liquid funds (due within 3 months), the value of

	(in millions of euros)	First half 2019	First half 2018 restated (*)
Profit (Loss) before taxes of Edison Spa		**151**	**78**
	Depreciation, amortisation and write-downs	62	54
	Net additions to/(Utilisations of) provisions for risks	(16)	(18)
	(Gains) Losses on the sale of non-current assets	1	1
	(Revaluations) Write-downs of non-current financial assets	6	5
	Change in provisions for employee benefits	1	1
	Change in fair value recognised in EBIT	(11)	(1)
	Change in the operating working capital	(109)	(5)
	Dividends from subsidiaries, affiliated companies and other companies	(42)	(45)
	Dividends collected (including amounts attributable to previous years)	37	45
	Net financial income (expense)	(2)	(10)
	Financial income collected	11	16
	Financial (expense) paid	(5)	(4)
	Net income taxes paid	(13)	(21)
	Change in other operating assets and liabilities	(65)	4
A.	**Cash flow from continuing operations**	**6**	**100**
	Investments in property, plant and equipment and intangible assets (-)(*)	(34)	(17)
	Equity investments and other financial assets (-)(*)	(5)	(196)
	Proceeds from the sale of intangibles and property, plant and equipment	-	1
B.	**Cash flow from investment activities**	**(39)**	**(212)**
	Proceeds from new medium-term and long-term loans	-	35
	Redemptions of medium-term and long-term loans (-)	(17)	(12)
	Change in other current and non-current financial assets (*)	38	30
	Other changes in short-term financial debt (*)	287	83
C.	**Cash flow from financing activities**	**308**	**136**
D.	**Net change in cash and cash equivalents (A+B+C)**	**275**	**24**
E.	**Cash and cash equivalents at the beginning of the period**	**45**	**166**
F.	**Net cash and cash equivalents from discontinued operations**	**-**	**-**
G.	**Cash and cash equivalents at the end of the period (D+E+F)**	**320**	**190**
H.	**Total cash and cash equivalents at the end of the period (G)**	**320**	**190**
I.	**(-) Cash and cash equivalents from discontinued operations**	**-**	**-**
L.	**Cash and cash equivalents from continuing operations (H-I)**	**320**	**190**

(*) Includes the first-time adoption of IFRS 16 commented in chapter 1.1 accounting standards

which at period end is 320 million euros, as compared with those of first half 2018 (190 million euros).

CHANGES IN SHAREHOLDERS' EQUITY

(in millions of euros)	Share capital	Statutory reserve	Reserve from merger by absorption	Reserves and retained earnings (loss carryforward)	Reserve for other components: *Cash flow hedge*	Reserve for other components: Actuarial gains (losses) pursuant to IAS 19	Profit (Loss) for the period	Total shareholders' equity
Balances at December 31, 2017	**5,377**	**-**	**218**	**(250)**	**90**	**(1)**	**(184)**	**5,250**
IFRS 9 - initial application	-	-	-	(4)	-	-	-	**(4)**
Restated balances at January 1, 2018	**5,377**	**-**	**218**	**(254)**	**90**	**(1)**	**(184)**	**5,246**
Appropriation of the 2017 result	-	-	-	(184)	-	-	184	**-**
Other change in comprehensive income	-	-	-	-	81	-	-	**81**
Net profit (loss) from January 1 to June 30, 2018	-	-	-	-	-	-	35	**35**
Total changes from January 1 to June 30, 2018	**-**	**-**	**-**	**(184)**	**81**	**-**	**219**	**116**
of which total net comprehensive income/(loss) at June 30, 2018	-	-	-	-	*81*	-	*35*	***116***
Balances as at June 30, 2018	**5,377**	**-**	**218**	**(438)**	**171**	**(1)**	**35**	**5,362**
Other change in comprehensive income	-	-	-	-	(140)	-	-	**(140)**
Net profit (loss) from July 1 to December 31, 2018	-	-	-	-	-	-	20	**20**
Total changes from July 1 to December 31, 2018	**-**	**-**	**-**	**-**	**(140)**	**-**	**20**	**(120)**
of which total net comprehensive income/(loss) at December 31, 2018	-	-	-	-	*(59)*	-	*55*	***(4)***
Balances as at December 31, 2018	**5,377**	**-**	**218**	**(438)**	**31**	**(1)**	**55**	**5,242**
Appropriation of the 2018 result	-	3	-	52	-	-	(55)	**-**
Other change in comprehensive income	-	-	-	-	17	-	-	**17**
Net profit (loss) from January 1 to June 30, 2019	-	-	-	-	-	-	(364)	**(364)**
Total changes from January 1 to June 30, 2019	**-**	**3**	**-**	**52**	**17**	**-**	**(419)**	**(347)**
of which total net comprehensive income/(loss) at June 30, 2019	-	-	-	-	*16*	-	*(364)*	***(348)***
Balances at June 30, 2019	**5,377**	**3**	**218**	**(386)**	**48**	**(1)**	**(364)**	**4,895**

RECLASSIFIED BALANCE SHEET

This schedule, prepared on a voluntary basis, reclassifies the balance sheet items of the main statement, to allows a quicker reconciliation with the information provided in the following chapters.

(in millions of euros)	*Note*	06/30/2019	12/31/2018 published
NET WORKING CAPITAL	*3.1*	**208**	**218**
Operating Working Capital	*3.2*	**39**	**(71)**
Inventories (+)		56	117
Trade receivables (+)		763	824
Trade payables (-)		(780)	(1,012)
Other assets / (liabilities)	*3.3*	**169**	**289**
Other current assets		203	269
Other non-current assets		215	116
Other current liabilities		(249)	(96)
Other non-current liabilities		-	-
DERIVATIVE FINANCIAL INSTRUMENTS and FVH	*4.1*	**107**	**44**
- current assets		534	539
- non-current assets		142	173
- current liabilities		(445)	(493)
- non-current liabilities		(124)	(175)
INVESTED CAPITAL AND PROVISIONS		**4,077**	**4,939**
Fixed assets	*5.1*	**3,094**	**2,994**
Fixed assets (*)		3,089	2,980
Other non-current financial assets		5	14
Equity investments	*5.2*	**1,231**	**2,094**
Equity investments		1,230	2,093
Investments at fair value through profit and loss		1	1
Operational Provisions	*5.3*	**(248)**	**(149)**
Provisions for employee benefits		(14)	(15)
Provisions for decommissioning and remediation of industrial sites		(65)	(64)
Provisions for other risks and charges		(169)	(70)
TAX ASSETS (LIABILITIES)	*8.3*	**70**	**86**
Non-current tax assets		25	25
Current-tax assets		9	18
Current taxes (payable)		(19)	-
Deferred-tax assets		73	84
(Deferred-tax liabilities)		(18)	(12)
Provision for income tax liabilities		-	(29)
NET INVESTED CAPITAL		**4,462**	**5,287**
Provisions for risks on non-energy activities	*9*	**(258)**	**(251)**
Assets (Liabilities) under disposal	*2.4*	**519**	**-**
TOTAL NET INVESTED CAPITAL		**4,723**	**5,036**
SHAREHOLDERS' EQUITY	*6*	**4,895**	**5,242**
NET FINANCIAL DEBT (AVAILABLE FUNDS)	*7*	**(172)**	**(206)**
Current financial assets from subsidiaries and affiliated companies (-) (*)		(366)	(390)
Non-current financial assets from subsidiaries and affiliated companies (-) (*)		(560)	(574)
Cash and cash equivalents (-)		(320)	(45)
Long-term financial debt and other financial liabilities (non-current) (+) (*)		353	271
Financial debt and other financial liabilities (current) (+) (*)		156	114
Current financial liabilities to subsidiaries and affiliated companies (+)		565	418
TOTAL HEDGES		**4,723**	**5,036**

(*) Includes the effects of the application of the new accounting standard IFRS 16 as from January 1, 2019

1. INTRODUCTION

Dear Shareholders,

the condensed semiannual financial statements of the parent company Edison Spa at June 30, 2019 were drafted, on a voluntary basis, pursuant to art. 154-ter of Legislative Decree no. 58 of February 24, 1998 and subsequent amendments and additions, and acknowledge, as an interim report, the requirements 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.).

The Board of Directors' meeting held on July 24, 2019 authorised the publication of these condensed semiannual financial statements, which are subject to limited audit by the company Deloitte & Touche Spa based on the assignment granted by the Shareholders' Meeting on April 26, 2011, pursuant to Legislative Decree No. 39 of January 27, 2010, with a duration of nine financial years (2011-2019). The values shown in the Notes to the separate financial statements, unless otherwise stated, are expressed in millions of euros.

1.1 Accounting Standards and Valuation Criteria

In preparing the interim separate financial statements, the accounting principles and valuation criteria applied are consistent with those applied in the preparation of the 2018 separate financial statements, to which reference should be made. The following new international accounting standard, applicable from January 1, 2019, was adopted during the period:

IFRS 16 "Leases": replaced IAS 17 and amended the accounting approach for operating leases only by eliminating the distinction between operating and finance leases. The provisions of IFRS 16 were applied upon transition on a prospective basis, starting from January 1, 2019 by adopting some simplifications (so-called *practical expedient*), whereby contracts with a duration of less than 12 months and some contracts with a low market value were excluded from the valuation. According to the new standard, a lease is defined as a contract for which, in exchange for a fee, the lessee has the right to control the use of a specific asset for a certain period of time.

The application of the new standard to the contracts identified determined:

- in the balance sheet: the initial recognition (i) of a financial payable equal to the present value of the minimum future obligatory instalments to be paid by the lessee as from January 1, 2019, which will be subsequently reduced as the rental instalments are paid; (ii) of an asset, representing the right of use, equal to the financial payable adjusted for the reclassification of certain instalments paid in advance and already recorded in the 2018 balance sheet. The right of use will then be amortised over the shorter duration between the economic-technical life of the asset and the residual duration of the contract;
- the change in the classification of sub-lease contracts in cases where the sub-leased asset derives from (i) a passive lease (main contract) and (ii) has a duration of more than 12 months; the recognition of the sub-lease determines the recognition of a financial receivable and the reversal of the right of use (pro-quota or in full) and implies the recognition in the income statement of any difference between the two values;
- in the income statement: an improvement in EBITDA due to the elimination of the rental fee and the recognition of (i) the amortisation of the right of use and (ii) the financial charges on the debt recorded.

During the transition phase, the exemption from the provision for deferred taxes provided for by IAS 12 "Income taxes" was applied; this approach will take into account, if necessary, subsequent changes of a regulatory nature.
On the basis of existing contracts, the application of IFRS 16 resulted in the recognition at January 1, 2019:

a) a right of use of 101 million euros:
b) a financial payable of 111 million euros;
c) a financial receivable of 10 million euros.

The following table shows the reconciliation between the commitments set out in accordance with IAS 17 as at December 31, 2018 and the opening balance of the financial debt resulting from the first-time adoption of IFRS 16 as at January 1, 2019:

in millions of euros	
Minimum future payments due for operating leases that cannot be cancelled pursuant to IAS 17 at 12/31/2018	**124**
Estimated impact of first-time application of IFRS 16:	
- Exclusion of lease agreements for low value assets (-)	(3)
- Short-term leases (-)	-
- Effect of discounting (-)	(10)
- Other changes (*)	(10)
Estimate of the payable at 01/01/2019 arising from the first-time application of IFRS 16	**101**

(*) sub-lease contracts

1.2 Use of estimated values

The preparation of the condensed semiannual financial statements as at June 30, 2019 and of the notes required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that arise upon the occurrence of the relevant events could differ from these estimates.

Estimates and assumptions are revised on a regular basis, and the impact of any such revision is immediately accounted. In general, the use of estimates is particularly significant for the following topics:

- the evaluation that **property, plant and equipment and intangible assets**, including **goodwill**, are recognised in the financial statements for a value no higher than their recoverable amount ("impairment testing").
- the determination of certain **provisions for risks and charges**, provisions for decommissioning and industrial site remediation and for legal and tax disputes;
- the determination of some **sales revenues**, in particular revenues from the sale of electricity and natural gas to customers and the subsidiary Edison Energia Spa.

For a more extensive description of the most relevant valuation processes for the company, which have not changed compared to 2018, reference is made to the paragraph on the "Use of estimated values" in the 2018 separate financial statements.

1.3 Statements adopted by the Company

Starting with the financial statements at December 31, 2018, Edison Spa, based on the numerous projects that the *International Accounting Standards Board* (IASB) is developing with regard to ***"Effective Communication***," opted to introduce a new presentation method that makes financial reporting more relevant and more effective, taking into account the materiality of the information and the expectations of its stakeholders.

