QUARTERLY REPORT

AT SEPTEMBER 30, 2017

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

HIGHLIGHTS 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.

2016 full year	**Income statement highlights** (millions of euros)	**9 months 2017**	9 months 2016	% change	**Q3 2017**	Q3 2016	% change
11,034	Sales revenues	7,215	7,974	*(9.5%)*	2,247	2,506	*(10.3%)*
653	EBITDA	647	489	*32.3%*	221	149	*48.3%*
5.9%	*% of sales revenues*	*9.0%*	*6.1%*		*9.8%*	*5.9%*	
(260)	EBIT	84	(10)	*n.m.*	65	(31)	*n.m.*
n.m.	*% of sales revenues*	*1.2%*	*n.m.*		*2.9%*	*n.m.*	
(389)	Group interest in profit (loss)	(110)	(107)	*(2.8%)*	30	(40)	*n.m.*

12.31.2016	**Balance sheet highlights** (millions of euros)	**09.30.2017**	09.30.2016	% change	**Q3 2017**	Q3 2016	% change
337	Capital expenditures	228	217	*5.1%*	75	71	*5.6%*
68	Investments in exploration	60	57	*5.3%*	18	16	*12.5%*
7,327	Net invested capital (A + B) (1)	6,832	7,578	*(6.8%)*			
1,062	Net financial debt (A)(1)(2)	622	1,206	*(41.4%)*			
6,265	Total shareholders' equity (B)(1)	6,210	6,372	*(0.9%)*			
5,955	Shareholders' equity attributable to Parent Company shareholders (1)	5,919	6,037	*(0.6%)*			

(1) End-of-period data. The changes are computed against the data at December 31, 2016.
(2) A breakdown of this item is provided in the "Net Financial Debt and Cash Flows" section of this report.

Rating	**09.30.2017**	12.31.2016
Standard & Poor's		
- Medium/Long-term rating	BB+	BB+
- Medium/Long-term outlook	Stable	Stable
- Short-term rating	B	B
Moody's		
- Rating	Baa3	Baa3
- Medium/Long-term outlook	Stable	Stable

INTRODUCTION

The preparation criteria of quarterly information

In light of the changes in the reference legislative framework that occurred during 2016, the Company decided, in line with the past, to provide the market with voluntary quarterly consolidated information, more concise and focused on its business performance. This report therefore includes a comment on the reference economic context, on the performances of the Group and the main operating sectors and provides the presentation formats with economic and financial data comparable with those of the Semiannual and Annual Reports.
For quantitative data, the equivalent figures of the previous reference period are also given.
Unless, otherwise stated, all amount in these accompanying notes are in millions of euros.

The international accounting principles, the evaluation and consolidation criteria applied in preparing these information are consistent with those used for the 2016 Consolidated Financial Statements, which should be referenced for additional details.

The Board of Director, met on October 26, 2017, authorized the publication of Edison's Group Quarterly Report at September 30, 2017, which was not audited.

Changes in the Scope of Consolidation compared with December 31, 2016 - Acquisition and Disposal of Assets

Electric Power Operations

- In March, the company **Edison Energy Solutions** acquired 51% of the company **Comat Energia**, company of the Comat Group active in more than 50 mountain communities and operating in the urban biomass district heating sector; the company is consolidated line by line;
- In March, the company **Edison Energia** acquired 51% of the company **Assistenza Casa**, Italian company of the international HomeServe Group, operating in home services market; the company is consolidated line by line;
- In March, the sale of the 51% stake held in the company **Gever**, previously consolidated line by line, was completed with a positive effect lower than 1 million euros on profit and loss.
- In July the company **Edison** acquired from **IDRORA** the business operation consisting of the run-of-the-river water hydroelectric power plant on the river Dora Baltea named "Montestrutto" in the municipality of Tavagnasco (TO).

Disposal Group pursuant to the IFRS 5

It should be noted that:

- On July 25, 2017, Edison signed an agreement with Snam for the disposal of Infrastrutture Trasporto Gas Spa ("ITG"), owner of the Cavarzere Minerbio gas pipeline connecting the Terminale GNL Adriatico to the national network, and the 7.3% equity investment in Terminale GNL Adriatico, the company that owns only an asset, the regasification terminal LNG located off the coast of Rovigo. The related balance sheet figures, adjusted to reflect the realizable value, were recorded in activities and liabilities held for sale. Because the two assets are strictly interrelated and inter-dependent from an industrial point of view this transaction was indeed considered as forming one single unit of account. The disposal was finalized for an amount of 225 million euros and with a negative economic effect of about 55 million euros on October 13, 2017.
- On July 27, 2017, Edison signed a preliminary contract with IDeA Fimit Sgr for the disposal and lease of the Foro Buonaparte buildings in Milan in which the Company has its headquarters for an amount of 272 million euros. The related balance sheet figures were recorded in activities and liabilities held for sale.

KEY EVENTS

Acquisition of mini-hydroelectric power plants

Edison Spa acquired from IDRORA Srl the business operation consisting of the run-of-the-river water hydroelectric power plant on the river Dora Baltea named "Montestrutto" in the municipality of Tavagnasco (TO), with average nominal concession power of 2,065 kW. This acquisition, for an amount of 21 million euros, is effective from July 1, 2017. Moreover Edison Spa is acquiring from Bergamo Brescia Energia Srl (BBE) some plants under construction located in the Province of Bergamo on the rivers Brembo and Serio.

Edison announces the signing of an agreement for the sale and lease of its Foro Buonaparte headquarters in Milan

On July 27, 2017, Edison signed a preliminary agreement with IDeA Fimit Sgr, the De Agostini Group's Asset Management Company specialized in real estate funds, for the sale and lease of the Foro Buonaparte headquarters in Milan.

Under the announced agreement, Edison commits to transfer the ownership of the properties to IDeA Fimit Sgr fund, and simultaneously signs a lease agreement to the same properties for 12 years, renewable for a further 6 years under the same terms. Moreover, the agreement also entitles Edison to repurchase the Milanese properties located at Foro Buonaparte 31 and 35. The transaction is worth 272 million euros and the closing is expected within November 2017.

Edison: approved the project for merger by incorporation of Edison Trading

On September 20, 2017 Edison's Board of Directors approved, in place of Shareholders' Meeting, the project for the merger by incorporation into Edison Spa of Edison Trading Spa, a sole shareholder company, subject to the direction and coordination of Edison Spa. The minutes of the meeting were recorded on September 21, 2017 in the Milan Register of Companies.

Edison sells to SNAM ITG and 7.3% interest in Adriatic LNG

On October 13, 2017 Edison transferred to Snam Spa the 100% stake in Infrastrutture Trasporto Gas ("ITG"), and the 7.3% equity investment in Terminale GNL Adriatico Srl (Adriatic LNG). The transaction, already announced on July 25, is worth 225 million euros and is part of the company's non-strategic asset disposal program that will finance Edison's investment plan to achieve market leadership in renewable energies and expand its retail customer base.

In particular, ITG is the company that built and operates the 83 Km Cavarzere Minerbio gas pipeline, connecting the Adriatic LNG's regasification terminal to the Snam Rete Gas national transport network. The pipeline has a transport capacity of 9.6 billion cubic meters per year, and since 2009 it has allowed the transport of approximately 10% of the gas imported in Italy.

Adriatic LNG operates a regasification terminal with a capacity of 8 billion cubic meters located off the coast of Rovigo. Edison sells to Snam Spa its remaining equity investment equal to 7.3% of the company's share capital, while maintaining the use of the 80% of the capacity. Edison has a long-term contract with RasGas for the supply of 6.4 billion cubic meters of natural gas per year to be re-gasified by the Rovigo terminal.

Should Adriatic LNG sign new contracts for the use of the terminal's capacity, Edison will have an additional earn-out.

Edison acquires control of Frendy Energy and launches mandatory public tender offer

On July 17, 2017 Edison and Cryn Finance signed a binding agreement for the acquisition by Edison of the controlling interest in Frendy Energy Spa (Frendy), a company whose shares are traded on the AIM Italia – Mercato Alternativo del Capitale – which owns 15 mini hydroelectric power plants (of which 3 are at an advanced stage of construction) mainly situated on irrigation channels in Piedmont and Lombardy generating a total of approximately 20 GWh per year.

