2018

FINANCIAL REPORT

Separate Financial Statements

Contents

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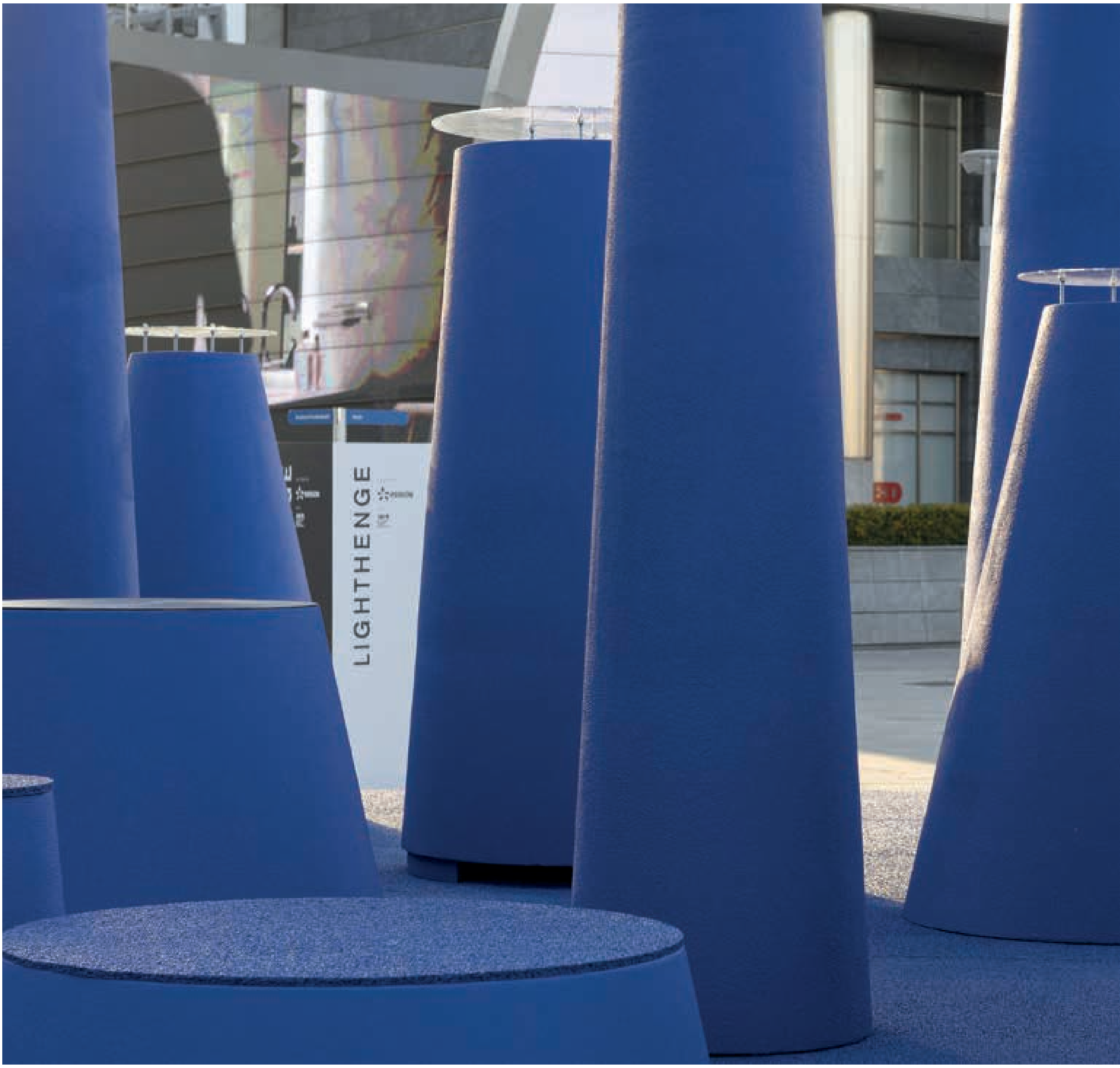
2018
Financial Report