2. PERFORMANCE

2.1 Core business of the Parent Company

Within the different Group companies, the Parent Company Edison Spa is responsible for the strategic direction, planning, control, financial management, risk and the coordination of activities.
More specifically:

- 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 manages 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 on forward markets as well as spot markets in Italy and abroad;
- in the hydrocarbons segment, it works in the importing of gas based on long-term contracts and the sale of hydrocarbons for thermoelectric uses and carries out buying and selling activities in the wholesale market, including through the contracting of fossil fuel storage and transport capacity and the relative rights. In the midstream gas segment, it is present along with international partners with several important projects for the development of foreign gas transport infrastructure, and in Italy in the Small-Scale LNG supply chain.

Furthermore, 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. It is also indirectly present in the specific hydrocarbon exploration and production, wind production and energy services sectors through its subsidiaries, which head their respective business lines, Edison E&P, Edison Partecipazioni Energie Rinnovabili (and through the latter E2i Energie Speciali S.r.l.) and the Fenice Group.

Moreover, as explained in more detail in the following pages, on July 4, 2019, Edison announced the signing of an agreement with Energean Oil & Gas for the sale of 100% of Edison E&P Spa's shares.

2.2 Key events

In addition to the more detailed comments made in the Report on Operations with reference to the events that characterised the first six months of 2019, the main transactions and their effects on the condensed semiannual interim separate financial statements at June 30, 2019 are described below

Edison and Ansaldo reach an agreement for the new combined cycle of the power plant in Marghera Levante

March 5, 2019 – Edison and Ansaldo Energia signed a contract for a new, latest-generation combined gas cycle that will use the most advanced Italian technology and make the thermoelectric power plant of Marghera Levante (VE) the most efficient in Europe. The agreement is part of Edison's plan to support the country's energy transition with investments of 2 billion euros in Italy over the three-year period 2019-2021. The overall investment amounts to over 300 million euros, which will also be used to create the power island, made up mainly of the GT36 high-efficiency gas turbine developed by the Genoa-based company. The new turbine will supply the Marghera combined cycle, which will have total electricity generation capacity of 780 MW and an energy output of 63%, the highest output currently available from these technologies. This will translate into a 40% reduction of specific CO2 emissions compared to the average of current Italian thermoelectric plants and a reduction of emissions of nitrogen oxides (NO_X) by more than 70%. The refurbishment works on the power plant will last for 3 years and employ around 600 people, in addition to the associated industries. Once completed, the Marghera Levante plant will employ 31 people, making it possible to confirm the current employment levels of the plant. The new combined cycle of Marghera Levante will contribute to the country's energy transition, ensuring the security and flexibility of production required to balance the intermittent nature of renewable sources. In April, Edison obtained the Single Authorisation enabling it to carry out the project. As at June 30, 2019, commitments totalled 178 million euros and advances 22 million euros.

Outcome of the voluntary conversion of savings shares into ordinary shares

During the period of voluntary conversion, from February 15, 2019 to April 1, 2019, of the savings shares - listed on the MTA (Mercato Telematico Azionario) of the Milan Stock Exchange - into ordinary shares, requests for conversion were submitted for a total of 378,894 savings shares, equal to 0.344% of the share capital represented in the same category. Therefore, although the total value of the share capital has not changed, it is now represented as follows:

- 5,267,224,718 ordinary shares, equal to 97.96% of the total share capital
- 109,775,953 savings shares, equal to 2.04% of the total share capital.

"Fiscal peace" for direct and indirect tax disputes

The company has deemed it appropriate to take advantage of the possibility of a facilitated settlement of tax disputes (so-called "Fiscal peace") set forth in Decree Law no. 119 of 2018, as converted into Law 136 of 2018, for certain tax disputes that fell within the scope of application of the law, on the one hand by eliminating the risks associated with possible litigation developments and, on the other hand, by reducing, where applicable, the taxes due and cancelling all interest charges and any penalties.

The total value was equal to 27 million euros, including 13 million euros already paid, and the balance of this account is recognised as a liability for income taxes; it should be noted, however, the overall expense for the settlement of the disputes concerned was essentially covered by existing risk provisions.

Acquisition of EDF EN Italia

On July 17, 2019, Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia which owns 265 MW of wind capacity, including the 50% stake in Greentech for which the Tag-Along right has been subsequently exercised, and 77 MW of photovoltaic. The closing follows the acceptance by EDFR of Edison's contractual proposal on June 28, 2019.

Thanks to this transaction, Edison becomes the second wind operator in Italy and will lay the foundations for a significant development in photovoltaics in collaboration with EDFR. With this transaction, Edison continues the path of consolidation in renewables through both organic development and external growth.

The consideration paid for the acquisition of EDF EN Italia amounts to 172.3 million euros, aside price adjustments contractually agreed. The overall transaction allows Edison to consolidate approximately 70 million euros of additional EBITDA per year and has an impact on the net financial debt of approximately 431 million euros, without compromising financial strength or limiting the possibility to seize any new investment opportunity.

Agreement for the Sale of Edison E&P Spa to Energean Oil & Gas

On 4 July 2019 Edison Spa announced the signing of an agreement with Energeen Oil and Gas for the sale of 100% of Edison Exploration & Production Spa and its investments in the exploration and production of hydrocarbons (oil and natural gas) sector.
The price of the transaction was determined on the basis of an enterprise value of 750 million dollars, and additional consideration of 100 million dollars is expected when production begins at the Cassiopea gas field in Italy. Edison will also be entitled to royalties associated with additional potential development in Egypt. The transaction also includes the transfer to the purchaser of future decomissioning obligations.
The closing of the transaction is expected by the end of 2019 and is subject to the necessary approvals for this type of transaction, including that of the Ministry of Economic Development.
The transaction is configured as a "non-current asset held for sale and discontinued operations" and therefore IFRS 5 was applied. The methods and effects that follow from this presentation are better described in the following paragraph.

2.3 Information on the application of IFRS 5

In these financial statements the assets relating to the investment held in Edison E&P Spa were treated as discontinued operations and therefore with regard to the values as at 30 June 2019:

- the **net result from discontinued operations**, negative for 489 million euros, includes the adjustment of the value of the investment at fair value (realizable price including the related costs for the sale itself)) and an evaluation of some indemnities, provided for by contract, as well as the allocation, pursuant to IAS 36 par. 86, of a part of the indistinct goodwill;
- **discontinued operations**, amounting to 519 million euros, mainly include the fair value of the investment in Edison E&P Spa;
- the **cash flow statement for cash and cash equivalents** in the first half of 2019 has no impact with regard to the sale transaction, while in the first half of 2018 the cash flows generated by the E&P activities, before the transfer took place on 1 July 2018, were consistent restated.

Differently as regards the comparison period 2018, it is recalled that the separation of the business branch of E&P activities, in the new company Edison E&P Spa, took place on 1 July 2018, and therefore the income statement and the financial statement of the first six months of the 2018 financial year included the operating results from the Exploration & Production activities in Italy, for the purpose of homogeneous comparison, were therefore restated, pursuant to IFRS 5, among the Discontinued Operations. To this end, it should also be noted that the infra-business relations existing between Continuing and Discontinued Operations in the first half of 2018 were treated as relations between third parties.

In the following, for the purposes of reconciling the restated values shown in the primary financial statements with those published for the first half of 2018, the contribution of E&P activities in the income statement and in the cash flow statement of cash and cash equivalents as at 30 June 2018 is extrapolated.

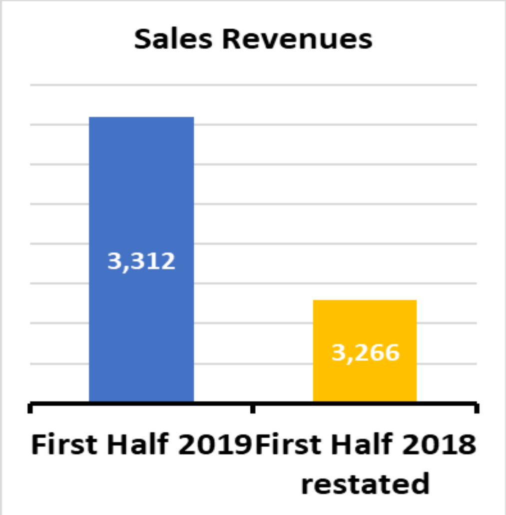
Restated Income Statement for the first half of 2018

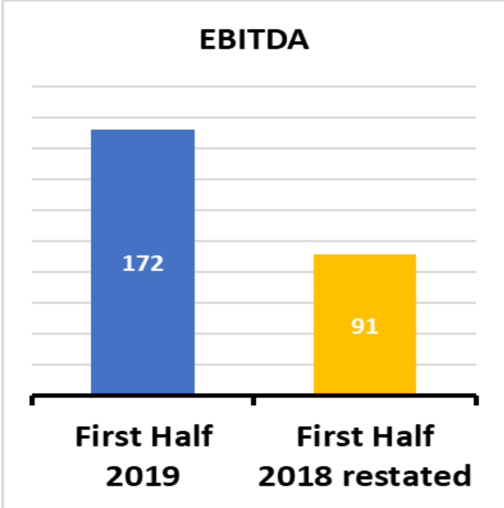
(in million euros)	First half 2018 published	Changes for application of IFRS 5 - E&P segment	Infrabusiness effects	First half 2018 restated
Sales revenues	3,309	(77)	34	3,266
Other revenues and income	42	(8)	-	34
Total revenues	**3,351**	**(85)**	**34**	**3,300**
Raw materials and services used (-) (**)	(3,162)	45	(34)	(3,151)
Staff costs (-)	(69)	11	-	(58)
(Write-downs) reversal on receivables	-	-	-	-
EBITDA	**120**	**(29)**	**-**	**91**
Net change in fair value of derivatives	1	-	-	1
Depreciation and amortisation (-) (**)	(66)	12	-	(54)
(Write-downs) reversal on non-current assets	-	-	-	-
Other income (expense), net	-	-	-	-
Other net income (expense) - non-energy activities	(13)	-	-	(13)
EBIT	**42**	**(17)**	**-**	**25**
Net financial income (expense) on net financial debt (available funds)	13	-	-	13
Income (expense) on assignment of receivables without recourse	-	-	-	-
Financial expense for decommissioning and adjustment of provisions	(12)	8	-	(4)
Charges for financial leasing	-	-	-	-
Other net financial income (expense)	4	-	-	4
Revaluations (write-downs) from equity investments	(35)	30	-	(5)
Dividends	45	-	-	45
Gains (losses) on the sale of equity investments	-	-	-	-
Income (loss) before taxes	**57**	**21**	**-**	**78**
Income taxes	(22)	5	-	(17)
Profit (Loss) from continuing operations	**35**	**26**	**-**	**61**
Profit (Loss) from discontinued operations	-	(26)	-	(26)
Net income/(loss) for the period	**35**	**-**	**-**	**35**

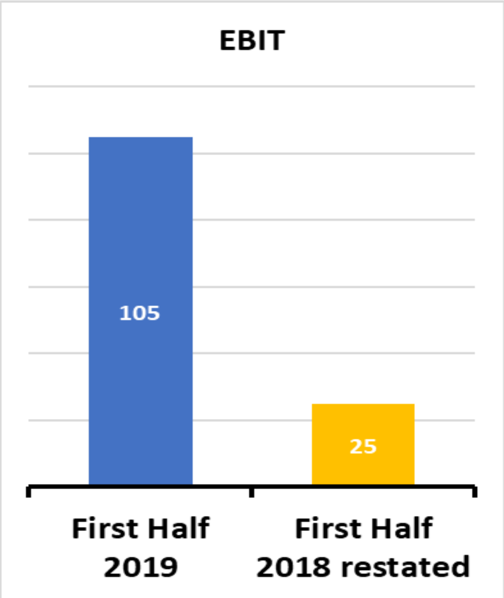
Restated Cash Flow Statement for the first half of 2018