Due to the agreement Edison would have acquired from Cryn Finance and from a minority shareholder 45.039% of the capital of Frendy Energy Spa at an estimated price of 0.34 euros per share, subject to Edison achieving an overall portion, in a single context, also by purchases of Frendy shares from third parties at the same price, of not less than

50.01% of Frendy's voting rights. Following the signature of further agreements, on October 17, 2017, Edison acquired the controlling interest in Frendy purchasing from four different sellers 29,704,909 ordinary Frendy shares, representing 50.078% of capital, at the price of 0.34 euros per share (unchanged compared to the initial estimation), for a total outlay of about 10 million euros.
Consequently the requirements have been met, triggering the obligation for Edison to make a public tender offer for all of the remaining 29,612,338 Frendy shares at the same price; thus Edison initiated the procedure of Mandatory Public Tender Offer on October 17, 2017.

EXTERNAL CONTEXT

Economic Framework

Overall, economic performance in 2017 is in a phase of recovery as a result of accelerated investment policies compared to the last months of 2016.

Growth is affecting an increasingly larger number of countries and at a more uniform pace than in the past. Unemployment, considering the complex of advanced economies, is at its lowest since the spring of 2008, and trade is further strengthened, supported by the new global investment cycle.

Growth in the United States is confirmed as solid, especially thanks to domestic demand (fixed consumption and investments) and to the satisfactory performance of the labour market. A deterrent to the US economic dynamic in the medium term may result from the risk that the expansive measures promised by the Trump administration will not be implemented in time and in the measures needed to reach the 2018 growth targets.

In Japan, growth rates are high thanks to the effects of expansive budget manoeuvres implemented in 2016 and the increase in exports to Asian countries.

The strong growth rate of emerging countries has continued, driven by the economies of China and India, with the first showing a further slight acceleration thanks to the increase in exports and the good dynamics of domestic demand; the second has slightly slowed since it has not yet fully been affected by the de-monetization shock that has led to a reduction in cash flow and is therefore still struggling with the crash-crunch phenomenon. After a long recession, the Russian economy has continued to grow, thanks to private exports and investments, also sustained by the rise in oil prices; however, the solidity of the recovery is impacted by the tightening of the sanctions imposed by the USA on companies in any country that collaborate in investment projects of Russian companies. Lastly, the Brazilian recovery is being strengthened, triggered at the beginning of 2017 after two years of continuous decline, despite the country's economy is still affected by the high fragility of public accounts.

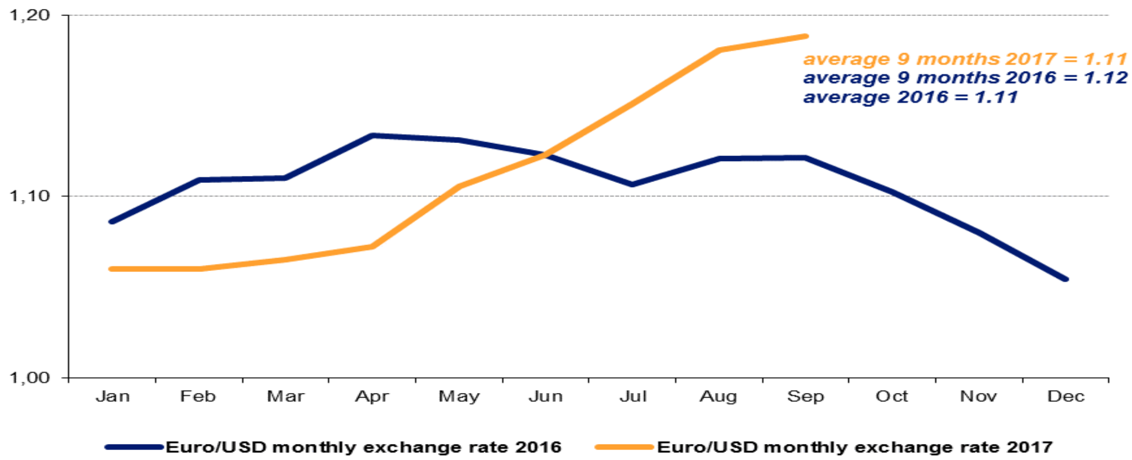
As far as Europe is concerned, the growth in the United Kingdom appears modest, driven by the services sector, managing to compensate for the decline in manufacturing production and the reduction in consumption and investments. In fact, the country's economy is affected by the uncertainties associated with Brexit.

The Eurozone economy is expanding, driven mainly by domestic demand; in particular, the largest contribution to GDP growth was gross fixed investment, followed by household consumption sustained by the improved labour market trend, on the one hand, and by the decrease in the propensity to savings, on the other. Expansion in the Eurozone was driven by Germany. As for the other main Eurozone countries, the growth of Spain and the Netherlands was also positive. A little less brilliant, however positive, was the performance of France and Italy.

In Italy, the recovery has been stronger than expected at the beginning of 2017. This has been thanks to the budgetary policies that since the previous year, have become slightly expansive in Europe after the long austerity phase (2011-2014). However, the risk remains of a possible return to restrictive budgetary policies to achieve the deficit reduction targets. In view of these considerations, estimates foresee a growth of 1.5% in Italy in 2017. Exports are the more active component of demand, but investments have also shown the growth trend that began in 2014. In the current year, the public debt/GDP ratio has begun to decline for the first time since the beginning of the crisis. Lastly, labour market improvement has continued, despite it is still afflicted by low youth employment.

In the first nine months of 2017, the euro remained substantially stable (-0.2%) against the dollar in the same period of 2016, remaining at 1.11 euro per USD.

Considering the monthly changes, the euro has continued the appreciation trend begun in January. In Q3, this strengthening was further enhanced with the euro, which in fact reached an average price of 1.17, up 6.7% on the previous quarter and 5.2% compared to Q3 2016, exceeding 1.20 euro per USD in September, appreciation supported by the macroeconomic data of the Eurozone.



With regards to the oil markets, the average crude oil price for the first nine months of 2017 came in at 52.6 USD/barrel, 22.2% higher than the average recorded for the same period of 2016. In 2017, the price of Brent interrupted the downward trend in the first half of the year and returned to rise, reaching an average value of 52.2 USD/barrel in Q3, an increase of 11.0% over the same period of 2016 and 2.4% compared to the previous quarter. Over the last month, exactly on September 25, a price of 59.0 USD/barrel was reached, the highest since July 2015.

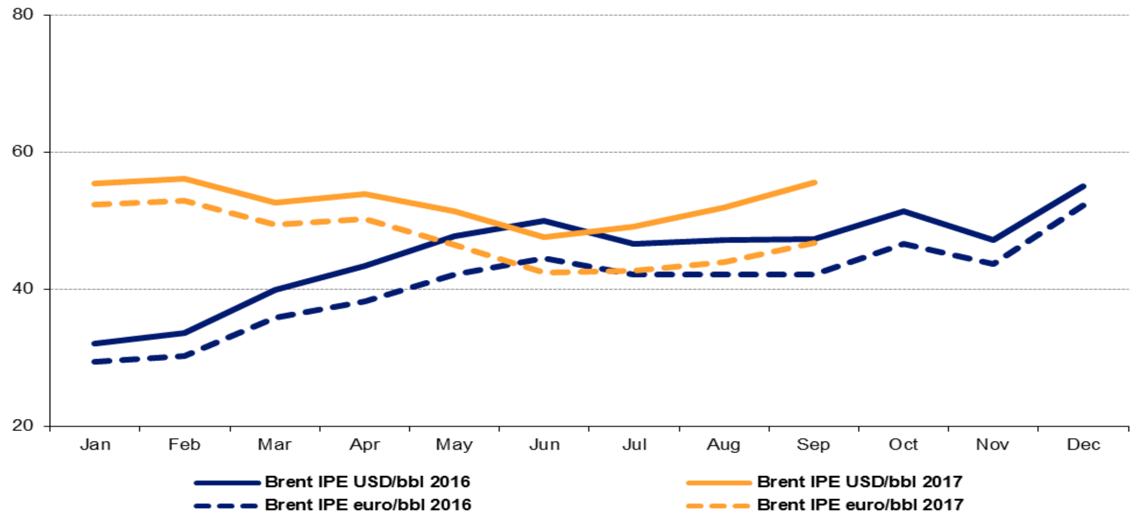
The value of crude in euro/barrel stood at an average of 47.4 euro/barrel, up 23% over the first nine months of 2016.