SEPARATE FINANCIAL STATEMENTS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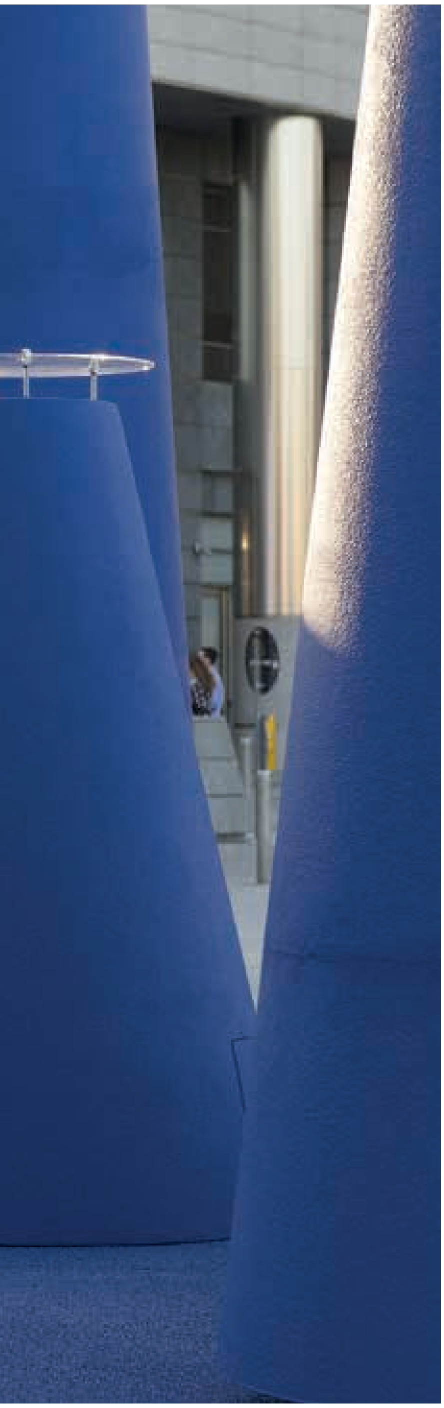


2018 Separate financial statements

(Primary statements and Reclassified Balance Sheet)

INCOME STATEMENT

(in euros)	Note	2018 full year	of which related parties	2017 financial year first application of IFRS 9 and 15 (*)	of which related parties	Exercise 2017 published (**)	of which related parties
Sales revenues	2.4	6,958,325,749	3,628,388,239	6,840,129,399	2,528,760,999	7,982,065,346	2,528,760,999
Other revenues and income	2.4	66,166,063	22,795,352	105,581,510	41,561,025	105,581,510	41,561,025
Total net revenues		**7,024,491,812**		**6,945,710,909**		**8,087,646,856**	
Raw materials and services used (-)	2.4	(6,738,924,247)	827,669,089	(6,488,151,316)	(359,195,141)	(7,630,087,263)	(359,195,141)
Labour costs (-)	2.4	(130,409,770)		(138,915,746)		(138,915,746)	
Receivables (writedowns)/reversals	3.2	3,659,416		(11,369,597)		(11,369,597)	
EBITDA	2.4	**158,817,211**		**307,274,250**		**307,274,250**	
Net change in fair value of derivatives	4.3	(7,724,426)		(202,220,559)		(202,220,559)	
Depreciation and amortisation (-)	5.1	(121,449,670)		(153,063,021)		(153,063,021)	
(Write-downs) reversal on non-current assets	5.1	-		(77,452,582)		(77,452,582)	
Other income (expense), net	2.4	-		131,800,125		131,800,125	
Other income (expense) non Energy activities, net	9	(22,624,830)		(31,964,346)		(31,964,346)	
EBIT		**7,018,285**		**(25,626,133)**		**(25,626,133)**	
Net financial income (expense) on net financial debt (available funds)	7.2	19,989,433	21,148,646	23,677,648	(22,713,921)	23,677,648	(22,713,921)
Income (expense) on assignment of receivables without recourse	3.2	(1,374,643)		(2,560,282)		(2,560,282)	
Financial expense for decommissioning and adjustment of provisions	5.3 - 8.3 - 9	(15,451,474)		(22,464,808)		(22,464,808)	
Other net financial income (expense)	2.4	2,451,668	13,493,295	(14,588,309)	(10,307,000)	(14,588,309)	(10,307,000)
Revaluations (write-downs) of equity investments	5.2	(45,416,447)	(45,524,777)	(138,430,637)	(139,420,701)	(138,430,637)	(139,420,701)
Dividends	5.2	90,266,345	90,266,345	37,751,365	35,291,216	37,751,365	35,291,216
Gains (losses) on the sale of equity investments	5.2	360,931		(22,528,609)		(22,528,609)	
Profit (Loss) before taxes		**57,844,098**		**(164,769,765)**		**(164,769,765)**	
Income taxes	8.2	(2,685,019)		(19,471,874)		(19,471,874)	
Profit (Loss) from continuing operations		**55,159,079**		**(184,241,639)**		**(184,241,639)**	
Profit (Loss) from discontinued operation		-		-		-	
Net income (loss) for the year	2.4	**55,159,079**		**(184,241,639)**		**(184,241,639)**	