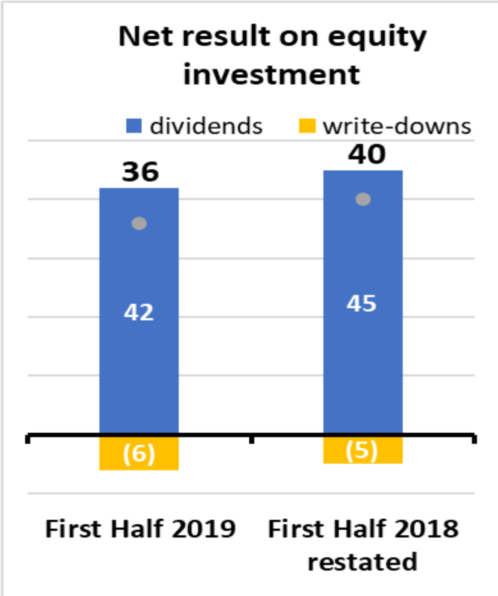
	(in million euros)	First half 2018 published	Change due to application of IFRS 5	First half 2018 restated
Profit (Loss) before taxes of Edison Spa		**57**	**21**	**78**
	Depreciation, amortisation and write-downs	66	(12)	54
	Net additions to/(Utilisations of) provisions for risks	(19)	1	(18)
	(Gains) Losses on the sale of non-current assets	1	-	1
	(Revaluations) Write-downs of non-current financial assets	35	(30)	5
	Change in provisions for employee benefits	1	-	1
	Change in fair value recognised in EBIT	(1)	-	(1)
	Change in the operating working capital	(18)	13	(5)
	Dividends from subsidiaries, affiliated companies and other companies	(45)	-	(45)
	Dividends collected (including amounts attributable to previous years)	45	-	45
	Net financial income (expense)	(2)	(8)	(10)
	Financial income collected	16	-	16
	Financial (expense) paid	(4)	-	(4)
	Net income taxes paid	(21)	-	(21)
	Change in other operating assets and liabilities	2	2	4
A.	**Cash flow from continuing operations**	**113**	**(13)**	**100**
	Investments in property, plant and equipment and intangible assets (-)	(30)	13	(17)
	Equity investments and other financial assets (-) (*)	(1,046)	850	(196)
	Proceeds from the sale of intangibles and property, plant and equipment	1	-	1
B.	**Cash flow from investment activities**	**(1,075)**	**863**	**(212)**
	Proceeds from new medium-term and long-term loans	35	-	35
	Redemptions of medium-term and long-term loans (-)	(12)	-	(12)
	Change in other current and non-current financial assets (*)	880	(850)	30
	Other changes in short-term financial debt	83	-	83
C.	**Cash flow from financing activities**	**986**	**(850)**	**136**
D.	**Net change in cash and cash equivalents (A+B+C)**	**24**		**24**
E.	**Cash and cash equivalents at the beginning of the period**	**166**	**-**	**166**
F.	**Net cash and cash equivalents from discontinued operations**	**-**		**-**
G.	**Cash and cash equivalents at the end of the period (D+E+F)**	**190**	**-**	**190**
H.	**Total cash and cash equivalents at the end of the period (G)**	**190**	**-**	**190**
I.	**(-) Cash and cash equivalents from discontinued operations**	**-**	**-**	**-**
L.	**Cash and cash equivalents from continuing operations (H-I)**	**190**	**-**	**190**

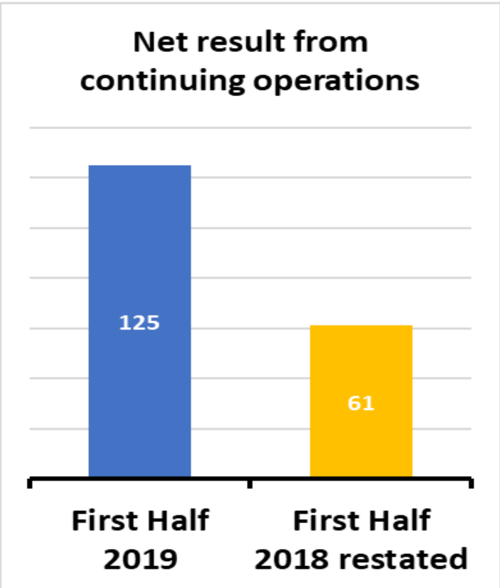
2.4 Economic performance of operations

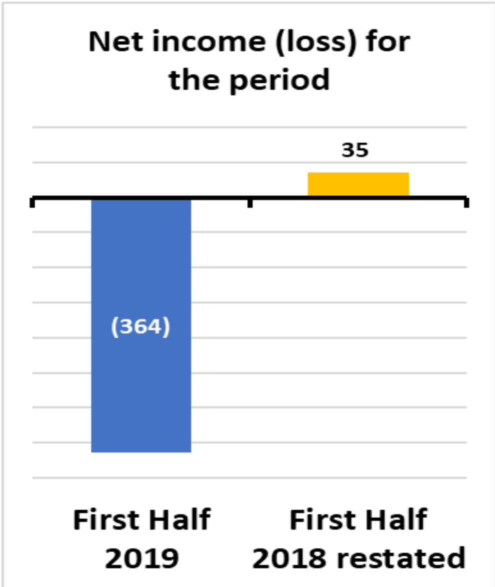












2.4.1 Sales revenues

Sales revenues came in at 3,312 million euros, on the whole up 1.4% compared to the first half of 2018 restated (3,266 million euros). This increase, despite the presence of a slight drop in the volumes sold of both gas and electricity, was more than offset by higher average sales prices, driven by the reference power scenario; these changes are also attributable to the variations in the **Raw materials and services used** commented just below.

(in millions of euros)	First half 2019	First half 2018 restated	Change	% change
Natural gas	2,090	2,158	(68)	(3.2%)
Electric Power Operations	1,214	1,056	158	15.0%
Steam	24	23	1	4.3%
Environmental securities	1	(3)	4	n.m.
Other	14	-	14	n.m.
Total sales	**3,343**	**3,234**	**109**	**3.4%**
Realised commodity derivatives	(47)	13	(60)	n.m.
Sundry service revenues	16	19	(3)	(15.8%)
Margin on physical trading activities	-	(1)	1	n.m.
Margin on financial trading activities	-	1	(1)	n.m.
Total sales revenues	**3,312**	**3,266**	**46**	**1.4%**

The reduction in income from commodity derivatives (for hedges on commodities and foreign exchange rates put in place to manage the risk of fluctuations in the cost of natural gas as well as risks related to its sale, consistent with the indexing formulas and risk factors included therein) should be analysed together with the corresponding cost item, included in "**Raw materials and services used**", which also posted a decrease.

2.4.2 Raw materials and services used

(in millions of euros)	First half 2019	First half 2018 restated	Change	% change
- Natural gas	2,021	2,081	(60)	(2.9%)
- Electric power	562	590	(28)	(4.7%)
- Utilities and other materials	5	6	(1)	(16.7%)
- Environmental securities	48	16	32	n.m.
Total	**2,636**	**2,693**	**(57)**	**(2.1%)**
- Carrier services	337	314	23	7.3%
- Realised commodity and foreign exchange derivatives	(89)	(17)	(72)	n.m.
- Regasification fee	53	59	(6)	(10.2%)
- Facilities maintenance	21	16	5	31.3%
- Professional services	22	14	8	57.1%
- Insurance services	5	5	-	n.m.
- Costs for use of third-party assets (*)	27	32	(5)	(15.6%)
- Change in inventories	61	(13)	74	n.m.
- Accruals to provisions for risks	14	8	6	75.0%
- Indirect taxes and fees	4	7	(3)	(42.9%)
- Sundry charges	37	33	4	12.1%
Total materials and services used	**3,128**	**3,151**	**(23)**	**(0.7%)**

(**) The amount of First half 2018 does not include the effects resulting from the application of IFRS 16, applied from January 1, 2019

As mentioned in the revenues section, also as regards materials used the trend was mainly influenced by the performance of the energy scenario which affected the average unit costs of the commodities by impacting the main price formulas indexed to the single national price, Brent or VTP.

2.4.3 Other revenues and income

(in millions of euros)	First half 2019	First half 2018 restated	Change	% change
Release of provisions for other risks	4	10	(6)	(60.0%)
Insurance and contractual compensation	14	7	7	100.0%
Recovery of costs, out-of-period income and sundry items	31	17	14	82.4%
Total other revenues and income	**49**	**34**	**15**	**44.1%**

The increase in this item is largely due to the results achieved under the MASA agreement with EDFT to jointly manage power trading activities in Italy, which, in the first half of 2019, allowed the recognition of income of approximately 9 million euros, compared with a zero result for the same period of the previous year.
It should be noted that the **reversal of sundry provisions for risks** includes, in particular, the operational provisions, accrued in previous years to cover any costs, which are considered to have been extinguished in the period under review.

The item **recovery of costs** relates primarily to insurance costs and personnel loans, while **contingent assets and other assets** mainly include assets realised against adjustments relating to previous years in both the gas and electricity sectors.

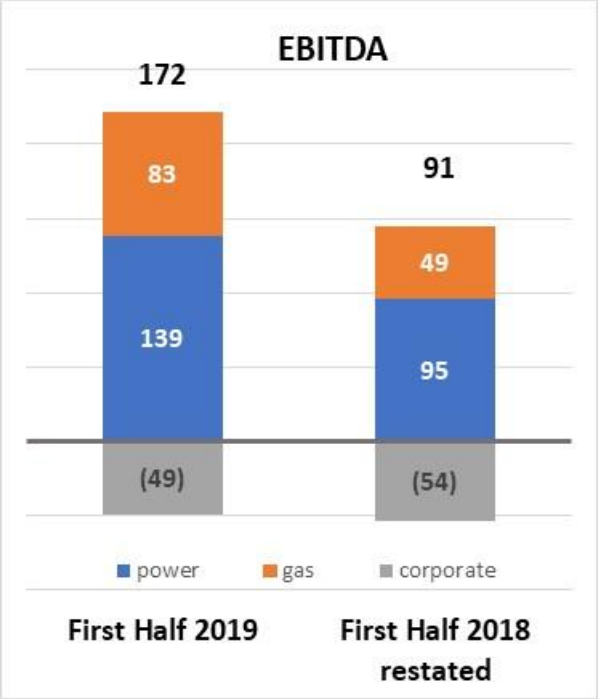
2.4.4 Costs for personnel

Costs for personnel came to 62 million euros, marking an increase from 58 million euros in the first half of 2018 restated. This change is mainly due the increase in the workforce compared with the same period of the previous year already reduced of the effect represented by the staff of the E&P activities, which stands at 1.321 units showing an increase of 40 employees compared to 1,281 at June 30, 2018 restated.

2.4.5 EBITDA

Therefore, as far the results reported previously, the **EBITDA** was a positive 172 million euros, a notable increase with respect to the first half of 2018 restated (91 million euros). In detail, as regards the individual sectors, note the following:

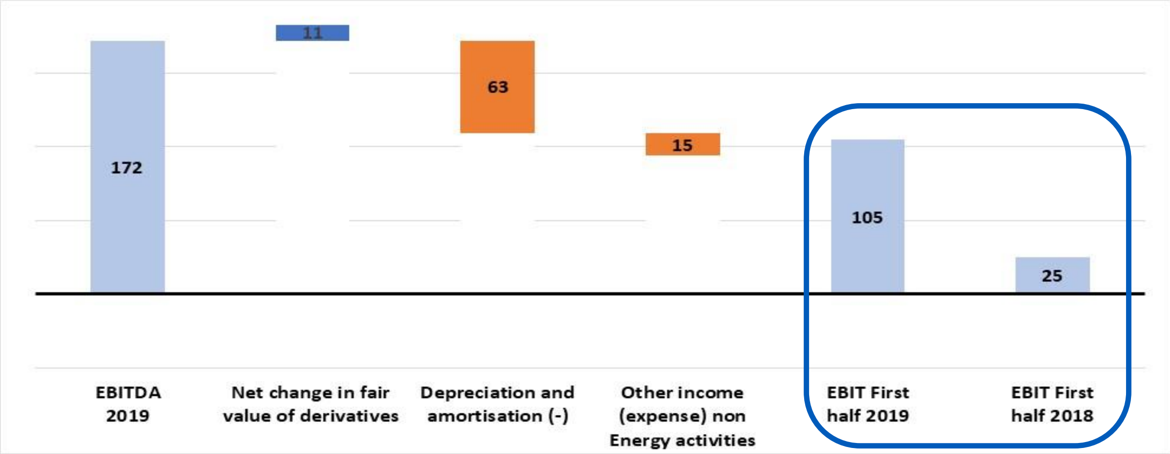
- in the **natural gas segment**, EBITDA in 2018 marking a increase attributable mainly to the natural gas buying and selling operations, whose margins were squeezed in particular in 2018 due to the short-gas process caused by the cold snaps in the first few months of the year;
- in the **electric power segment**, EBITDA for the first half of 2019 totalled 139 million euros, up compared with 2018, thanks in particular to the results of the thermoelectric segment, where the increase in spark-spreads resulted in higher margins in the spot market and in the ancillary services market;
- in the **corporate segment**, which includes central and transversal operations, i.e., those that are not directly related to the specific business, EBITDA for the first six months of 2019 was negative by 49 million euros (negative by 54 million euros in 2018), as a result of the application of IFRS 16, which requires that, as of January 1, 2019, lease payments for assets recognised as ROUs (Right of Use) be derecognised, particularly with regard to the rental of properties in Foro Buonaparte.



For the sake of comprehensiveness, for a more significant representation of the operating EBITDA of the individual segments[1], the values shown also include intercompany transactions, i.e., those between the different segments of the Company such as the sale of gas from the hydrocarbons segment to the power segment's thermoelectric power stations on the basis of the volumes consumed, and costs for centralised services in the corporate segment but charged back to the operating business units.

[1] The "Operating" EBITDA of the individual segments is not verified by the Independent Auditors.