The price dynamic is still related to compliance with the agreements between OPEC and other 10 non-OPEC countries: although not all producers have reached a 100% compliance level, significant cuts in some countries, including Saudi Arabia, have made it possible to reach the established production target. Expectations about the further extension of the agreement, as well as the upward demand forecasts, have encouraged price recovery. The change in the production of shale oil and US stocks of crude oil and distillated products as a result of the hurricane season, has led to an increase in the volatility of prices over the last two months.

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

Full year 2016		9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
45.1	Oil price USD/ bbl[(1)]	52.6	43.0	*22.2 %*	*52.2*	*47.0*	*11.0 %*
1.11	EUR/USD exchange rate	1.11	1.12	*(0.2) %*	*1.17*	*1.12*	*5.2 %*
40.8	Oil price euro/bbl	47.4	38.5	*23.0 %*	*44.4*	*42.1*	*5.5 %*

(1) Brent IPE



The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

Full year 2016	(TWh)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
279.7	Net production:	213.1	205.7	*3.6%*	73.4	72.2	*1.7%*
190.9	*- Thermoelectric*	*144.9*	*134.6*	*7.7%*	*48.6*	*47.8*	*1.8%*
43.8	*- Hydroelectric*	*30.8*	*34.9*	*(11.7%)*	*11.8*	*12.4*	*(5.3%)*
21.8	*- Photovoltaic*	*20.7*	*18.5*	*11.6%*	*7.9*	*7.5*	*5.3%*
17.5	*- Wind*	*12.4*	*13.3*	*(6.4%)*	*3.7*	*3.0*	*21.8%*
5.9	*- Geothermoelectric*	*4.3*	*4.4*	*(1.8%)*	*1.4*	*1.5*	*(1.6%)*
37.0	Net imports	28.2	31.5	*(10.6%)*	9.9	9.0	*10.1%*
(2.5)	Pumping consumption	(1.7)	(1.7)	*(2.6%)*	(0.4)	(0.5)	*(14.2%)*
314.3	**Total demand**	**239.6**	**235.5**	***1.8%***	**82.9**	**80.7**	***2.7%***

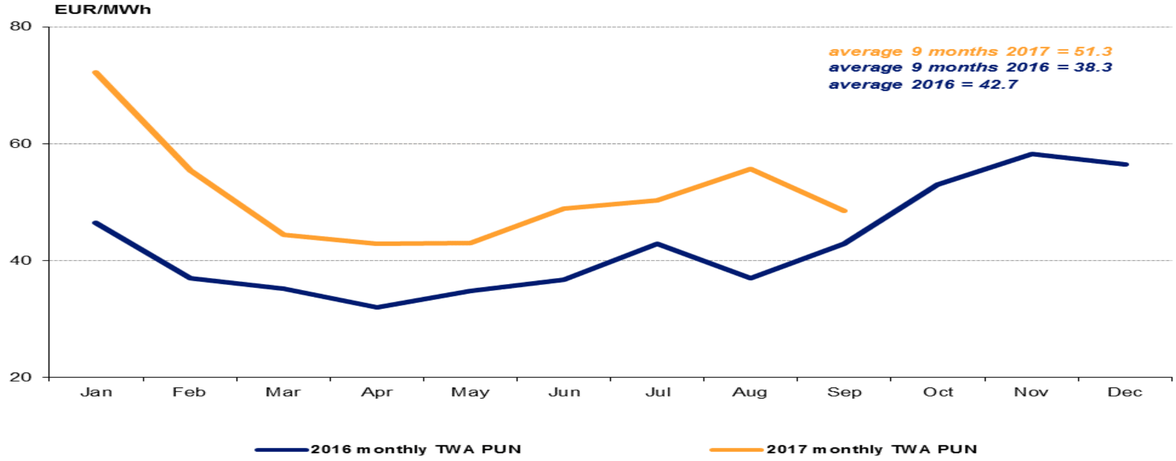
Source: processing of actual 2016 and preliminary 2017 Terna data, gross of grid losses.

In Q3 2017, gross total demand for electric power from the Italian grid totalled 82.9 TWh, an increase of 2.2 TWh (+2.7%) compared to the corresponding period of the previous year.
The increase is mainly due to the high temperatures recorded in August, resulting in higher energy consumption for air conditioning.
Both net domestic production (+1.2 TWh) and imports (+0.9 TWh) have increased. Domestic production in the quarter, excluding pumping, covered 88.1% of demand, down slightly over the corresponding quarter of 2016, while net imports satisfied the remaining 11.9%.

National production saw a strong reduction in hydroelectric production of 0.6 TWh (-5.3%), while the thermoelectric sector produced 0.8 TWh more (+1.8%). Other renewables production increased by 1.0 TWh (+8.6%) mainly due to improved performance of wind power plants (+21.8%).
Overall in the first nine months of 2017, gross total demand for electric power from the Italian grid was 239.6 TWh, an increase of 4.1 TWh (+1.8%) compared to the corresponding period of the previous year.

With reference to the price scenario as at September 30, 2017, the 2017 average listing of the time weighted average (TWA) of the single national price (abbreviated as “PUN” in Italian), came in at 51.3 euro/MWh, an increase of nearly 34% against the figure related to the same period of the previous year (38.3 euro/MWh). The average for Q3 2017 was 51.6 euro/MWh, up 14.8% on the previous quarter and 25.9% over the same period of 2016.
This price increase was supported by thermoelectric generation costs (gas, coal, CO_2), increased demand for electricity and reduced hydroelectric production, both in Italy and neighbouring countries, and by lower availability of nuclear power plants in France and Switzerland.
In this context, the lower generation of renewable energy sources, as well as a reduced import of energy from abroad, have led to the on-call service of more expensive thermoelectric plants.
Analyzing the monthly evolution of the PUN, the most significant deviations were in January, February and August. In August, particularly on day 3, the PUN reached the highest value of the last two years (104.73 €//MWh) when high temperatures and maintenance of the thermoelectric plants in the North area were in addition to the elements above.

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



In the first nine months of 2017, high increases were also recorded on zonal prices, albeit with uneven variations due to the different impact of the aforementioned climatic and structural factors (+38.2% North area and +28.5% South area). Hourly time periods F1, F2 and F3 showed an increase in all bands, in line with as recorded by the PUN (+36.6%, 32.4% and 32.2% over the first nine months of 2016).
The upward trend was also recorded in prices of foreign countries: in particular, in the first nine months of 2017, there was an increase of 41.7% in France and an increase of 32.7% in Germany, where the average price was 34.6 €//MWh. In addition to the alteration of energy flows between countries, the rise in German prices in recent months, was also particularly impacted by the increase in the price of coal and CO_2.

Demand for natural gas in Italy and Market Environment

Full year 2016	(Billion/mc)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
28.2	Services and civil uses	18.7	18.1	*3.4%*	1.9	1.9	*(0.3%)*
16.7	Industrial uses	13.2	12.3	*7.9%*	4.2	3.7	*11.2%*
23.4	Thermoelectric fuel uses	18.5	16.2	*13.9%*	6.1	6.1	*1.4%*
2.1	Consumptions and system losses	1.5	1.4	*7.8%*	0.6	0.5	*4.8%*
70.4	**Total demand**	**51.9**	**48.0**	***8.2%***	**12.8**	**12.2**	***4.3%***

Source: 2016 pre-actual data and 2017 preliminary data from Snam Rete Gas and the Ministry of Economic Development and Edison estimates.