(*) The reconciliation of the values that determined the first application of IFRS 9 and 15 is reported in chapter 1.1 "Principles of new application".
The effects resulting from the first application of IFRS 9 have been recognized in equity.
(**) Some data have been aggregated / exploded to take into account the structure of the new scheme.

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

(in euros)	Note	2018 full year	2017 full year
Net income (loss) for the year	2.4	**55,159,079**	**(184,241,639)**
A) Change in the cash flow hedge reserve	6	**(59,462,175)**	**127,908,368**
Gains (Losses) arising during the year		(82,433,509)	177,817,030
Income taxes (+/-)		22,971,334	(49,908,662)
B) Actuarial gains (losses (*)	6	**547,073**	**(341,184)**
Total other components of comprehensive income net of taxes (A+B)		**(58,915,102)**	**127,567,184**
Total comprehensive profit (loss)		**(3,756,023)**	**(56,674,455)**

(*) Items not reclassificable in Income Statement.

BALANCE SHEET

(in euros)	Note	12/31/2018	of which related parties	2017 financial year first application of IFRS 9 and 15 (*)	of which related parties	12/31/2017 published (**)	of which related parties
ASSETS							
Property, plant and equipment	5.1	1,200,872,853		1,521,084,339		1,521,084,339	
Intangible Assets	5.1	71,680,953		81,382,008		81,382,008	
Goodwill	5.1	1,706,690,046		1,706,690,046		1,706,690,046	
Equity investments	5.2	2,093,229,806	2,093,229,806	1,032,128,609	1,032,128,609	1,032,128,609	1,032,128,609
Available-for-sale investments	5.2	-		-		786,940	
Investments at fair value through profit and loss	5.2	942,747		4,269,672		-	
Non-current financial assets from subsidiaries and affiliated companies	7.2	574,337,970	574,337,970	385,539,242	385,539,242	385,539,242	385,539,242
Other financial assets	5.1	14,156,177		11,451,377		11,451,377	
Deferred-tax assets	8.3	84,644,941		251,168,076		249,293,566	
Non-current tax assets	8.3	24,618,681		24,225,989		24,225,989	
Other non-current assets	3.3	115,817,878		119,992,416		119,992,416	
Derivative financial instruments and FVH - non-current	4.3	173,572,384		143,984,578		143,984,578	
Total non-current assets		**6,060,564,436**		**5,281,916,352**		**5,276,559,110**	
Inventories	3.2	117,098,442		105,110,382		105,110,382	
Trade receivables	3.2	823,848,541	471,629,680	931,285,197	347,483,677	937,666,823	348,875,677
Current-tax assets	8.3	18,174,539	17,964,987	118,912		118,912	
Other current assets	3.3	269,124,085	65,930,805	226,395,813	45,545,756	226,525,813	45,675,756
Derivative financial instruments and FVH - current	4.3	538,501,720		315,364,827		315,364,827	
Current financial assets (*)	7.2	-		-		3,482,732	
Current financial assets from subsidiaries and affiliated companies	7.2	389,965,661	389,965,661	1,313,501,231	1,313,501,231	1,314,931,231	1,314,931,231
Cash and cash equivalents	7.2	45,031,340	28,326,317	166,057,840	139,940,787	166,057,840	139,940,787
Total current assets		**2,201,744,328**		**3,057,834,202**		**3,069,258,560**	
Assets under disposal		**-**		**-**		**-**	
Total assets		**8,262,308,764**		**8,339,750,554**		**8,345,817,670**	
LIABILITIES AND SHAREHOLDERS' EQUITY							
Share capital		5,377,000,671		5,377,000,671		5,377,000,671	
Statutory reserve		-		-		-	
Reserve from merger by absorption		217,921,729		217,921,730		217,921,730	
Profit (loss) carried forward		(438,689,412)		(254,447,773)		(249,942,725)	
Reserves for other components of comprehensive income		30,600,997		89,516,098		89,516,098	
Result of the exercise		55,159,079		(184,241,639)		(184,241,639)	
Total shareholders' equity	6	**5,241,993,064**		**5,245,749,087**		**5,250,254,135**	
Provision for employee severance indemnities and provisions for pensions	5.3	15,094,749		19,838,520		19,838,520	
Provision for decommissioning and remediation of industrial sites	5.3	64,252,411		442,276,829		442,276,829	
Provisions for risks and charges	5.3	69,984,327		137,126,451		137,126,451	
Provision for income tax liabilities	8.3	29,495,992		38,316,549		38,316,549	
Provisions for risks and charges for non Energy activities	9	250,828,312		247,500,976		247,500,976	
Deferred-tax liabilities	8.3	12,184,517		35,155,851		35,155,851	
Derivative financial instruments and FVH - non-current	4.3	174,551,715		67,315,142		67,315,142	
Non-current financial debt	7.2	270,782,609	60,000,000	212,951,606	69,861,481	212,951,606	69,861,481
Total non-current liabilities		**887,174,632**		**1,200,481,924**		**1,200,481,924**	
Trade payables	3.2	1,012,254,092	125,654,874	1,205,134,651	86,447,991	1,205,134,651	86,447,991
Current taxes payable	8.3	-		20,967,841	8,310,869	20,967,841	8,310,869
Other current liabilities	3.3	96,090,237	31,918,744	84,724,511	3,026,329	84,724,511	3,026,329
Derivative financial instruments and FVH - current	4.3	492,114,437		257,703,953		259,266,021	
Current financial debt	7.2	114,263,322	15,653,999	65,652,824	4,062,286	65,652,824	4,062,286
Current financial payables to subsidiaries and affiliated companies	7.2	418,418,980	418,418,980	259,335,763	259,335,763	259,335,763	259,335,763
Total current liabilities		**2,133,141,068**		**1,893,519,543**		**1,895,081,611**	
Liabilities under disposal		**-**		**-**		**-**	
Total liabilities and shareholders' equity		**8,262,308,764**		**8,339,750,554**		**8,345,817,670**	