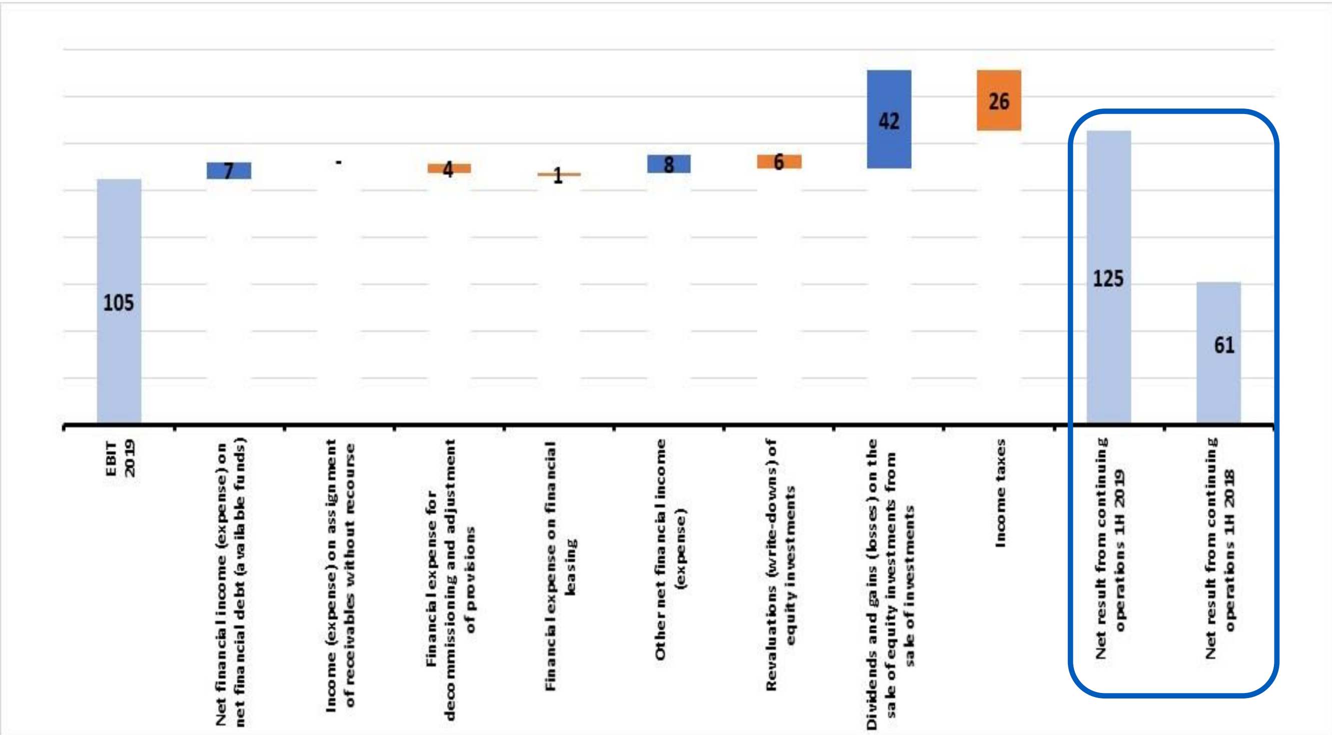
2.4.6 EBIT



EBIT was positive for 105 million euros (25 million euros in the first half of 2018) and includes, for:

- 11 million euros, the positive impact connected with the **net change in fair value of derivatives on commodities and foreign exchange rates** (positive for 1 million euros in the first half of 2018) (for more information, see chapter 4. "Market risk management");
- -63 million euros for **depreciation and amortisation** (-54 million euros in the first half of 2018 restated), up mainly due to the application of the new IFRS 16 accounting standard as from January 1, 2019 (for further information see chapter 5. "Invested capital and provisions");
- -15 million euros for **other net non-energy income (expenses)** (other net expenses in the first half of 2018 came to 13 million euros), connected with legal expenses not directly related to industrial and financial operations, but rather primarily linked to disputes concerning the former Montedison Group (for more information, see chapter 9. "Non-energy activities").

2.4.7 Net result from continuing operations



In detail, the main items refer to:

- roughly 7 million euros for **net financial income** relating to the financial position, of which 10 million euros for subsidiaries and affiliated companies (15 million euros in the first half of 2018) (for more information, see chapter 7);
- roughly 1 million euros in **finance lease costs** as a result of the adoption of the new IFRS 16 accounting standard, which is discussed in detail in chapter 1.1 Accounting Principles and Valuation Criteria;
- roughly 4 million euros in expenses (unchanged with respect to the first half of 2018) for the adjustment of **decommissioning provisions** and the discounting of provisions for risks (further details provided in chapter 5);
- roughly 8 million euros for **other net financial income** (4 million euros in other net financial income in the first half of 2018), inclusive of bank charges of 1 million euros net of financial income of 1 million euros for receivables due from the tax authorities, as well as net exchange gains of 8 million euros (net exchange gains of 4 million euros in the first half of 2018)

(in million euros)	First half 2019	First half 2018	Changes
Other financial income (expense)	**-**	**-**	**-**
Exchange gains/(losses)			
Foreign exchange translation gains:	**18**	**35**	**(17)**
- amount with EDF	*9*	*13*	*(4)*
- amount with others	*9*	*22*	*(13)*
Foreign exchange translation losses:	**(10)**	**(31)**	**21**
- amount with EDF	*(5)*	*(12)*	*7*
- amount with others	*(5)*	*(19)*	*14*
Total exchange gains/(losses)	**8**	**4**	**4**
Total other net financial income/(expense)	**8**	**4**	**4**

- 42 million euros for **dividends from investee companies** (45 million euros in the first half of 2018) (for more information, see chapter 5);
- roughly 6 million euros **write-downs of equity investments** (5 million euros in the first half of 2018 restated), due mainly to the comparison between the carrying amount and the respective shareholders' equity, including the result for the period of the investee companies (for further information, see chapter 5);
- 26 million euros in **income taxes** (17 million euros in the first half of 2018), and are composed in particular of corporate income taxes (IRES) for 39 million euros, 5 million euros in regional business taxes (IRAP), 30 million euros in income from the filing of a national consolidated income tax return by Transalpina di Energia, the Group's holding company, and 12 million euros in deferred taxes (for more information, see chapter 8).

2.4.8 Net income (loss) for the period

Edison Spa reported a **net loss for the first half of 2019** of 364 million euros, compared with a profit of 35 million euros in the first half of 2018.

This result also includes a net loss of 489 million euros from discontinued operations, as discussed earlier in chapter 2.3 "Disclosure About the Adoption of IFRS 5", offset in part by the positive results generated by the industrial margins described above.

3. NET WORKING CAPITAL

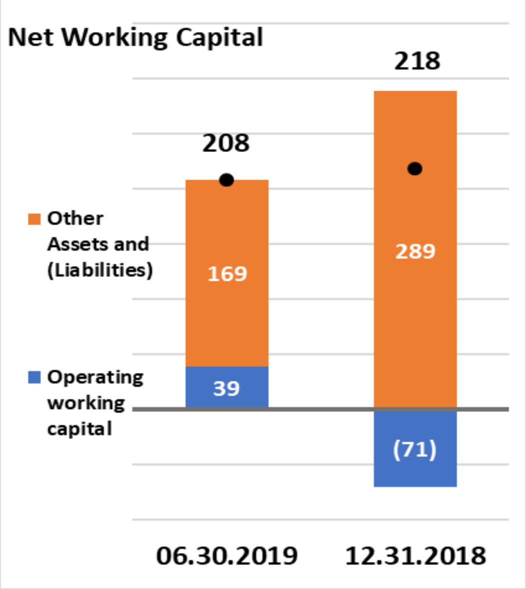
3.1. Credit Risk

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

To control this risk, Edison Spa implemented procedures and programs designed to assess customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating.

As at June 30, 2019, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.



3.2 Operating Working Capital

(in million euros)	06/30/2019	12/31/2018	Changes
Inventories (+)	56	117	*(61)*
Trade receivables (+)	763	824	*(61)*
Trade payables (-)	(780)	(1.012)	*232*
Operating Working Capital	**39**	**(71)**	***110***

3.2.1 Inventories

Aligned, where necessary, to the presumed net realisation value, they consist of gas inventories for 44 million euros (104 million euros at December 31, 2018) and materials and equipment used for the maintenance and operation of operating plants for 7 million euros (unchanged compared to December 31, 2018).

3.2.2 Trade receivables

(in millions of euros)	06/30/2019	12/31/2018	Changes
Total trade receivables	**763**	**824**	**(61)**
Broken down as follows:			
- amount owed to outsiders	*332*	*430*	*(98)*
- amount owed to subsidiaries and affiliated companies	*431*	*394*	*37*
of which allowance for doubtful accounts (*)	**(29)**	**(31)**	**2**
Guarantees to cover outstanding loans	**12**	**12**	**(12)**
Overdue receivables			
Within 6 months	**4**	**11**	(7)
From 6 to 12 months	**-**	**1**	(1)
Over 12 months	**25**	**17**	8

They specifically refer to electricity and steam supply contracts and natural gas supply contracts, with Group companies and Terna, GSE and GME. The change is mainly due to the optimisation of the due dates of collections and the seasonal effect, and to the similar item of trade payables.

Receivables from subsidiaries and affiliated companies relate almost exclusively to gas and electricity sales to the subsidiary Edison Energia for sale on the end market.

It should also be noted that Edison Spa disposes of trade receivables without recourse on a monthly revolving basis and through the transfer without recourse of the credit risk. In the first half of 2019, these transactions were carried out for a total value of 268 million euros (434 million euros as at June 30, 2018). The costs related to managing these activities are recorded under financial items and amount to less than 1 million euros.

There were no receivables exposed to the risk of recourse at June 30, 2019.

The **provision for doubtful accounts** amounted to 29 million euros, or 2 million euros less than the 31 million euros registered at December 31, 2018.

Additions to the allowance reflect the result of an assessment, performed consistent with the Edison Group's policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables and the ageing; **utilizations** were mainly recognised for receivables deemed uncollectable during the period.

3.2.3 Trade payables

(in millions of euros)	06/30/2019	12/31/2018	*Changes*
Total trade payables	**780**	**1,012**	***(232)***
Broken down as follows:			
- amount owed to outsiders	*738*	*965*	*(227)*
- amount owed to subsidiaries and affiliated companies	*42*	*47*	*(5)*
Total	**780**	**1,012**	***(232)***

Trade payables reflect mainly purchases of natural gas deriving from long-term contracts, purchases of electric power and other utilities, and services related to plant maintenance.

The change is due in particular to a seasonal effect and in part to lower volumes of electricity purchased on the wholesale market, in addition to optimisation of payment schedules.

3.3 Other assets and liabilities

(in millions of euros)	06/30/2019	12/31/2018	Changes
VAT receivable from the tax administration	189	103	86
Guarantee deposits	5	6	(1)
Receivables for other taxes	21	7	14
Total other non-current assets (A)	**215**	**116**	**99**
Provision of technical, admin. and financial services to Group companies	27	27	-
VAT receivable from the tax administration	91	151	(60)
Customer advances	17	9	8
VAT pool receivables	4	11	(7)
Other	64	71	(7)
Total other current assets (B)	**203**	**269**	**(66)**
Employees	17	20	(3)
Social security and welfare institutions	15	16	(1)
Other taxes payable	5	4	1
Other	212	56	156
Total other current liabilities (C)	**249**	**96**	**153**
Total other assets/liabilities (A+B-C)	**169**	**289**	**(120)**

More specifically:

- **other non-current assets** include:
  - 85 million euros for the refund of the VAT credit accrued in 2018, requested in the 2019 annual VAT return;
  - 100 million euros for the refund of the VAT credit accrued in 2017, requested in the 2018 annual VAT return.

  The total value of the VAT credit, including accrued interest, of 189 million euros was classified under non-current assets due to the uncertainty of the date of collection by state bodies;
- **other current assets** include VAT credit accrued and not yet requested for FY 2018, and the first half of 2019. The change compared with December 31, 2018 is due to the above-mentioned VAT refund request of 85 million euros;
- **other liabilities** of 212 million euros primarily include about 173 million euros owed in connection with the obligation to acquire 100% of the share capital of EDF Energies Nouvelles Italia (for further details, see the note in chapter 2.2 "Significant Events"), the offset of which is recognised as intangible assets.

4. MARKET RISK MANAGEMENT

This chapter provides a summary description of the policies and principles adopted by Edison Spa to manage and control the commodity price risk, tied to the volatility of the prices of energy commodities and environmental securities, the foreign exchange risk linked to commodities and other risks correlated with the exchange rate.
A more complete description is provided in the separate financial statements as at December 31, 2018.
As required by IFRS 7 Financial Instruments - Disclosures, the paragraphs that follow provide information about the nature of risks resulting from financial instruments, based on an analysis of an accounting or managerial nature.
The effects on the income statement and balance sheet at June 30, 2019 are also provided.