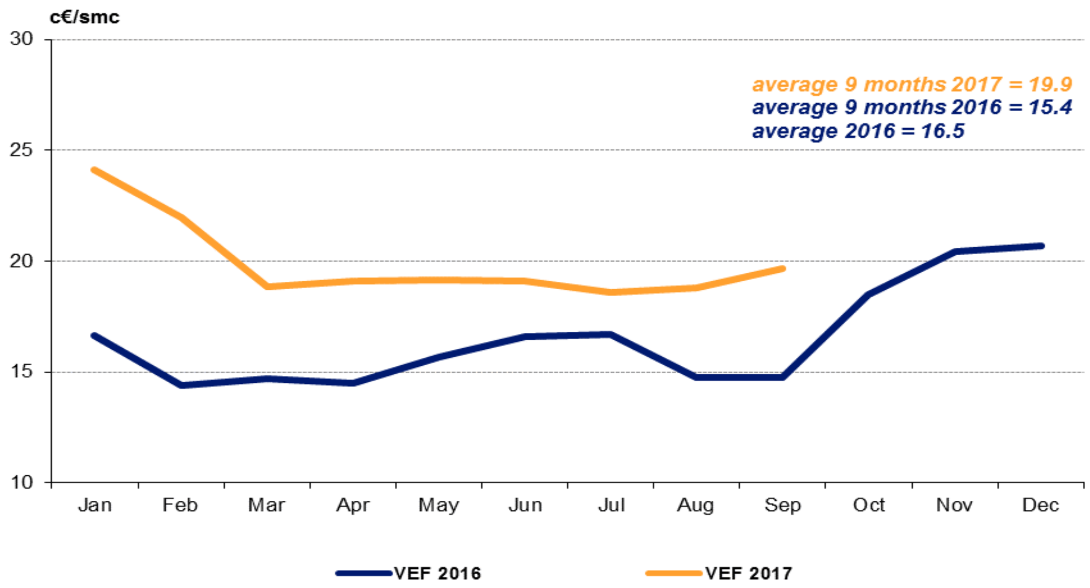
In Q3 2017, the demand for natural gas in Italy grew by 4.3% on the same period of the previous year, coming in at approximately 12.8 billion cubic meters, up overall by about 0.6 billion cubic meters.
In absolute terms, this dynamic is attributable to an increase in demand of the industrial sector (about 0.4 billion cubic meters, +11.2%), while the gas consumption of the thermoelectric sector is in line with the corresponding quarter of 2016 (+1.4%).
Regarding the sources of procurement, Q3 2017 recorded, as compared with the corresponding period of 2016:

- a slight decline in national production (-2% vs 2016);
- a slight increase in gas imports (+1% vs 2016);
- a decline in volumes injected as storage (-0.5 billion cubic meters; -9% vs 2016).

With reference to the first nine months of the year, natural gas demand stood at 51.9 billion cubic meters, an increase of nearly 4.0 billion cubic meters (+8.2%) over the same period of 2016, with a rise in all 3 main sectors (thermoelectric, industrial and civil).

The spot gas price in Italy in the first nine months of 2017 rose by 29.3% on the same period of 2016, coming in at 19.9 €c/sm^3. After a downward trend in Q1, the price remained substantially stable over the following six months, albeit with a slight increase month on month in Q3. Prices in the quarter just ended were 19.0 c€/sm^3, up 23.5% over the same period of 2016.

The VEF-TTF spread averaged 2.2 c€/sm^3 over the nine months, up 27.7% over the same period of the previous year. In Q3, the price differential stood at 2.0 c€/sm^3, down by almost 25% over the previous quarter. This change is attributable to the tensions in the gas market, which have had a higher upward impact on prices in North Europe than on Italian prices, which were also impacted by the improvement in hydroelectric production conditions. The trend of the VEF-TTF spread has impacted volumes of imports from Gries Pass, which between July, when the spread was 2.6 c€/sm^3, and that of September, when it fell to 1.5 c€/sm^3, fell by about 60%.



Legislative and Regulatory Framework

Below are the key points of the main developments recorded to the regulatory framework relative to the quarter July-September 2017, for the various areas of the corporate business.

Electricity

Wholesale market

Italian capacity market: On August 3, 2017, the Authority published DCO 592/2017/R/eel outlining the regulator's guidelines on the technical-economic parameters of the Italian capacity market, with particular reference to the exercise price and the economic parameters of the new type of demand curve proposed by Terna. The main points of interest concern the exercise price, which remains a representative parameter of the variable cost of production rather than the marginal cost of Demand Side Response (DSR) and the degree of competition expected in the capacity market auctions, to the point of making possible outcomes characterized by the exercise of market power by existing capacity holders.

Retail market

Standardized electricity and gas offers (PLACET): In July 2017, the Authority published Resolution 555/2017/R/com, which introduces the obligation, from January 1, 2018, for each vendor to offer customers smaller dimensions of electricity and gas of standardized offers, "P.L.A.C.E.T. Offers". The provision also defines the minimum mandatory contractual terms and conditions that apply to all free market offers other than PLACET offers and sets the price to be applied to holders of SIMILE Protection expiring contracts that have not made the explicit choice of another offer.

Indemnity System: The Authority published Resolution 593/2017 defining the rules governing the indemnity system only for the electricity and natural gas sectors, through the full implementation of related processes within the Integrated Information System (SII), approving the "Integrated text of the indemnity system for the final defaulting customer in the electricity and natural gas sectors" (TISIND).

Hydrocarbons

Tariffs and market

Transport tariffs: On August 7, 2017, the Authority published Resolution 575/2017/R/gas setting out the criteria for determining the tariffs of the natural gas transport service for the transition period 2018 and 2019, making some changes to the current discipline. In particular, the resolution provides for a breakdown of the costs attributed to entry and exit points at a ratio of 40/60 (compared to the present 50/50), with consequent decrease - *ceteris paribus* - of the expenditure on import capacity. With reference to the remuneration of the recognized invested capital, the rate of remuneration for transport activities is confirmed at 5.4% for 2018.

Pilot Project Termo Capacity Transfer: In July, the Authority published Resolution 512/2017/R/gas completing the regulatory framework for the pilot project launched in 2016, introducing more flexible capacity transfer mechanisms at the delivery points of the gas transport network that supply thermal power plants. The completion of the project provides for the possibility of using *ex-ante* monthly capacity transfers that will be offered at a fee equal to twice the annual fee re-proportioned on a monthly basis. By means of the same provision, the Authority reduced the value of the fee for the daily product to the annual fee re-proportioned on a daily basis.

Infrastructures

Revenues and Tariffs

Edison Stoccaggio Revenues: At the beginning of August, the AEEGSI annual provision was published, which provides for the recovery of lost revenues of storage companies acquired in capacity transfer auctions. This year, the provision also reports the findings of the investigation carried out by the Authority on the performance of Stogit storage facilities.

Market and Commercial

Gas balancing - Implementation of EU Regulation no. 312/2014 - Gas market regulation: In Q3 2017, by means of AEEGSI 630/2017 resolution, the agreement was approved between Edison Stoccaggio and GME that regulates the flow of information between them to ensure the proper execution of the MGS market session (which takes place at the end of the gas day within M-Gas), thus allowing also Edison Stoccaggio to take part in the Balancing Platform from October 1, 2017.

Energy efficiency certificates - tariff contribution to distributors: The Authority, by means of Resolution 634/17, postponed the effectiveness of the criterion of competence by means of which the distributor is reimbursed for the expenses for fulfilment of the energy efficiency obligations in place of the current cash criterion preferred by the aforementioned parties. The new criterion applies in full from the year of obligation 2021, instead of 2017. Other provisions of interest are the approval of the TEE Market Rules and the TEE Bilateral Transaction Regulation and the unification of certificates between bilateral bargaining and bargaining on the GME organized market.

Service quality

Gas metering service: By means of Resolution 522/2017, some measures have been introduced to improve the performance of the natural gas metering service, effective from January 1, 2018. The changes, that concern both accessible and non-accessible meters, include specific reading standards, obligations for replacement thereof, and penalties in case of non-compliance.