(*) The reconciliation of the values that determined the first application of IFRS 9 and 15 is reported in chapter 1.1 "Principles of new application"

(**) The data were aggregated / exploded to take into account the structure of the new scheme.
The effects resulting from the first application of IFRS 9 have been recognized in equity.

CASH FLOW STATEMENT

This cash flow statement analyses **cash flows** relative to short-term liquid funds (due within 3 months), the value of which at year end is 45 million euros, as compared with those of 2017 (166 million euros). Note that the effects resulting from the first-time application of IFRS 9 have been recognised in shareholders' equity, with insignificant effects in the cash flow statement compared to the values for the year 2017.

(in euros)	2018 full year	of which related parties	2017 full year	of which related parties
Profit (Loss) before taxes of Edison Spa	**57,844,099**		**(164,769,765)**	
Depreciation, amortisation and write-downs	121,449,670		230,515,125	
Net additions to/(Utilisations of) provisions for risks	(50,064,200)		34,442,021	
(Gains) Losses on the sale of non-current assets	1,114,096		(103,136,800)	
(Revaluations) Write-downs of non-current financial assets	45,416,447	45,524,777	139,419,637	139,420,701
Change in the provision for employee severance indemnities and provisions for pensions	4,743,772		341,184	
Change in fair value recognised in EBIT	7,443,426		207,433,559	
Change in operating working capital	(97,432,963)	(83,491,849)	264,135,952	130,663,329
Dividends from subsidiaries, affiliated companies and other companies	(90,266,345)	(90,266,345)	(37,751,365)	(35,291,216)
Dividends collected (including amounts attributable to previous years)	90,417,391	90,266,345	37,775,387	35,291,216
Net financial income (expense)	(1,568,338)	22,071,648	1,474,307	(32,790,959)
Financial income collected	24,165,560	23,349,346	53,288,417	36,149,990
Financial (expense) paid	(10,865,571)	(2,517,318)	(30,789,465)	(3,359,031)
Net income taxes paid	(24,828,319)		46,424,818	46,424,818
Change in other operating assets and liabilities	33,356,719	1,110,076	(81,563,280)	18,210,101
A. Cash flow from continuing operations	**110,925,444**		**597,239,732**	
Investments in property, plant and equipment and intangible assets (-)	(56,979,795)		(103,586,718)	
Equity investments and other financial assets (-) (*)	(329,810,224)	(329,810,224)	(20,289,262)	(20,289,262)
Proceeds from the sale of intangibles and property, plant and equipment	901,053		273,813,179	
Proceeds from the sale of non-current financial assets	3,675,360		177,180,029	177,180,029
Capital distributions from non-current equity investments	-		3,575,530	
B. Cash flow from investment activities	**(382,213,606)**		**330,692,758**	
Proceeds from new medium-term and long-term loans	85,000,000		25,000,000	
Redemptions of medium-term and long-term loans (-)	(22,836,891)	(22,836,891)	(768,489,066)	(150,000,000)
Change in other current financial assets (*)	(115,263,057)	(115,263,057)	75,724,441	75,724,441
Other changes in short-term financial debt	203,361,610	106,813,449	(205,781,248)	(167,873,630)
C. Cash flow from financing activities	**150,261,662**		**(873,545,873)**	
D. Net change in cash and cash equivalents (A+B+C)	**(121,026,500)**		**54,386,617**	
E. Cash and cash equivalents at the beginning of the period	**166,057,840**	**139,940,787**	**111,671,223**	**73,014,003**
F. Net cash and cash equivalents from discontinued operations	**-**		**-**	
G. Cash and cash equivalents at the end of the period (D+E+F)	**45,031,340**	**28,326,317**	**166,057,840**	**139,940,787**
H. Total cash and cash equivalents at the end of the period (G)	**45,031,340**		**166,057,840**	
I. (-) Cash and cash equivalents from discontinued operations	**-**		**-**	
L. Cash and cash equivalents from continuing operations (H-I)	**45,031,340**		**166,057,840**	