4.1 Market risks and risk management

4.1.1 Commodity Price Risk and Exchange Rates Risk Related to Commodity Transactions

The management and control of commodity price and exchange rate risk related to commodity transactions, governed by the Energy Risk Policies, involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk, balancing the changes in economic value of the underlying hedged item with those deriving from the use of such instruments.
At the operational level, the net exposure is computed for the Company's entire portfolio of assets and contracts (so-called Industrial Portfolio), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), measured in terms of Profit at Risk (PaR[2]) with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors approves the Economic Capital at Group level ceiling concurrently with the approval of the annual budget.

The unrealised derivatives at June 30, 2019 are measured at fair value with reference to the market forward curve at the reporting date, if the derivative underlying is traded in markets that have official and liquid forward price quotations. If the market has no such forward quotations, forecast price curves based on internal simulation models developed by Edison Group are employed;
For the derivatives that provide hedging for the Industrial Portfolio, which qualify part as cash flow hedges or fair value hedges pursuant to IFRS 9 and part as economic hedges, a simulation is performed to measure the potential impact that fluctuations in market prices of the underlying item could have on the fair value of the outstanding derivatives, pursuant to IFRS 7. The simulation is performed with reference to the time period of the residual life of the derivative contracts in place, whose maximum term is currently 2022.

For all derivative contracts in place as at June 30, 2019, the methodology makes use of the forward prices of commodities and exchange rates, recorded at the reporting date, and of the associated volatilities and correlations.
Once a probability distribution of changes in fair value is thus obtained, it is possible to extrapolate the maximum expected negative variance in the fair value of the outstanding derivatives, over the time horizon corresponding to the reporting year, for a given level of probability, conventionally set at 97.5%.
The following table shows the maximum expected negative variance in the fair value of the outstanding hedging derivative contracts on commodities and exchanges by the end of 2019, compared with the fair value determined at June 30, 2019.

Value at Risk (VaR) (in million euros)	**06/30/2019**	**06/30/2018**
Maximum expected variance in the fair value (*)	401.4	305.9

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

2 Profit at Risk: is a statistical measurement of the maximum potential negative variance in the budgeted margin in response to unfavourable markets moves, within a given time horizon and confidence interval.

The increase in the maximum change in fair value compared to June 30, 2018 is primarily connected to the increase in volatility in the energy markets in which the Company operates.
In other words, compared with the fair value determined for hedging derivatives outstanding at June 30, 2019, the probability of a negative variance greater than 401 million euros by the end of 2019 is limited to 2.5% of the scenarios.
For derivatives qualified as fair value hedges, also considering the change in the fair value of the hedged contracts, the above-mentioned maximum expected variance value is reduced from 401 million euros to 237 million euros. Of this value:

- roughly 26 million euros relates to derivatives that may be classified as Economic Hedges and the ineffective part of derivatives qualified as Cash Flow Hedges and Fair Value Hedges; this potential change would therefore be recognised in the income statement;
- around 211 million euros relates to the effective portion of hedging derivatives that may be classified as Cash Flow Hedges and would be shown in the balance sheet with recognition in the dedicated shareholders' equity reserve.

Period hedging allowed the Company's risk management objectives to be achieved, reducing the commodity price risk profile of the Industrial Portfolio to within the approved economic capital limit. The table below shows the risk profile of the Industrial Portfolio in terms of the absorption of economic capital:

Industrial Portfolio Economic capital absorption	**First half 2019**		**First half 2018**	
	without derivatives	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved economic capital limit	158%	53%	163%	57%
Maximum absorption	198% - Jun. '19	63% - Jun. '19	187% - Jan. '18	67% - Jan. '18

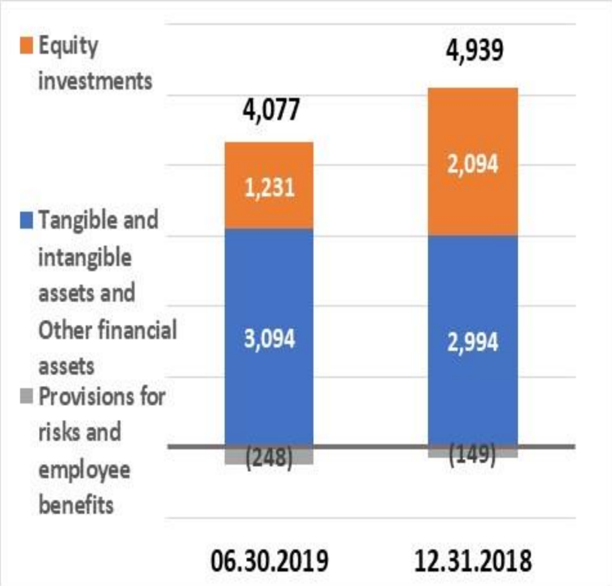
During 2018, the trading transactions of Edison Spa were carried out under the joint venture agreement with EDF Trading: from September 1, 2017, the MASA (Trading Joint Venture and Market Access Services Agreement) between EDF Trading and Edison Spa (formerly Edison Trading Spa merged with Edison Spa from December 1, 2017) is in effect, regarding proprietary trading, calling for the execution of activities through a joint desk with EDF Trading, as well as methods for accessing the forward power market. On a residual basis, trading activities remain in relation to agreements entered into prior to when this agreement was signed, which will be managed by Edison until their natural maturity.

4.1.2 Foreign Exchange Risk

The guidelines relative to governance and foreign exchange risk mitigation strategies are unchanged as compared with December 31, 2018.

5. INVESTED CAPITAL AND PROVISIONS

Edison Spa, is the operating holding of the Edison Group, and through the assets held directly rather than those owned by the companies in which it directly or indirectly holds equity investments, it operates throughout the electric power and natural gas business segment from upstream to downstream, and in the energy efficiency services segment.
The non-current assets thus consist of both assets - for the most part large-scale directly operated thermoelectric and hydroelectric production plants - and equity investments in companies which are almost all subsidiaries, as well as the provisions for operational risks associated with such items.



The decrease of about 862 million euros in **invested capital** in the first half is mainly due, on one side to the reclassification to **discontinued operations** of the interest held in Edison E&P Spa including also the allocated portion of Goodwill, as explained in chapter 2.3 "Information on the application of IFRS 5"; on the other side to the effect of about 100 million euros for the booking of right of use (RoU) following the first time application of IFRS16 and the right to purchase the EdF EN Italia equity interest recorded for about 172 million euro, in the context of the M&A operation described in chapter 2.2 "Key events".

5.1 Fixed assets

(in millions of euros)	Property, plant and equipment	Leased tangible fixed assets IFRS 16	Intangible Assets	Goodwill	Total
Opening balances at 12/31/2018 (A)	**1,201**	**-**	**72**	**1,707**	**2,980**
Changes at June 30, 2019:					
- first-time application of IFRS 16	-	101	-	-	101
- additions	33	-	1	-	34
- disposals (-)	(1)	-	(1)	-	(2)
- depreciation (-)	(52)	(5)	(6)	-	(63)
- write-downs (-)	-	-	-	-	-
- reclassification to asset held for sale (-)	-	-	-	(134)	(134)
- other changes	-	-	173	-	173
Total changes (B)	**(20)**	**96**	**167**	**(134)**	**109**
Figures as at 06.30.2019 (A+B)	**1,181**	**96**	**239**	**1,573**	**3,089**

5.1.1 Property, plant and equipment and intangible assets

Property, plant and equipment refers mainly to land and buildings and the assets located there that are used to generate electric power, consisting of combined-cycle natural gas and hydroelectric power plants, as well as investment property (5 million euros), which consists of land and buildings that are not used for production purposes.
Property, plant and equipment includes assets **transferable without consideration** for 39 million euros, relating mainly to Edison's hydroelectric operations, in which it directly holds 36 concessions.

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

- **additions** of 33 million euros refer mainly to the new combined-cycle facility at the Marghera Levante thermoelectric power plant, as described in chapter 2.2 Significant Events, and to the replacement of plant parts at some hydroelectric power plants.
- **depreciation**, totalling 52 million euros, down with respect to 59 million euros in the first half of 2018, which still included the E&P Division activities transferred as of July 1, 2018.

Lastly, no amount of financial expense was capitalised in property, plant and equipment in the period, consistent with the requirements of IAS 23 Revised.

Intangible fixed assets include:

- around 173 million euros for the right to acquire 100% of the share capital of Energies Nouvelles Italia, recorded under other changes; the related payable is recorded under other payables (chapter 3.3 Other assets and liabilities). For further details, reference should be made to the comments in chapter 2.2 Significant events;
- 43 million euros for an intangible asset recognised in 2014 for the value of the electric power off-take contract, with a total duration of 10 years (six years remaining), in connection with the renewable energy hub;
- 12 million euros for software licenses and network applications.
- 11 million euros for work in progress and advances.

Commitments on non-current assets:

Commitments of 200 million euros to complete investment projects in progress include the following to the contract for the construction of a new latest-generation combined-cycle gas turbine which will use the most advanced Italian technology and will make the Marghera Levante (VE) thermoelectric plant the most efficient in Europe.

5.1.2 Leased tangible fixed assets IFRS 16

(in millions of euros)	Land and buildings	Industrial and commercial equipment	**Total**
Opening balances at 12/31/2018 (A)	-	-	-
Changes at June 30, 2019:			
- first-time application of IFRS 16	100	1	101
- depreciation (-)	(5)	-	(5)
Total changes (B)	**95**	**1**	**96**
Figures as at 06.30.2019 (A+B)	**95**	**1**	**96**

With reference to the application of the standard and its effects following its first application, reference should be made to the comments made in the chapter "Accounting standards".

5.1.3 Goodwill

The value of 1,573 million euros, and the change reflects an allocation estimate, made pursuant to IAS 36 par. 86, to the discontinued operations described in chapter 2.3 Information relating to the application of IFRS 5, to which reference is made for more information.

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.

5.1.4 Impairment Test in Accordance with IAS 36

As required by IAS 36, in the first half of 2019 the Group performed analysis to identify potential impairment indicators which may change the Cash Generation Units (CGUs) and goodwill's recoverable value.

Specifically, the short/medium-term economic and scenario variables, the financial performance of the first half and the probable evolutions of the regulatory framework were analyzed. The analysis hasn't shown any trigger to require a Semiannual impairment test.

5.1.5 Other financial assets

The amount of 5 million euros refers to the investment in the FPCI Electranova - Idinvest 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. The value of the investment is measured at fair value and any changes in value booked to the income statement for the period.

5.2 Equity investments

Equity investments and Investments at fair value through profit and loss

(in millions of euros)	Equity investments	Investments at fair value through profit and loss	Total
Opening balances at 12/31/2018 (A)	**2,093**	**1**	**2,094**
Changes at June 30, 2019:			
- changes in share capital and reserves	5	-	5
- rev. (+) / write-down (-) on income statement	(6)	-	(6)
- reclassification of assets held for sale	(874)	-	(874)
- other changes (-)	12	-	12
Total changes (B)	**(863)**	**-**	**(863)**
Figures as at 06.30.2019 (A+B)	**1,230**	**1**	**1,231**

Total equity investments amount to 1,231 million euros and break down as follows:

- **equity investments** of which 1,202 million euros in subsidiaries and 28 million euros in associates and joint ventures;
- **equity investments at fair value through profit and loss** for 1 million euros, refer mainly to the equity investment in American Superconductor.

The main changes in the first half of 2019 are reviewed below:

- the **change in the share capital and reserves**, relates to the company Depositi Italiani GNL Spa, of which Edison Spa holds 49%, established along with the shareholder PIR for the construction and management of the Ravenna coastal depot to develop the Small-Scale LNG business;
- **write-downs/reversals in the income statement,** commented on below, reflect the adjustment of the carrying value of some investees due to the impairment testing process described below;
- the **reclassification to discontinued operations** refers to the sale of Edison E&P Spa, as discussed in the chapter of this Report entitled "2.3 Information on the application of IFRS 5";
- **other changes** include an increase in the value of the equity investment in Edison E&P Spa, due to a revision of the deed of conveyance dated July 1, 2018, by supplementing the notarial deed in June 2019.

Impairment test on equity investments

As already reported in the separate financial statements at December 31, 2018, to which reference should be made for the sake of completeness of information, the Company assesses the presence of impairment indicators for each equity investment, consistent with its strategy for managing the legal entities within the Group and, if they are verified, subjects these assets to impairment testing, which involves comparing the carrying value and the respective shareholders' equity and results of the investee company, thus including the effects of the impairment test carried out by the latter on its assets. If, following this comparison, the shareholders' equity is lower than the carrying amount, the Company decides whether to adjust the book value of the equity investment.