Issues affecting multiple business segments

Annual market and competition law: The Law of August 4, 2017 no. 124, published in the Official Journal of August 14, 2017, entered into force on August 29, 2017. The provision contains, *inter alia*, some forecasts aimed at completing the market liberalization path for the sale of electricity and gas. Among the new additions proposed by this implementing provision is, by means of decree of the Ministry of Economic Development, the definition of measures necessary to ensure the informed entry of the final customer market, according to mechanisms that ensure competition and the plurality of suppliers and offers in the free market.

PRESENTATION FORMATS

Consolidated Income Statement

(in millions of euros)	**9 months 2017**	9 months 2016
Sales revenues	7,215	7,974
Other revenues and income	97	151
Total net revenues	**7,312**	**8,125**
Raw materials and services used (-)	(6,437)	(7,426)
Labor costs (-)	(228)	(210)
EBITDA	**647**	**489**
Net change in fair value of commodity derivatives	(196)	(133)
Depreciation, amortization and writedowns (-)	(361)	(360)
Other income (expense), net	(6)	(6)
EBIT	**84**	**(10)**
Net financial income (expense)	(46)	(69)
Income from (Expense on) equity investments	(44)	7
Profit (Loss) before taxes	**(6)**	**(72)**
Income taxes	(94)	(21)
Profit (Loss) from continuing operations	**(100)**	**(93)**
Profit (Loss) from discontinued operations	-	-
Profit (Loss)	**(100)**	**(93)**
Broken down as follows:		
Minority interest in profit (loss)	10	14
Group interest in profit (loss)	**(110)**	**(107)**
Earnings (Loss) per share (in euros)		
Basic earnings (loss) per common share	(0.0217)	(0.0212)
Basic earnings per savings share	0.0375	0.0375
Diluted earnings (loss) per common share	(0.0217)	(0.0212)
Diluted earnings per savings share	0.0375	0.0375

Consolidated Balance Sheet

(in millions of euros)	**09.30.2017**	12.31.2016 (*)
ASSETS		
Property, plant and equipment	3,675	3,937
Investment property	5	5
Goodwill	2,343	2,357
Hydrocarbon concessions	362	396
Other intangible assets	145	128
Investments in associates	97	104
Available-for-sale investments	1	158
Other financial assets	80	94
Deferred-tax assets	459	498
Other assets	303	310
Total non-current assets	**7,470**	**7,987**
Inventories	290	180
Trade receivables (*)	1,319	1,877
Current-tax assets	8	8
Other receivables (*)	854	1,390
Current financial assets	27	22
Cash and cash equivalents	412	206
Total current assets	**2,910**	**3,683**
Assets held for sale	**349**	**-**
Total assets	**10,729**	**11,670**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	5,377	5,377
Reserves and retained earnings (loss carryforward)	612	988
Reserve for other components of comprehensive income	40	(21)
Group interest in profit (loss)	(110)	(389)
Total shareholders' equity attributable to Parent Company shareholders	**5,919**	**5,955**
Shareholders' equity attributable to minority shareholders	291	310
Total shareholders' equity	**6,210**	**6,265**
Provision for employee severance indemnities and provisions for pensions	42	44
Provision for deferred taxes	43	52
Provisions for risks and charges	1,233	1,142
Bonds	-	-
Long-term financial debt and other financial liabilities	203	215
Other liabilities	45	74
Total non-current liabilities	**1,566**	**1,527**
Bonds	623	615
Short-term financial debt	240	460
Trade payables (*)	1,344	1,695
Current taxes payable	12	7
Other liabilities (*)	710	1,101
Total current liabilities	**2,929**	**3,878**
Liabilities held for sale	**24**	**-**
Total liabilities and shareholders' equity	**10,729**	**11,670**

(*) Since January 1, 2017, for a better representation of the operating working capital, the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects are respectively included in trade receivables and trade payables, instead of in other receivables and other liabilities.

For the purposes of consistent comparison the amounts at December 31, 2016, receivables for 47 million euros and payables for 88 million of euros, were reclassified in coherence with the 2017 data.

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income	Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
Balance at December 31, 2016	**5,377**	**988**	**(21)**	**(389)**	**5,955**	**310**	**6,265**
Appropriation of the previous year's profit (loss)	-	(389)	-	389	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	**-**	(29)	**(29)**
Increase of share capital and reserves	-	-	-	-	**-**	1	**1**
Change in scope of consolidation	-	-	-	-	**-**	-	**-**
Other changes	-	13	-	-	**13**	(1)	**12**
Total comprehensive profit (loss)	-	-	61	(110)	**(49)**	10	**(39)**
of which:							
- Change in comprehensive income	-	-	61	-	**61**	-	**61**
- Profit (loss) at September 30, 2017	-	-	-	(110)	**(110)**	10	**(100)**
Balance at September 30, 2017	**5,377**	**612**	**40**	**(110)**	**5,919**	**291**	**6,210**

ECONOMIC & FINANCIAL RESULTS AT SEPTEMBER 30, 2017

Sales revenues and EBITDA of the Group and by Business Segment

Full year 2016	(millions of euros)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
	Electric Power Operations						
5,682	Sales revenues	3,861	4,063	*(5.0%)*	1,317	1,413	*(6.8%)*
386	Reported EBITDA	250	289	*(13.5%)*	108	100	*8.0%*
242	Adjusted EBITDA (1)	232	182	*27.5%*	101	60	*68.3%*
	Hydrocarbons Operations						
6,031	Sales revenues	3,935	4,362	*(9.8%)*	1,114	1,251	*(11.0%)*
361	Reported EBITDA	462	260	*77.7%*	126	67	*(88.1%)*
505	Adjusted EBITDA (1)	480	367	*30.8%*	133	107	*24.3%*
	Corporate Activities and Other Segments (2)						
51	Sales revenues	36	37	*(2.7%)*	12	12	
(94)	EBITDA	(65)	(60)	*(8.3%)*	(13)	(18)	*27.8%*
	Eliminations						
(730)	Sales revenues	(617)	(488)	*(26.4%)*	(196)	(170)	*(15.3%)*
	Edison Group						
11,034	**Sales revenues**	**7,215**	**7,974**	***(9.5%)***	**2,247**	**2,506**	***(10.3%)***
653	**EBITDA**	**647**	**489**	***32.3%***	**221**	**149**	***48.3%***
5.9%	***% of sales revenues***	***9.0%***	***6.1%***		***9.8%***	***5.9%***	

(1) Adjusted EBITDA reflect the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. This reclassification is being made to allow a better operational presentation of the Group's industrial results.

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

Group sales revenues stood at 2,247 million euros during the third quarter of 2017 and at 7,215 million euros in the first nine months of 2017, down 10.3% and 9,5% on the previous year, respectively.

EBITDA recorded an increase of 72 million euros in the third quarter and of 158 million euros in the first nine months of 2017, mainly thanks to a favourable scenario that has contributed to higher margins in thermoelectric generation and Exploration and Production.

Reference is made to the next few paragraphs for a more detailed analysis of the performance of the individual business segments.

Electric power Operations
Sources

Full year 2016	(GWh)(*)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
20,358	**Edison's production:**	**15,017**	**14,456**	***3.9%***	**5,019**	**5,377**	***(6.7%)***
16,765	*- Thermoelectric power plants*	12,501	11,703	*6.8%*	4,086	4,443	*(8.0%)*
2,490	*- Hydroelectric power plants*	1,761	1,920	*(8.3%)*	720	746	*(3.5%)*
1,103	*- Wind power and other renewables*	755	833	*(9.4%)*	*213*	*188*	*13.0%*
70,836	**Other purchases (wholesalers, IPEX, etc.)(1)**	**41,573**	**54,085**	***(23.1%)***	**12,890**	**17,963**	***(28.2%)***
91,194	**Total sources**	**56,590**	**68,541**	***(17.4%)***	**17,909**	**23,340**	***(23.3%)***

(1) Before line losses and excluding the trading portfolio.
(*) One GWh is equal to one million kWh, referred to physical volumes.