* Pursuant to IAS 7 par. 43 the conversion of the financial receivable from Edison International SpA into capital for € 850 million was excluded from the cash flow statement as it did not entail the exit of financial flows.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in euros)	Share capital	Legal 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, 2016	**5,377,000,671**	**-**	**(49,660)**	**-**	**(37,101,607)**	**(949,478)**	**(249,942,725)**	**5,088,957,201**
Appropriation of the 2016 result	-	-	-	(249,942,725)	-	-	249,942,725	-
Edison Trading merger by absorption surplus	-	-	217,971,389	-	(2,495,558)	(73,363)	-	215,402,468
Other change in comprehensive income	-	-	-	-	130,403,926	(267,821)	-	130,136,105
2017 Profit (loss)	-	-	-	-	-	-	(184,241,639)	(184,241,639)
Period changes 2017	**-**	**-**	**217,971,389**	**(249,942,725)**	**127,908,368**	**(341,184)**	**65,701,086**	**161,296,934**
of which total net comprehensive income/(loss) 2017	-	-	-	-	127,908,368	(341,184)	(184,241,639)	(56,674,455)
Balance at December 31, 2017	**5,377,000,671**	**-**	**217,921,729**	**(249,942,725)**	**90,806,761**	**(1,290,662)**	**(184,241,639)**	**5,250,254,135**
IFRS 9 - initial application	-	-	-	(4,505,048)	-	-	-	(4,505,048)
Restated balances at January 1, 2018	**5,377,000,671**	**-**	**217,921,729**	**(254,447,773)**	**90,806,761**	**(1,290,662)**	**(184,241,639)**	**5,245,749,087**
Appropriation of the 2017 result	-	-	-	(184,241,639)	-	-	184,241,639	-
Other change in comprehensive income	-	-	-	-	(59,462,175)	547,073	-	(58,915,102)
2018 Profit (loss)	-	-	-	-	-	-	55,159,079	55,159,079
Period changes 2018	**-**	**-**	**-**	**(184,241,639)**	**(59,462,175)**	**547,073**	**239,400,718**	**(3,756,023)**
of which total net comprehensive income/(loss) 2018	-	-	-	-	(59,462,175)	547,073	55,159,079	(3,756,023)
Balances at December 31, 2018	**5,377,000,671**	**-**	**217,921,729**	**(438,689,412)**	**31,344,586**	**(743,589)**	**55,159,079**	**5,241,993,064**