Dividends and other income and (expense) from equity investments

(in millions of euros)	First half 2019	First half 2018	Changes
Income from equity investments			
Dividends from subsidiaries and affiliated companies:			
- Edison Stoccaggio	14	20	(6)
- Edison Energia	10	10	-
- Edison Partecipazioni Energie Rinnovabili	5	3	2
- Cellina Energy	5	-	5
- Sistemi Energia	1	-	1
- Ibiritermo	4	7	(3)
- Infrastrutture Distribuzione Gas	-	4	(4)
- Other companies	3	1	2
Total dividends	**42**	**45**	**(3)**
Revaluations of trading securities	**-**	**-**	**-**
Gains on the sale of equity investments	**-**	**-**	**-**
Total income from equity investments	**42**	**45**	**(3)**
Losses on the sale of equity investments	**-**	**-**	**-**
Total expense on equity investments	**-**	**-**	**-**
Income from (Expense on) equity investments, net	**42**	**45**	**(3)**

5.3 Operational Provisions

(in millions of euros)	12/31/2018	Financial expense	Provisions	Utilizations	Other changes	06/30/2019
- Provisions for employee benefits	15	-	-	(1)	-	14
- Provisions for decommissioning and remediation of industrial	64	1	-	-	-	65
- Provisions for other risks and charges	70	1	11	(10)	97	169
Total provisions for operational risks	**149**	**2**	**11**	**(11)**	**97**	**248**

5.3.1 Provisions for employee benefits

This provision reflects the accrued severance indemnities and other benefits owed to employees at the end of the reporting period. The actuarial gains and losses entered directly as shareholders' equity total around 1 million euros, unchanged compared to December 31, 2018.

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:

	06.30.2019	12.31.2018
- Technical annual discounting rate	2.30%	2.30%
- Annual inflation rate	0.90%	0.90%
- Global salary annual increase rate	2.00%	2.00%
- Estimated annual increase in employee severance indemnities	2.18%	2.18%

5.3.2 Provisions for decommissioning and remediation of industrial sites

These include the valuation, discounted to the reporting date, of the decommissioning costs that the Company expects to incur for industrial sites, whose change in the period refers to the adjustment for financial expense.

5.3.3 Provisions for other risks and charges

These refer to provisions of a purely industrial nature for the various areas in which the Company operates, and also include some provisions related to the sale of equity investments and tax disputes related to property taxes. They also reflect the valuation of **probable liabilities** correlated with some disputes under way for which it was possible to develop a reliable estimate of the corresponding expected obligation, even though the timing of the corresponding cash outlays cannot be objectively predicted.

The main change in the period is recorded under other movements and includes 77 million euros for provisions for environmental quotas (CO_2) and 13 million euros for I.C.I. assessments for offshore platforms that were integrated into the notarial deed for the transfer of E&P activities.

For a breakdown of this item, please see the separate financial statements at December 31, 2018 and the changes that occurred in the condensed semiannual consolidated financial statements at June 30, 2019.

5.4 Contingent assets and liabilities

More specifically:

- **potential benefits** are benefits not recognised in the financial statements as not virtually certain;
- **contingent liabilities** are not recognised in the financial statements as they depend on events that are possible, but not probable, or are probable but cannot be quantified reliably and the corresponding cash outlays cannot be reasonably estimated.

A breakdown of this item is provided in the separate financial statements at December 31, 2018 and, for the changes that occurred during the period, in the interim consolidated financial statements at June 30, 2019.

6. SHAREHOLDERS' EQUITY

Edison Spa's **shareholders' equity** is 4,895 million euros, 347 million euros down, compared to 5,242 million euros as at December 31, 2018. The structure of shareholders' equity at June 30, 2019 is shown in the table below compared with that of December 31, 2018:

Shareholders' equity (in millions of euros)				06.30.2019				12.31.2018
Share capital of which:	No. shares	Unit. Euro N.V.	%of Share capital		No. shares	Unit. Euro N.V.	%of Share capital	
Common shares	5,267,224,718	1.00	97.96%	5,267	5,266,845,824	1.00	97.95%	5,267
Non-convertible savings shares	109,775,953	1.00	2.04%	110	110,154,847	1.00	2.05%	110
Total share capital	**5,377,000,671**		**100.00%**	**5,377**	**5,377,000,671**		**100.00%**	**5,377**
Statutory reserve				3				-
Cash flow hedge reserve				48				31
Reserve for actuarial gains (losses)				(1)				(1)
Reserve from merger by absorption				218				218
Retained earnings/(loss carryforward)				(386)				(438)
Net income (loss) for the year				(364)				55
Total shareholders' equity				**4,895**				**5,242**

In addition to the negative result of 364 million euro, the main changes in the period include:

- an increase of 3 million euros in the **legal reserve** and 52 million euros in the **retained earnings reserve**, due to the allocation of the 2018 net profit approved by the Shareholders' Meeting of April 2, 2019;
- in the **cash flow hedge reserve** due to the adoption of IFRS 9 for the accounting of derivatives and relating to the deferral to shareholders' equity of the effective part 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. The table below shows the change with respect to December 31, 2018:

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at 31.12.2018	43	(12)	31
Change in the period	23	(6)	17
Reserve at 06.30.2019	**66**	**(18)**	**48**

Finally, it should be noted that the results of the voluntary conversion of savings shares into ordinary shares, already described above in the significant events, have not changed the overall value of the **share capital**. The table in shareholders' equity shows the change in 378,894 savings shares converted into ordinary shares.

No further changes are noted with respect to that commented in the separate financial statements as at December 31, 2018, to which reference should be made for further in-depth information.

7. NET FINANCIAL DEBT (AVAILABLE FUNDS) AND COST OF DEBT

7.1 Management of Financial Resources

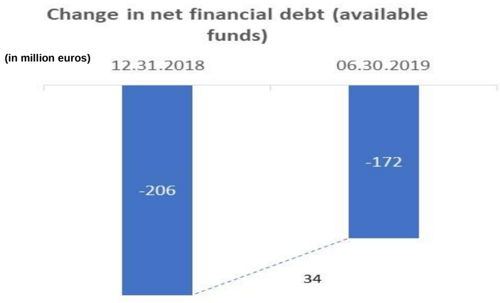
An overview of how Edison Spa defines its financial strategy and its policy of providing and managing its financial sources, including with regard to its subsidiaries, is provided in the separate financial statements at December 31, 2018.

At June 30, 2019, Edison Spa's credit rating is BBB-, stable outlook, for S&P and Baa3, stable outlook, for Moody's.

This paragraph also provides some sensitivity analyses and details to better describe the risk management procedures in place to handle risks inherent in financial instruments (interest rate risk when applicable, credit risk).

7.2 Net Financial Debt (Available Funds) and Cost of Debt

Below is a summary of the main phenomena which impacted the net available funds as at June 30, 2019, which came to 172 million euros (net available funds of 206 million euros at December 31, 2018).



The **34 million euro change in net financial available funds** reflects primarily the impact of the first-time adoption of IFRS 16 Leases , which resulted in a 101 million euro change in debt at January 1, 2019, the settlement of certain tax disputes (so-called Fiscal peace) for 13 million euros, equity investments for 5 million euros and investments in property, plant and equipment and intangible assets for 34 million euros, in addition to changes in operating working capital.

Below is the breakdown of **net financial debt (available funds)**:

(in million euros)	06/30/2019	12/31/2018	*Changes*
Long-term financial debt (*)	353	271	*82*
Non-current financial assets from subsidiaries and affiliated companies (*)	(560)	(574)	*14*
Non-current net financial debt (available funds)	**(207)**	**(303)**	***96***
Current financial payables (*)	156	114	*42*
Current financial payables to subsidiaries and affiliated companies	565	418	*147*
Current financial assets	-	-	-
Current financial assets from subsidiaries and affiliated companies (*)	(366)	(390)	*24*
Cash and cash equivalents	(320)	(45)	*(275)*
Current net financial debt (available funds)	**35**	**97**	***(62)***
Total net financial debt (available funds)	**(172)**	**(206)**	***34***
of which:			
Gross Financial Debt	**1,074**	**803**	***271***
Cash and cash equivalents and financial assets	**(1,246)**	**(1,009)**	***(237)***

(*) Includes the effects of the first-time adoption of IFRS 16 from January 1, 2019, of which 111 million euros in current/non-current payables and 10 million euros in current/non-current receivables

The following table summarises the change relating to the application of the accounting standard IFRS 16

(in million euros)	06/30/2019	01/01/2019 first-time application	*Changes*
Long-term financial debt	93	101	*(8)*
Non-current financial assets from subsidiaries and affiliated companies	(9)	(9)	-
Non-current net financial debt (available funds)	**84**	**92**	***(8)***
Current financial payables	10	10	-
Current financial assets from subsidiaries and affiliated companies	(1)	(1)	-
Current net financial debt (available funds)	**9**	**9**	**-**
Total net financial debt (available funds)	**93**	**101**	***(8)***

7.2.1 Non-current financial payables

(in million euros)	06/30/2019	12/31/2018	Changes
EDF Sa	55	60	(5)
Banks	205	211	(6)
Financial leases IFRS 16 (*)	93	-	93
Total	**353**	**271**	**82**

(*) First leaseback as from January 1, 2019

The **amounts due to EDF Sa** refer to the medium/long-term part of the ten-year credit line totalling 200 million euros, provided with EIB funds to finance Exploration & Production sector investment projects in Italy. These financing will be ended as soon as Edison E&P disposal will be finalized.
The **amount due to banks** is represented by medium/long-term credit lines granted by the EIB, for the financing of development projects in the wind and storage sector.

7.2.2 Current financial payables

(in million euros)	06/30/2019	12/31/2018	Changes
Banks	120	88	32
EDF Sa	10	10	-
Transalpina di Energia Spa	9	5	4
Financial leases IFRS 16 (*)	1	-	1
Factoring companies	10	4	6
Other	6	7	(1)
Total current financial payables	**156**	**114**	**42**

(*) First-time application from January 1, 2019

Payables to Banks relate to the ordinary operational management of current accounts as well as margin accounts for spot and derivative transactions to hedge commodities in the ordinary course of business.
They also include 12 million euros (16 million euros at December 31, 2018) in the form of short-term credit lines granted by the EIB, which are also used to finance development projects in the wind power and storage sectors. Also the amounts due to EDF Sa refer to the short-term part of the credit line provided with EIB funds to finance the above-mentioned investment projects.

Current payables and current and non-current receivables

Current payables and current and non-current receivables with respect to subsidiaries and affiliated companies derive from loans and balances of intercompany current accounts. Edison Spa manages and / or coordinates liquidity and covers the investment needs of its subsidiaries and associates.
Net financial receivables from hydrocarbon exploration and production activities totalled 178 million euros and will be eliminated with the completion of the transfer.

7.2.3 Current financial payables to subsidiaries and affiliated companies

These totalled 565 million euros (418 million euros as at December 31, 2018). The main components of this item are financial debt of 200 million euros owed to Edison Energia, 120 million euros owed to Edison E&P UK, 69 million euros owed to Edison Partecipazioni Energie Rinnovabili, 66 million euros owed to Edison International Holding and the balance owed to other Group companies.

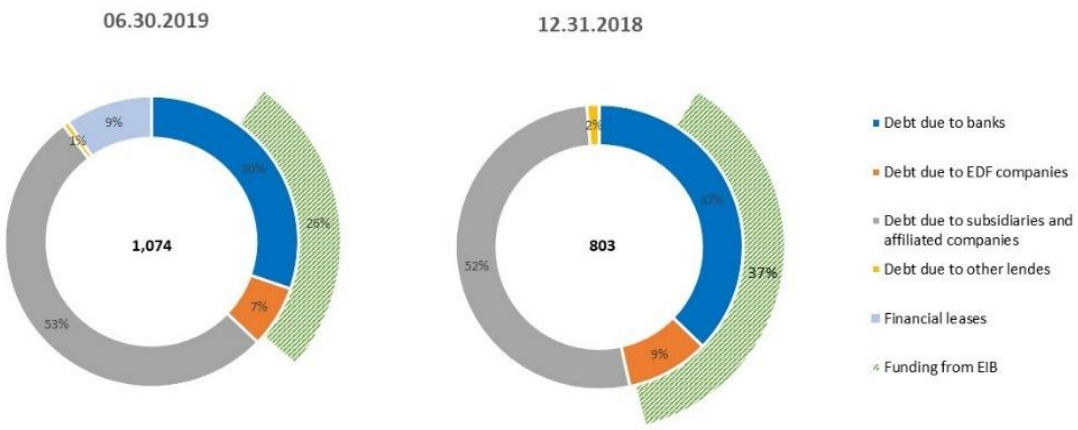
7.2.4 Current and non-current financial receivables from subsidiaries and affiliated companies

These totalled 926 million euros (964 million euros as at December 31, 2018). The main components of this item are short-term and long-term financial receivables of 204 million euros owed by Edison Stoccaggio, 196 million euros owed by Fenice, 142 million euros owed by Edison Norge, 110 million euros owed by E2i, 65 million euros owed by Edison E&P, 50 million euros owed by Edison International Spa, 45 million euros owed by Edison DG and the residual amount owed by other Group companies.
The main changes in financial receivables refer in part to changes in the intercompany current account linked to ordinary treasury operations, and in part to financing activities with subsidiaries.