Uses

Full year 2016	(GWh)(*)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
11,582	**Customers (1)**	**7,997**	**8,800**	***(9.1%)***	**2,837**	**2,878**	***(1.4%)***
79,612	**Other sales(wholesalers, IPEX, etc.)(2)**	**48,593**	**59,741**	***(18.7%)***	**15,072**	**20,462**	***(26.3%)***
91,194	**Total uses**	**56,590**	**68,541**	***(17.4%)***	**17,909**	**23,340**	***(23.3%)***

(1) Before line losses.
(2) Excluding trading portfolio.
(*) One GWh is equal to one million kWh.

The Group operates according to a business model that envisages a separation between the management of generation (thermoelectric and renewables), sales to the end market (business and retail), wholesales and buying and selling activities seeking to guarantee suitable policies for the segregation and hedging of risk on the portfolios mentioned and to maximize profitability through their optimization.

Under the scope of this model, Edison production in Italy comes in at 5,019 GWh in the third quarter of 2017, down 6.7% on the third quarter of 2016; more specifically, thermoelectric production decreases by 8%, to be explained in part following the sale of Termica Milazzo made on August 1, 2016 and of Gever Spa as from March 2017. As regards hydroelectric production, performance in the third quarter of 2017 saw a drop in production (-3.5%) due to lower water availability. An increase in wind power and other renewable productions is recorded of around 13% thanks to the higher wind levels in the period.

Sales to customers are declining slightly, with reductions in all segments.

Other purchases and sales of the third quarter 2017 are down on the values of the same period of 2016; it should be recalled, however, that these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterised by smaller unitary margins connected with the bidding operating procedures on plants, the balancing of portfolios and the make or buy activity.

In the first nine months:

- Edison net production amount to 15,017 GWh (+3.9% over the first nine months of 2016);
- Group total sales amount to 56,590 GWh (-17.4%), with sales to customers of 7,997 GWh down 9.1% compared to the first nine months of 2016.

Energy Services

Full year 2016 [1]	(GWh)[(*)]	9 months 2017	9 months 2016[(1)]	% change	Q3 2017	Q3 2016	% change
797	**Production of electric power by cogeneration and trigeneration systems and other smaller facilities**	778	534	*45.7%*	242	256	*(5.6%)*

(*) One GWh is equal to one million kWh.
(1) The data for 2016 full year and the first nine months of 2016 include Fenice Group as of April 1, 2016.

The production of electric power by energy services refers to the new Energy Services Market Division established through the incorporation of the activities of the Fenice Group, consolidated as of April 1, 2016.

Income Statement Data

Full year 2016	(millions of euros)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
5,682	Sales revenues	3,861	4,063	*(5.0%)*	1,317	1,413	*(6.8%)*
242	Adjusted EBITDA [(1)]	232	182	*27.5%*	101	60	*68.3%*

(1) See note on page 17.

Sales revenues in the third quarter of 2017 amounted to 1,317 million euros, down from the third quarter of 2016 following a decrease in volumes sold due to a different portfolio optimization, not compensated by the increase in average sales price driven by the reference scenario. Fenice revenues in the third quarter of 2017 remain almost unchanged compared to the third quarter of 2016.

The quarter's adjusted EBITDA, which comes in at 101 million euros (60 million euros during the same period of 2016), records an increase of 41 million euros thanks to higher margins in thermoelectric generation.

Overall, sales revenues in the first nine months of the year amounted to 3,861 million euros, and despite the presence of sales revenues of Fenice (consolidated in 2016 from April), show a decrease of 5% compared to the same period of 2016, confirming the previously commented trend of the third quarter.

Adjusted EBITDA amounting to 232 million euros increased by 50 million euros compared to the first nine months of 2016, mainly thanks to higher margins of thermoelectric generation partly offset by a lesser contribution made by the hydroelectric sector, as well as by non-recurring phenomenon such as the contribution made by Fenice for all of 2017 (55 million euros in the first nine months of 2017, as compared with 36 million euros in the same period of 2016) and, in 2016, the net income of 33 million euros deriving from the exchange of equity investments held by Edison in Hydros and Sel Edison with the equity investment of Alperia in Cellina Energy.

Hydrocarbons Operations
Sources of Natural Gas

Full year 2016	(millions of m^3 of natural gas)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
521	Production [(1)]	337	384	*(12.3%)*	109	143	*(23.7%)*
14,615	Imports (Pipeline + LNG)	11,122	10,825	*2.7%*	3,578	3,516	*1.7%*
6,745	Other purchases	3,875	4,422	*(12.4%)*	1,008	1,508	*(33.2%)*
-	Change in stored gas inventory [(2)]	(137)	(88)	56.5%	(149)	(162)	8.2%
21,881	**Total sources**	**15,197**	**15,543**	***(2.2%)***	**4,546**	**5,005**	***(9.2%)***
1,403	**Production outside Italy [(3)]**	**1,254**	**1,114**	***12.7%***	**497**	**356**	***39.6%***

(1) Net of self-consumption and at Standard Calorific Power. It includes the production from the Izabela concession in Croatia imported into Italy.
(2) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.
(3) Counting volumes withheld as production tax.

Uses of Natural Gas

Full year 2016	(millions of m^3 of natural gas)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
2,562	Residential use	1,513	1,668	*(9.3%)*	134	165	*(18.9%)*
3,970	Industrial uses	3,249	2,890	*12.4%*	1,040	907	*14.7%*
7,320	Thermoelectric fuel uses	5,413	4,928	*9.8%*	1,759	1,862	*(5.5%)*
8,029	Other sales	5,022	6,057	*(17.1%)*	1,613	2,071	*(22.2%)*
21,881	**Total uses**	**15,197**	**15,543**	***(2.2%)***	**4,546**	**5,005**	***(9.2%)***
1,403	**Sales of production outside Italy (1)**	**1,254**	**1,114**	***12.7%***	**497**	**356**	***39.6%***

(1) Counting volumes withheld as production tax.

Gas production in the third quarter, adding Italy and abroad together, came to 606 million cubic meters, up 21.4% on the third quarter of last year. Productions sold in Italy are down 23.7% due to the natural decline in production curves and lower imports from Croatia; productions abroad are up by 39.6% mainly due to a rise in production in Egypt, which more than offset a reduction in the United Kingdom.
Total imports of gas during the third quarter are substantially in line with the previous year; other purchases are down 500 million cubic meters. The overall decrease in sources is explained by a decrease in sales volume compared to the previous year.
Volumes sold, amounting to 4,546 million cubic meters, fell by 9.2% compared to the third quarter of 2016; the decline affected sales for thermoelectric uses (-5.5%), civil sales (-18.9%, although in a period of low seasonality) and other sales (-22.2%); sales for industrial use increased (+14.7%).
In progressive terms, in the first nine months of 2017, Edison sources-uses amounted to 15.2 billion cubic meters (-2.2% over the same period of 2016).

Crude Oil Production

Full year 2016	(thousands of barrels)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
2,163	Production in Italy	1,420	1,677	*(15.3%)*	472	552	*(14.5%)*
1,980	Production outside Italy (1)	1,658	1,554	*6.7%*	510	454	*12.2%*
4,143	**Total production**	**3,078**	**3,231**	***(4.7%)***	**982**	**1,006**	***(2.4%)***

(1) Counting volumes withheld as production tax.

Crude oil production in the third quarter highlights a total decline of 2.4% due to the lesser Italian production (-80 thousand barrels), due to the natural decline of concessions, partly offset by an increase in production abroad (56 thousand barrels) thanks to the contribution made by the two new wells at the Egyptian concession of Abu Qir, which entered production between April and May 2017.
In progressive terms, the reduction compared to the previous year was 4.7%, with partial compensation between Italian production, down, and an increase in production abroad, both in Egypt and in the United Kingdom.

Income Statement Data

Full year 2016	(in millions of euros)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
6,031	Sales revenues	3,935	4,362	*(9.8%)*	1,114	1,251	*(11.0%)*
505	Adjusted EBITDA (1)	480	367	*30.8%*	133	107	*24.3%*
323	- *amount from gas activities*	*277*	*221*	*25.3%*	*73*	*41*	*78.0%*
182	- *amount from Exploration & Production*	*203*	*146*	*39.0%*	*60*	*66*	*(9.1%)*

(1) See note on page 17.

Sales revenues in the third quarter came in at 1,114 million euros, down 11% on the third quarter of 2016. This decline, in addition to the decrease in sales volumes, was due to the reduction in the income from derivative contracts to manage the risk of fluctuation in the cost of natural gas and in the sale of gas, taking into account the indexing formulas and the inherent risk factors; it should be noted that similarly, a reduction has occurred in derivative contracts realized in the related cost item.
The third quarter's adjusted EBITDA came to 133 million euros, up 26 million euros on the same period of 2016. This change is mainly attributable to the higher margin achieved by the natural gas buying and selling activities, mainly thanks to a more favourable price scenario. Exploration & Production business benefits from higher oil prices but shows a slight decrease compared to the third quarter of 2016, that included non-recurring income for the sale of some facilities (22 million euros).
Even in the first nine months of 2017, a decline in turnover was recorded. This decline, as already highlighted in the comment to the quarter, was mainly due to the decrease in income from derivative contracts for the management of the risk of fluctuation of the cost of natural gas and that of its sale; it is further stated that similarly there has been a decrease in derivative contracts in the related cost item.
Adjusted EBITDA is up 113 million euros, the change is attributable:

- for the gas activities, that show an improvement of 56 million euros compared to the previous year, to the effect of a positive price scenario;
- for Exploration & Production, with an increase of 57 million euros compared to previous year, to the greater margin achieved following the recovery in the oil scenario, as well as an insurance reimbursement and some fixed cost reductions in 2017, which offset the above mentioned non-recurring income of 2016.

Corporate Activities and Other Segments
Income Statement Data

Full year 2016	(millions of euros)	9 months 2017	9 months 2016	% change	Q3 2017	Q3 2016	% change
51	Sales revenues	36	37	*(2.7%)*	12	12	-
(94)	EBITDA	(65)	(60)	*(8.3%)*	(13)	(18)	*27.8%*

The Corporate Activities and Other Segments include the part of the business of the parent company Edison Spa of central and transversal management, i.e. that not directly connected with any specific business and some holding and real estate companies.
Sales revenues in the third quarter of 2017 substantially unchanged compared to the same period of 2016, both in the quarter and in the first nine months.
EBITDA for the quarter is up by 5 million euros, mainly for non-recurring items; in the nine months, there was a deterioration of 5 million euros, partially due to non-recurring income recorded in 2016.

Other Components of the Group's Income Statement

Full year 2016	(in millions of euro)	9 months 2017	9 months 2016	% change
653	**EBITDA**	**647**	**489**	***32.3%***
(166)	Net change in fair value of derivatives (commodity and foreign exchange)	(196)	(113)	*(47.4%)*
(734)	Depreciation, amortization and writedowns	(361)	(360)	*(0.3%)*
(13)	Other income (expense), net	(6)	(6)	-
(260)	**EBIT**	**84**	**(10)**	***n.m.***
(94)	Financial income (expense), net	(46)	(69)	*33.3%*
7	Income from (expense on) equity investments	(44)	7	*n.m.*
(25)	Income Taxes	(94)	(21)	*n.m.*
(372)	**Profit (Loss) from continuing operations**	**(100)**	**(93)**	***7.5%***
(389)	**Group interest in profit (loss)**	**(110)**	**(107)**	***2.8%***

The **Group's interest in profit (loss)** was negative by 110 million euros (negative by 107 million euros in the first nine months of 2016).

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

- a net negative change in the fair value of derivatives amounting to 196 million euros (negative by 133 million euros in the first nine months of 2016);
- depreciation and amortization for 361 million euros in the first nine months of 2017 (360 in the first nine months of 2016);
- net expense on equity investments including the writedowns of activities held for sales for 41 million euros plus 14 million euros related to the allocated goodwill;
- income taxes for 94 million euros reflect in particular the foreign taxes not recoverable in consolidated IRES return, the non-deductibility of the above-mentioned writedowns of activities held for sales, some provisions for tax disputes and also IRAP.

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

Net Change in Fair Value of Commodity Derivatives

(in millions of euros)	9 months 2017	9 months 2016	Change
Change in fair value in hedging the price risk on energy products:	**(191)**	**49**	**(240)**
- definable as hedges pursuant to IAS 39 (CFH) (*)	1	29	(28)
- definable as hedges pursuant to IAS 39 (FVH)	(26)	126	(152)
- not definable as hedges pursuant to IAS 39	(166)	(106)	(60)
Change in fair value in hedging the foreign exchange risk on commodities:	**(96)**	**(75)**	**(21)**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(4)	(11)	7
- definable as hedges pursuant to IAS 39 (FVH)	(69)	(18)	(51)
- not definable as hedges pursuant to IAS 39	(23)	(46)	23
Change in fair value in physical contracts (FVH)	**91**	**(107)**	**198**
Total for the Group	**(196)**	**(133)**	**(63)**

(*) Referred to the ineffective portion.

Where possible, the Group applies the hedge accounting (Cash Flow Hedge and, since 2016, Fair Value Hedge); in particular it is worth to mention that the application of Fair Value Hedge on commodities and exchange rates permitted to neutralize the volatility created by some instruments previously not definable as hedges according to IAS 39.

The most significant impact on **Net Change in Fair Value of Commodity Derivatives** is due to those derivative contracts that, despite aiming to offer economic hedging of the Industrial Portfolio, cannot be defined as hedge in accordance with IAS 39.

This evaluation item represents in fact the difference between the fair value as at the reporting date and that measured as at December 31 of the previous year.

Specifically the change of the period is largely due to the realization of hedging derivatives that, as a result of economic hedging strategies to protect margins and of the significant commodities prices fluctuations, determined in past years, starting from 2014, a positive Fair Value that is necessarily reversed in the profit and loss accounts of the following years, with a negligible economic effect in the total period.

Depreciation, Amortization and Writedowns

(in millions of euros)	9 months 2017	9 months 2016	Change
Depreciation and amortization of:			
- property, plant and equipment	253	251	2
- exploration costs	60	57	3
- hydrocarbon concessions	33	40	(7)
- other intangible assets	15	12	3
Total for the Group	**361**	**360**	**1**
Breakdown by Business Segment	**9 months 2017**	**9 months 2016**	Change
Electric Power Operations	168	155	13
Hydrocarbons Operations	188	200	(12)
Corporate Activities and Other Segments	5	5	-
Total for the Group	**361**	**360**	**1**

Net Financial Income (Expense)

(in millions of euros)	9 months 2017	9 months 2016	Change
Net financial expense on debt	(10)	(39)	29
Fees	(7)	(9)	2
Financial expense on decommissioning projects and provisions for risks	(22)	(22)	-
Other financial income (expense)	5	10	(5)
Net foreign exchange translation gains (losses)	(12)	(9)	(3)
Net financial income (expense) for the Group	**(46)**	**(69)**	**23**

The financial expense benefited by a lower level of indebtedness and by lower cost resulting from a different mix of financial resources. It should be noted that in the first nine months of 2016 expense of 20 million euros was recorded as breakage costs related to the reimbursement in advance of the loan provided by EDF Investissements Groupe Sa.

Net Financial Debt and Cash Flows

At September 30, 2017, net financial debt totaled 622 million euros, or 440 million euros less than the 1,062 million euros owed at December 31, 2016. The table below provides a simplified breakdown of the net financial debt:

(in millions of euros)	09.30.2017	12.31.2016	Change
Bonds - non-current portion	-	-	-
Non-current bank loans	129	141	(12)
Amounts due to other lenders - non-current portion	74	74	-
Non current net financial debt	**203**	**215**	**(12)**
Bonds - current portion	623	615	8
Short-term financial debt	240	460	(220)
Current financial assets	(27)	(22)	(5)
Cash and cash equivalents	(412)	(206)	(206)
Current net financial debt	**424**	**847**	**(423)**
Financial debt held for sale	-	-	-
Financial asset held for sale	(5)	-	(5)
Net financial debt	**622**	**1,062**	**(440)**

The **non-current financial debt** included, as at December 31, 2016, the drawdown of 70 million euros on the medium-long term credit line (total nominal amount of 200 million euros), intended for specific investment projects, provided in December 2015 by EDF Sa to Edison Spa based on a similar credit line provided by EIB to EDF Sa.