7.2.5 Cash and cash equivalents

This item totals 320 million euros (45 million euros as at December 31, 2018) and includes bank account balances of 22 million euros (17 million euros at December 31, 2018) and current account balances with EDF Sa, for a total of 298 million euros (28 million euros at December 31, 2018). The latter is available for an assignment in favour of Edison up to 199 million euros, at market conditions.
For a more complete assessment of Edison's cash and cash equivalents, it should also be noted that part of it was used on 17 July 2019, to finalize the purchase of 100% of the shares of EDF Energies Nouvelles Italia, with the payment by Edison of about 173 million euros.

7.2.6 Breakdown by funding source of gross financial debt



The external **funding sources** that Edison Spa made use of in the last year are primarily represented by long-term loans for the development of specific projects in the wind sector, in gas storage, Exploration & Production and, to a residual extent, in thermoelectric generation, granted by the EIB, directly or through EDF Sa.

7.2.7 Net financial income (expense) linked to debt (available funds)

(in million euros)	First half 2019	First half 2018	Change
Financial income			
Financial income from Group companies	10	15	(5)
Total financial income on cash and cash equivalents	**10**	**15**	**(5)**
Financial expense			
Financial expense paid to EDF	(1)	(1)	-
Interest paid to banks	(1)	(1)	-
Other	(1)	-	(1)
Total financial expense on debt	**(3)**	**(2)**	**(1)**
Total financial income (expense) on net financial debt (available funds)	**7**	**13**	**(6)**
Income (expense) on assignment of receivables without recourse	**-**	**-**	**-**
Charges on financial leases IFRS 16	**(1)**	**-**	**(1)**

Financial income on net available funds declined due to the lower net financial exposure to credit with respect to Group companies.
The **charges for financial leasing IFRS 16** refer to the financial debt recorded for the application of the new accounting standard as from January 1, 2019 (see chapter 1.1 Accounting standards and valuation criteria).

7.2.8 Cash flow statement reconciliation

Pursuant to IAS 7 "Statement of Cash Flows", below is a statement of changes in liabilities deriving from lending activities, making it possible to reconcile the cash flows shown in the "Cash Flow Statement" with the total changes recognised during the year in balance sheet items that contribute to net financial debt.

in millions of euros	12/31/2018	First-time application IFRS 16	01/01/2019 restated	Cash flow (*)	Non-cash flows		06/30/2019
					Exchange difference	Other changes	
Long-term financial debt	271	101	372	(19)	-	-	353
Other current financial payables	533	10	543	178	-	-	721
Current and non-current financial assets	(964)	(10)	(974)	48	-	-	(926)
Net liabilities from financing activities	**(160)**	**101**	**(59)**	**207**	**-**	**-**	**148**
Cash and cash equivalents (-)	(45)	-	(45)	(275)	-	-	(320)
Net financial debt	**(205)**	**101**	**(104)**	**(68)**	**-**	**-**	**(172)**

7.3 Financial risk management

7.3.1 Interest rate risk

Given the low level of gross debt, towards players outside Edison Group the exposure to interest rate risk is currently limited. Given that the Company has outstanding bank loans at variable rates (primarily the Euribor rate), it assesses its exposure to the risk of changes in interest rates on a regular basis, which it manages mainly by negotiating loans.

Gross financial debt: mix fixed and variable rate

Gross Financial Debt	06.30.2019			12.31.2018		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	50	50	5%	50	50	6%
- variable rate portion	920	920	95%	753	753	94%
Total gross financial debt (*)	**970**	**970**	**100%**	**803**	**803**	**100%**

(*) Debt analyzed at 06.30.2019 excludes the portion relative to operating leases booked in balance sheet starting from January 1, 2019 pursuant to IFRS 16.

The table shows that debt is mainly at a variable rate which, to date, has resulted in significant savings in financial expense. The fixed rate portion refers to the use in 2018 of two fixed rate tranches of the loan on EIB funds for the development of the wind capacities of E2i Energie Speciali.

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, compared with the corresponding data from 2017.

Sensitivity analysis on financial expense

Sensitivity analysis (in millions of euros)	First half 2019 Impact on financial expense (P&L)			First half 2018 Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	2	1	1	1	1	1

7.3.2 Liquidity risk

The liquidity risk is the risk that Edison Spa may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.

The Company aims to ensure that the Group always has sufficient funding sources to meet its obligations that are falling due and to support the established investment programs, with reasonable margins of financial flexibility.

The table below provides a prudential assessment of the total outstanding liabilities at the time the Interim Financial Report was prepared until their natural expiry. It includes:

- in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation. When present, the effect of interest rate derivatives is also considered;
- 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.

For a more meaningful representation, the prudential value thus obtained is compared with the existing cash and cash equivalents, without considering other assets (e.g., trade receivables).

Projection of future cash flows

(in millions of euros)	30/06/2019			12/31/2018		
	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
Financial debt and other financial liabilities (*)	118	21	260	77	27	271
Future interest due on financial liabilities	-	2	12	-	2	22
Payables to suppliers	720	60	-	955	57	-
Total	**838**	**83**	**272**	**1,032**	**86**	**293**
Cash and cash equivalents	**320**			**45**		

(*) value of financial liabilities excluding current payables to other lenders

The financial debt due within one year, amounting to 141 million euros (106 million euros at December 31, 2018) including the maturing interest on long-term loans, relates to the ordinary operational management of current accounts, to the accounts dedicated to derivative transactions to hedge the commodity risk of the Industrial Portfolio and, on a residual basis, to maturity portions of long-term loans.

The financial debt maturing over one year amounted to 260 million euros, down compared to December 31, 2018 (271 million euros) in line with the normal amortization schedule for existing loans.

At June 30, 2019, the Edison group also had cash on hand of 320 million euros of which 298 million euros on the treasury current account with EDF Sa.

To ensure financial flexibility and to ensure coverage of cash requirements for the coming months, in addition to the treasury current account with EDF SA, the two-year revolving credit line subscribed on 9 April 2019 with EDF SA for a nominal value of 600 million euros, replacing a similar credit line subscribed by Edison Spa in 2017 and expiring in 2019. At 30 June 2019 the revolving credit line is entirely available.

In March 2019, on the other hand, the Club Deal-based revolving line underwritten by Edison Spa in 2017 with a nominal 300 million of euros pool of banks was not expired.

7.3.3 Risk of early repayment of loans

The Company is not required, under the terms of any of its credit lines, to comply with specific financial covenants that limit the level of debt based on economic performance.

With regard to the effects that a change in control of Edison could have on outstanding loans, please refer to the comments as at December 31, 2018 in the Report on Corporate Governance and Ownership Structures, in the section "Change of Control Clauses".

The loan agreements do not contain clauses that could result in the early termination of the loan as an automatic effect if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled.

Note that the medium/long-term credit lines provided by EIB envisage restrictions on the use of funds and on the management of projects financed, typical of loans for industrial businesses.

On the date on which the Interim Financial Report was drafted, Edison Spa was not aware of the existence of any default situation with regard to any of its subsidiaries.

8. TAXATION

8.1 Tax risk management

In 2018, a tax risk management and reporting system was adopted, 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 the Group companies, as well as matrices, coordinated with the provisions of Law No. 262, and is a tax management instrument to monitor activities with potential tax impacts in the main business processes and the results of the Group.

8.2 Taxes

With regard to the recognition of **income taxes** and **deferred tax assets and liabilities** in the financial statements, reference should be made to the information provided in the separate financial statements at December 31, 2018.

The Company is going ahead, within the legal terms, with the renewal of the contract relating to Group taxation for the purposes of IRES (corporate income tax) pursuant to art. 117 et seq. of the Consolidated Law on Income Tax - so-called **National Consolidated Tax Return** - which is filed by Transalpina di Energia Spa (TdE) and involves all the main Group companies for the 2019-2021 three-year period.

8.2.1. Taxes

(in millions of euros)	First half 2019	First half 2018	Change
Current taxes	14	13	1
Deferred/(prepaid) tax	12	7	5
Previous years' taxes	-	2	(2)
Total	**26**	**22**	**4**

Current taxes include 39 million euros for corporate income taxes (IRES) and 5 million euros for regional business taxes (IRAP), net of 30 million euros in income that the National Consolidated Tax Return, filed by the holding company Transalpina di Energia Spa, recognised to the company for the use of previous tax losses contributed by said entity and used in the consolidated income tax return for the payment of tax for the reporting period.

Net deferred/prepaid taxes had a balance of 12 million euros. The main reasons for this balance are the allocation of deferred tax assets on the provisions for risks and the use of deferred tax assets on the difference in the value of property, plant and equipment and the use of the tax asset relating to previous tax losses used in the consolidated tax return to which the company belongs.

8.2.2 Income taxes paid

During the first half of the year, direct tax payments amounted to 13 million euros and refer to payments for the settlement of tax disputes (so-called "fiscal peace") which fell within the scope of the law.

8.3 Tax assets and liabilities

8.3.1 Taxes receivable and payable

At June 30, 2019 there are net receivables of 15 million euros (net receivables of 43 million euros at December 31, 2018); the details are provided in the table below:

(in million euros)	06/30/2019	12/31/2018	Changes
Tax receivables (non-current)	25	25	-
Amount due from the controlling company TDE for the filing of a consolidated tax return	9	18	(9)
Total tax assets (A)	**34**	**43**	**(9)**
Tax payables (current)	5	-	5
Payables for other taxes	14	-	14
Total taxes payable (B)	**19**	**-**	**19**
Taxes receivable (payable) (A-B)	**15**	**43**	**(28)**

Non-current tax assets include 18 million euros for the additional Robin tax for which a refund was requested in the tax return submitted in the year 2015, subsequent to the abolition of that tax.

The receivables due from the parent company for tax consolidation refer to the IRES National Consolidated Tax Return.

Current taxes payable include 5 million euros owed to the tax authorities for regional business taxes (IRAP) for the period.

Other taxes payable of 14 million euros refer to amounts owed in connection with the facilitated settlement of tax disputes (so-called "fiscal peace") which provide for an instalment-based payment method (see comments in chapter 2.2 Significant events).

8.3.2 Deferred tax assets and liabilities

At June 30, 2019, there were net assets totalling 73 million euros (assets of 85 million euros at December 31, 2018) and liabilities of 18 million euros (liabilities of 12 million at December 31, 2018).

Details of the changes in "Deferred tax assets" and "Deferred tax liabilities" are provided below, broken down by type of timing difference, determined based on the tax rates envisaged by governing measures.

Please recall that if the requirements set forth in IAS 12 were met, the items would be offset.

Impacts on the income statement and shareholders' equity

Changes in deferred-tax liabilities and deferred-tax assets *(in million euros)*	**12/31/2018**	**Effect in income statement**	**Effect in shareholders' equity**	**Other changes/ Reclassification**	**06/30/2019**
Deferred-tax liabilities:					
Adoption of IAS 39 to value financial instruments:					
- impact on shareholders' equity	12	-	6		18
	12	**-**	**6**	**-**	**18**
Offsets	-	-	-	-	-
Total deferred-tax liabilities	**12**	**-**	**6**	**-**	**18**
Deferred-tax assets:					
Tax assets from tax losses	15	(15)	-	-	-
Taxed provisions for risks	36	5	-	-	41
Adoption of IAS 39 to value financial instruments:					
- impact on shareholders' equity	-	-	-	-	-
Differences in the valuation of property, plant and equipment	33	(2)	-	-	31
Other	1	-	-		1
	85	**(12)**	**-**	**-**	**73**
Offsets	-	-	-	-	-
Total deferred-tax assets	**85**	**(12)**	**-**	**-**	**73**

In particular, please note that:

- **Deferred tax liabilities** consist of taxes recognised directly in equity relating to cash flow hedges;
- the valuation of **deferred tax assets** reflects the assumption of probable realisation and recoverability for tax purposes, based on the realisation time horizon. With reference to the tax losses, whose tax asset was prudentially recorded on a recoverability equal to 50% of the same, they were entirely used by the national tax consolidation in consideration of the result for the period, thus releasing the entire amount.

8.3.3 Provisions for tax risks (for income taxes)

They represent the valuation of probable liabilities correlated with several uncertain tax disputes regarding the Company, for which it was possible to develop a reliable estimate of the corresponding expected obligation, even though the timing of any cash outlays cannot be objectively predicted. The table below lists the changes that occurred in the first half of 2019:

(in millions of euros)	**12/31/2018**	**Financial expense**	**Provisions**	**Utilizations**	**Other changes**	**06/30/2019**
Total provisions for tax disputes	29	1		(23)	(7)	-

Utilisations of these provisions refer mainly to the so-called "Fiscal Peace", which enabled Edison to avail itself of the tax benefits provided in connection with certain tax disputes.