The **bonds**, amounting to 623 million euros including the total accrued interest at September 30, 2017, were related to a bond issue with maturity date at November 10, 2017.

It is worth of mentioning that the valuation at amortized cost of the bond issue, hedged with derivatives against the risk of changes in fair value caused by the interest rate fluctuation, was adjusted in accordance with hedge accounting rules to reflect the change in hedged risk.

The reduction in **short-term financial debt**, compared with December 31, 2016, is due (for 150 million euros) to the reimbursement of the amount drawn down on the credit line provided by EDF Sa (total nominal amount of 600 million euros), line expired in April 2017.

The **Cash and cash equivalents**, consisting of short-term deposits in bank and postal accounts and other short-term investments, further increase to 412 million euros and include for 310 million euros the current account established with EDF Sa (73 million euros at December 31, 2016).

It should be noted that in April 2017 Edison Spa subscribed two revolving credit lines, fully available at September 30, 2017, with maturity within 2 years:

- with EDF Sa for a nominal amount of 600 million euros, as replacement of the above mentioned expired credit line;
- with a pool of banks for a nominal amount of 300 million euros, as replacement of a similar line (nominal amount of 500 million euros) expired in November 2016.

These facilities form the first stage in the refinancing plan, already announced in the 2016 Consolidated Financial Statements and approved by the Edison Board of Directors in the early months of the year; a plan that, moreover, envisaged a possible further intervention by the maturity of the bond issue, in the form of a medium-long term loan with EDF group companies. Considering the above mentioned situation at September 30, 2017 and the expected financial requirements, Edison holds that no funding is necessary for the year; in particular the bond will be reimbursed through the utilization of liquidity and, secondarily, the credit lines already available.

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

2016 full year	(millions of euros)	9 months 2017	9 months 2016
(1,147)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD**	**(1,062)**	**(1,147)**
653	EBITDA	647	489
(76)	Elimination of non-cash items included in EBITDA	51	(59)
(55)	Net financial expense paid	(16)	(44)
(196)	Income taxes paid (-)	(59)	(232)
12	Dividends collected	14	12
(15)	Other items from operating activities	7	(49)
323	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**644**	**117**
649	Change in operating working capital	84	416
(177)	Change in non-operating working capital	29	(72)
(555)	Net investments (-)	(310)	(405)
240	**C. CASH FLOW AFTER NET INVESTMENTS AND CHANGE IN WORKING CAPITAL**	**447**	**56**
(77)	Dividends paid (-)	(29)	(49)
(78)	Other items	22	(66)
85	**D. NET CASH FLOW FOR THE PERIOD**	**440**	**(59)**
(1,062)	**E. NET FINANCIAL (DEBT) AT END OF PERIOD**	**(622)**	**(1,206)**

The main period cash flow derives from EBITDA, as commented on previously, from a positive change in operating working capital due to the significant collection of Egyptian receivables, as well as from net investments which include capital expenditures and investments in exploration (-288 million euros) and portfolio readjustment operations and focussing on energy services and services addressed to end customers (-22 million euros).

More specifically, **capital expenditures and investments in exploration** include:

- investments in Exploration & Production for 152 million euros, mainly abroad: the Egyptian Abu Qir concession, for the completion of construction works of the platform NAQ PIII (41.7 million euros), in addition the drill of a new well, NAQ PIII-4, of the same platform (10.8 million euros) and the drilling and completion of a new well of the NAQ PI platform (16 million euros); the development of the Algerian concession of Reggane (30 million euros), the activities in Norway (24.6 million euros), mainly for the Zidane concession and the development of the Polarled pipeline that will connect Zidane to land.
- investments in exploration for approximately 60 million euros, mainly in Egypt (35 million euros) for exploration activities in the East Med areas and onshore of the Nile, and in Norway (16 million euros) for exploration permits, mainly related to the drilling of the Goliat Eye and Aurelia wells (7.5 million euros).

The portfolio readjustment operations (net negative effect of 22 million euros) particularly concerned: in the electricity generation sector, the divestment of the equity investment in Gever Spa and the acquisition of the business operation consisting of the run-of-the-river water hydroelectric power plant on the river Dora Baltea named “Montestrutto”, in the energy services sector the acquisition of Comat Energia Srl, in the market services sector, the acquisition of Assistenza Casa Spa.

Fair value recorded in Balance Sheet and Cash Flow Hedge Reserve

The fair value recorded in balance sheet is reported here below.

(millions of euros)		09.30.2017			12.31.2016	
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Current financial assets / Short-term financial debt	20	-	20	15	-	15
- Other assets / liabilities (non-current portion)	90	(45)	45	201	(74)	127
- Other assets / liabilities (current portion)	202	(184)	18	758	(730)	28
Fair Value recognized as assets or liabilities (a)	**312**	**(229)**	**83**	**974**	**(804)**	**170**
of which of (a) related to:						
- Interest Rate Risk Management	20	-	20	15	-	15
- Exchange Rate Risk Management	8	(70)	(62)	135	(12)	123
- Commodity Risk Management	250	(103)	147	496	(355)	141
- Trading Portfolios (physical and financial)	10	(9)	1	290	(285)	5
- Fair value on physical contracts	24	(47)	(23)	38	(152)	(114)

It is worth of mentioning that in 2016, as result of the prospective application of the Fair Value Hedge some hedging relationships were revoked. The fair value recorded at the date of revocation was maintained in the Cash Flow Hedge Reserve and is reflected in the income statement in line with the effects of the hedged item; at September 30, 2017 this fair value is negative by about 16 million euros (negative by about 103 million euros at December 31, 2016).

The table below provides a breakdown of the changes that occurred in the Cash Flow Hedge reserve, established upon the adoption of IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognized directly in equity are reflected in the income statement in line with the effects of the hedged item.

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2016	(80)	23	(57)
Changes in the period	105	(30)	75
Reserve at September 30, 2017	**25**	**(7)**	**18**

OUTLOOK

Edison raises the EBITDA forecast for 2017 to approximately 750 million euros.

SIGNIFICANT EVENTS OCCURRING AFTER SEPTEMBER 30, 2017

Edison signs binding agreement with Gas Natural Fenosa for the acquisition of Gas Natural Vendita Italia and of the Shah Deniz II gas contract

Edison and Gas Natural Fenosa signed a binding agreement for the acquisition by Edison of Gas Natural Vendita Italia (GNVI) and of the Shah Deniz II gas contract on October 13, 2017.

Edison will acquire 100% of GNVI, the company owned by Gas Natural Fenosa, that commercializes natural gas and electricity across Italy, with more than 400,000 customers, and which it also operates in the sector of domestic gas boiler maintenance and in compressed natural gas offered to the transport sector.

The purchase price is 192.8 million euros corresponding to an Enterprise Value of 263 million euros after debt repayment and provision.

The acquisition of GNVI is subject to the European Competition clearance. Edison will fully control and consolidate GNVI as from the closing date, which is expected to occur between December 2017 and March 2018.

As part of the agreement and subject to the closing of GNVI's acquisition, Edison will also acquire a 11 TWh long term gas supply contract from the Shah Deniz II field. The gas import from Shah Deniz II is expected to start at the end of 2020 following the completion of the Trans Adriatic Pipeline (TAP). In particular, the total consideration payable is 30 million euros for the gas supply contract, of which a down payment of 10 million euros and an earn-out of 20 million euros, payable starting from 2021 subject to the first delivery of gas to Italy through the TAP pipeline.

Milan, October 26, 2017

The Board of Directors
By Marc Benayoun
Chief Executive Officer

CERTIFICATION
Pursuant to Article 154-bis, Section 2, of Legislative Decree No. 58/1998

Didier Calvez and Roberto Buccelli, in their capacity as “Dirigenti preposti alla redazione dei documenti contabili societari” of Edison Spa, declare that the accounting information contained in this Quarterly Report at September 30, 2017 is consistent with the data in documents, accounting records and other records.

Milan, October 26, 2017

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