For further information and updates, reference should be made to the Condensed Consolidated Financial Statements at June 30, 2019.

9. NON-ENERGY ACTIVITIES

Please recall that the Company is involved in a number of judicial and arbitration proceedings of various types as universal successor of Montedison, which it absorbed. Information about the reasons for and methods used to recognise in the financial statements charges and provisions for risks related to these disputes is provided in the notes to the separate financial statements at December 31, 2018.

The non-recurring economic effects associated with such activity, which are augmented by the correlated legal costs, are recognised in the item **"Other income (expense) non-energy activities"** included in EBIT and which in the first half of 2019 amounted to a net expense of 15 million euros (net expense of 13 million euros in the first half of 2018).

The table below shows the changes in the **provisions for risks** in the financial statements amounting at 258 million euros at June 30, 2019:

(in millions of euros)	12/31/2018	Financial expense	Provisions	Utilizations	06/30/2019
A) Risks for disputes, litigation and contracts	134	1	3	-	138
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	52
C) Environmental risks	62	-	6	(3)	65
D) Disputed tax items	3	-	-	-	3
Provisions for risks on non-energy activity disputes	**251**	**1**	**9**	**(3)**	**258**

Bussi sul Tirino Industrial Site - MATTM (Ministry of the Environment and Protection of Land and Sea) vs. Edison lawsuit - Alleged environmental disaster.

On April 8, 2019 the Ministry of the Environment and Protection of Land and Sea, the Abruzzo Region and the Presidency of the Council of Ministers sued Edison S.p.A. before the Court of L'Aquila and, with it, six of the defendants who had already been involved, in relation to the same events, in the criminal proceedings brought in 2011 before the Court of Pescara and concluded with the acquittal decision of the Court of Cassation No. 47779 of 2018, asking the judge before whom the proceedings were filed to:

a) "ascertain and declare that the defendants are obligated to accept liability for the environmental damage caused by the pollution", allegedly occurred in the industrial area of Bussi sul Tirino and, "as a consequence, order the defendants to pay compensation for environmental damage to the Ministry of the Environment and Protection of Land and Sea, quantified at € 1,376,954,137 subject to better quantification in the course of the proceedings;
b) order the defendants to restore, even naturally, the state of the sites by carrying out, at their own expense, environmental repairs in the manner and within the time-limits laid down by the relevant legislation;
c) order the defendants to reimburse all costs which may be paid in advance and/or incurred in lieu of payment by the Ministry of the Environment;
d) order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, resulting from the damage to the environment and the damage to the protected assets/interests belonging to the Abruzzo Region, to be settled on an equitable basis and in any event in an amount of no less than € 500,000,000;
e) order the defendants to pay compensation for all pecuniary and non-pecuniary damage, other than environmental damage, caused to the Abruzzo Region and the Presidency of the Council of Ministers [and] damage to their image in such a way as the Court may consider fair, and in any event no less than € 50,000,000".

As mentioned earlier, the charges on which the current lawsuit is based are the same as those raised in the above-mentioned criminal proceedings, from which Edison was excluded pursuant to law and which ended with the acquittal of all of the defendants.

These charges refer mainly to the management of the Bussi plant, which was transferred from Montedison (now Edison) to the Ausimont/Montefluos Group in 1981, the 2A and 2B landfills, which were opened, developed and closed by Ausimont in the 1990s, and the so-called "Tre Monti" area, currently owned by Edison, in which, in the 1970s, production residues from the same factory were collected and for which a reclamation process is already under way.

Edison joined the proceedings on July 18, 2019, vigorously contesting the opposing claims in a number of areas, from the inapplicability at this juncture of the aspects established in the criminal proceedings, to the lack of capacity to be sued, from the statute of limitations, to the lawfulness on the merits of the conduct being investigated and, finally, to the erroneous quantification of any damage to the environment.
The first hearing is expected to take place on September 9, 2019.
With reference to this dispute, Edison, as a result of the checks shared with leading legal and accounting advisors, does believe that there aren't met the necessary conditions for defining a provision linked to a contingent liability, i.e. the issues of actual existence, probability and quantification. Substantially, indeed, there isn't any present obligation, either juridical or environmental to be fulfilled actually with the commitment of economic resources.

With regard to further changes in content, compared to what was published in the separate financial statements as at 31 December 2018, please refer to the condensed interim consolidated financial statements at 30 June 2019.

10. OTHER NOTES

10.1 Other Commitments

(in millions of euros)	**06/30/2019**	**12/31/2018**	Change
Guarantees provided	1,088	1,108	(20)
Other commitments and risks	441	275	166
Total	**1,529**	**1,383**	**146**
Maturity:			
- 1to 3 months	56	459	(403)
- More than 3 months and up to 1year	697	274	423
- After 1year	776	650	126
Total	**1,529**	**1,383**	**146**

Personal guarantees provided were determined based on the potential amount of the commitment not discounted at the balance sheet date. In particular, the personal guarantees provided include:

- guarantees provided by the Company or its banks against guarantees provided in the interest of the Company and its subsidiaries and affiliated companies, mainly for the fulfilment of contractual obligations; guarantees provided on behalf of companies operating in the hydrocarbon exploration and production area, which are the subject of a sales agreement, as explained in chapter 2. Performance, are equal to about 132 million euros.
- 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 and gas buying/selling activities;
- guarantees given to the Revenue Agency totalling 187 million euros, primarily relating to VAT credit refunds for the years 2015 and 2016.

Other commitments and risks specifically include:

- 200 million euros (23 million euros at December 31, 2018) for the completion of investments in progress, including 178 million euros for the contract to build a new, latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant.
- 111 million euros, against a long-term contract stipulated with the Japanese shipowner Nippon Yusen Kabushiki Kaisha for the lease of a LNG carrier for a duration of 7 years (with the possibility of additional extensions up to a maximum duration of 20 years). The ship is under construction and will be delivered by the first quarter of 2023 at the latest.
- 77 million euros, against a long-term contract signed with the Norwegian shipowner Knutsen OAS Shipping for the charter of a LNG carrier for a duration of 12 years (renewable for another 8 years); the ship is under construction and will be delivered in the first half of 2021.
- 20 million euros for a gas procurement agreement relating to the Azerbaijan Shah Deniz II gas field, through the Trans Adriatic Pipeline (TAP). The contract's effectiveness is subject to the construction of the TAP and the 20 million euros will be paid starting in 2021 with the first gas delivery.
- maximum commitments of 26 million euros with regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), referring to Amendment Agreements modifying the original Emission Reductions Purchase Agreements (ERPA) signed by Edison Spa to purchase CERs in China for the 2013-2020 period. These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.

At June 30, 2019, like in the previous year, no commitments were made 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 that on January 1, 2019, the new IFRS 16 "Leases" entered into force, which amended the method of accounting for operating leases. The effects of first-time adoption are reported in paragraph 1.1 "Newly applied standards".

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 typically have an extended duration (as at June 30, 2019 between 1 and 16 years) and therefore their margins are susceptible to change over time as conditions change in the economic and external competitive context and the commodities scenarios used as a reference in the purchase cost/sale price indexing formulas. The presence of procurement price renegotiation clauses as well as revisions of flexibility conditions thus represent important elements to partially mitigate the risk noted above to which the parties may make recourse during contractual windows that open periodically. In this respect, the Company is currently in trade talks with some counterparties.

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	beyond 5 years	**Total**
Natural gas	Billions of m3	11,2	40,0	82,0	**133,2**

The economic values are according to the prospective price formulas.

It should also be noted that, based on the existing contract with Terminale GNL Adriatico, Edison benefits from 80% of the terminal's regasification capacity up to 2034 for an annual fee of approximately 100 million euros.

10.2 Intercompany and related-party transactions

Within the Group, the Parent Company Edison Spa operates in the purchase, sale, exchange and supply of electricity and natural gas, with particular regard to the subsidiaries and affiliated companies, as well as the buying/selling of environmental securities.

As regards the mix of sources and total funding of the Company, special sale agreements are in place with the subsidiary Edison Energia Spa, which, nonetheless, allow the selling party, taking account of the specific roles that the companies play within the Group, to have adequate coverage of both fixed and variable costs.

In line with the related company policies, the economic, equity and financial transactions in place as at June 30, 2019, with related parties, are shown below, 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. They do not include the fair value on derivative transactions with EDF Trading Ltd. 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 (A)	*With controlling companies (B)*	*With other EDF Group companies (C)*	**Total for related parties**		
Balance sheet transactions						
Equity investments	1,229	-	1	1,230	1,230	100.0%
Non-current financial assets from subsidiaries an	560	-	-	560	560	100.0%
Trade receivables	431	-	103	534	763	70.0%
Current-tax assets	-	9	-	9	9	100.0%
Other current assets	30	8	23	61	203	30.0%
Current financial assets from subsidiaries and aff	366	-	-	366	366	100.0%
Cash and cash equivalents	-	298	-	298	320	93.1%
Long-term financial debt	-	55	-	55	353	15.6%
Trade payables	42	2	71	115	780	14.7%
Other current liabilities	6	5	-	11	249	4.4%
Current financial payables	-	19	-	19	156	12.2%
Current financial payables to subsidiaries and aff	565	-	-	565	565	100.0%
Income statement transactions						
Sales revenues	1,685	2	570	2,257	3,312	68.1%
Other revenues and income	16	-	9	25	49	51.0%
Materials and services used	127	8	302	437	3,128	14.0%
Net financial income (expense) on net financial	10	-	-	10	7	n.m.
Other net financial income (expense)	(1)	(1)	-	(2)	8	n.m.
Rivalutazioni (svalutazioni) di partecipazioni	6	-	-	6	6	100.0%
Dividends	41	-	1	42	42	100.0%

For more details and ananalysis, reference should be made to the information given in "the condensed semiannual consolidated financial statements" in the paragraph entitled "Intercompany and Related-party transactions".

11. OTHER INFORMATION

11.1 Significant non-recurring events and transactions

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, significant non-recurring transactions in the first half of 2019 included an agreement reached with Energeen Oil and Gas, following approval by the Board of Directors on July 3, 2019, to sell 100% of Edison Exploration & Production and its investments in hydrocarbon exploration and production. This transaction, which was carried out in accordance with IFRS 5, resulted in the reclassification of the carrying amount of the investment of 874 million euros to the appropriate row of discontinued operations and the recognition of the negative impact on earnings of 489 million euros in the line "Profit (Loss) from *discontinued operations"*.

11.2 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 the first half of 2019, Edison Spa did not enter into any atypical and/or unusual transactions, as defined by said Communication, according to which the typical 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, 2019

Common representative of savings shareholders - civil action

On July 2, 2019, the Common representative of savings shareholders notified Edison S.p.A. of a summons in which, assuming the existence of management and coordination activities of the Company by EDF S.A., it requests the Court of Milan to annul the resolution of the Shareholders' Meeting which approved the 2018 financial statements and the Board of Directors' resolution which approved the purchase of EDF EN Italia.10.

Acquisition of EDF EN Italia

On July 17, 2019, Edison completed the acquisition from EDF Renouvelables (EDFR) of EDF EN Italia which owns 265 MW of wind capacity, including the 50% stake in Greentech for which the Tag-Along right has been subsequently exercised, and 77 MW of photovoltaic. The closing follows the acceptance by EDFR of Edison's contractual proposal on June 28, 2019.

Thanks to this transaction, Edison becomes the second wind operator in Italy and will lay the foundations for a significant development in photovoltaics in collaboration with EDFR. With this transaction, Edison continues the path of consolidation in renewables through both organic development and external growth.

The consideration paid for the acquisition of EDF EN Italia amounts to 172.3 million euros, aside price adjustments contractually agreed. The overall transaction allows Edison to consolidate approximately 70 million euros of additional EBITDA per year and has an impact on the net financial debt of approximately 431 million euros, without compromising financial strength or limiting the possibility to seize any new investment opportunity.

Milan, July 24, 2019

On behalf of the Board of Directors
The Chief Executive Officer
Nicola Monti

Certification of the Statutory Financial Statements Pursuant to Art. 81-ter of Consob Regulation No. 11971 of May 14, 1999, as Amended

1. The undersigned Nicola Monti, 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 the provisions of art. 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 condensed semiannual financial statements for the period January 1 - June 30, 2019.

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) are drawn up in compliance with the applicable international accounting principles accepted within the European Community pursuant to the (EC) Regulations No. 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
b) are consistent with the data in the accounting records and other corporate documents;
c) provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer;

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 24, 2019

The Chief Executive Officer	The "Dirigenti Preposti alla redazione dei documenti contabili societari"
Nicola Monti	Didier Calvez Roberto Buccelli

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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, 2019 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 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, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy
July 31, 2019

This report has been translated into the English language solely for the convenience of international readers.

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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, 2019 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, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard IAS 34 as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy
July 31, 2019

This report has been translated into the English language solely for the convenience of international readers.