RECLASSIFIED BALANCE SHEET

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

(in euros)	Note	12/31/2018	2017 financial year first application of IFRS 9 and 15 (*)
Net Working Capital	3.1	**217,544,617**	**92,924,646**
Operating Working Capital	3.2	**(71,307,109)**	**(168,739,072)**
Inventories (+)		117,098,442	105,110,382
Trade receivables (+)		823,848,541	931,285,197
Trade payables (-)		(1,012,254,092)	(1,205,134,651)
Other current and non-current assets (liabilities)	3.3	**288,851,726**	**261,663,718**
Other current assets		269,124,085	226,395,813
Other non-current assets		115,817,878	119,992,416
Other current liabilities		(96,090,237)	(84,724,511)
Other non-current liabilities		-	-
Fair value on commodities	4.3	**45,407,952**	**134,330,310**
Other current assets		538,501,720	315,364,827
Other non-current assets		173,572,384	143,984,578
Other current liabilities		(492,114,437)	(257,703,953)
Other non-current liabilities		(174,551,715)	(67,315,142)
NON-CURRENT ASSETS AND PROVISIONS		**4,938,241,095**	**3,757,764,251**
NON-CURRENT ASSETS	5.1	**2,993,400,029**	**3,320,607,770**
Non-current assets (Property, plant and equipment - Intangible Assets - Goodwill)		2,979,243,852	3,309,156,393
Other non-current financial assets		14,156,177	11,451,377
EQUITY INVESTMENTS	5.2	**2,094,172,553**	**1,036,398,281**
Equity investments		2,093,229,806	1,032,128,609
Investments at fair value through profit and loss		942,747	4,269,672
Available-for-sale investments		-	-
OPERATIONAL PROVISIONS	5.3	**(149,331,487)**	**(599,241,800)**
Provisions for employee benefits		(15,094,749)	(19,838,520)
Provisions for decommissioning and remediation of industrial sites		(64,252,411)	(442,276,829)
Provisions for other risks and charges		(69,984,327)	(137,126,451)
TAX ASSETS (LIABILITIES)	8.3	**85,757,652**	**181,072,736**
Non-current tax assets		24,618,681	24,225,989
Current-tax assets		18,174,539	118,912
Current taxes (payable)		-	(20,967,841)
Deferred-tax assets		84,644,941	251,168,076
(Deferred-tax liabilities)		(12,184,517)	(35,155,851)
Provisions for tax risks		(29,495,992)	(38,316,549)
NET INVESTED CAPITAL		**5,286,951,316**	**4,166,091,943**
Provisions for risks and charges for non Energy Activities	9	**(250,828,312)**	**(247,500,976)**
Assets (Liabilities) under disposal		**-**	**-**
TOTAL NET INVESTED CAPITAL		**5,036,123,004**	**3,918,590,967**
SHAREHOLDERS' EQUITY	6	**5,241,993,064**	**5,245,749,087**
NET FINANCIAL DEBT (AVAILABLE FUNDS)	7	**(205,870,060)**	**(1,327,158,120)**
Current financial assets (*) (-)		-	-
Current financial assets from subsidiaries and affiliated companies (-)		(389,965,661)	(1,313,501,231)
Non-current financial assets from subsidiaries and affiliated companies (-)		(574,337,970)	(385,539,242)
Cash and cash equivalents (-)		(45,031,340)	(166,057,840)
Long-term financial debt and other financial liabilities (non-current) (+)		270,782,609	212,951,606
Financial debt and other financial liabilities (current) (+)		114,263,322	65,652,824
Current financial liabilities to subsidiaries and affiliated companies (+)		418,418,980	259,335,763
TOTALE COVERAGE		**5,036,123,004**	**3,918,590,967**

* The reconciliation of the values that determined the first application of IFRS 9 and 15 is reported in chapter 1.1 "Principles of new application".

Notes to the separate financial statements at December 31, 2018

1. INTRODUCTION

Dear Shareholders,

We submit for your approval the separate financial statements of Edison Spa at December 31, 2018, which consist of an income statement, a statement of other components of comprehensive income, a balance sheet, a cash flow statement, a statement of changes in shareholders' equity and the accompanying notes. The financial statements were drawn up in accordance with the International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB), based on the text published in the Official Journal of the European Communities (OJEC).

The Board of Directors held on February 14, 2019 authorised the publication of these separate financial statements, which are audited 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 duration for 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 NEWLY APPLIED STANDARDS

The accounting principles and valuation criteria applied are consistent with those adopted for the preparation of the separate financial statements as at December 31, 2017, taking into account the amendments introduced by two international accounting standards applicable in 2018:

- **IFRS 15 "Revenue from contracts with customers"** is standard which introduces specific and more restrictive rules with respect to the previous IAS 18 "Revenue". In particular, while IAS 18 had separate criteria for the recognition of revenue for goods and services, this distinction was removed in IFRS 15. The new standard instead focuses on the identification of the "performance obligation" with which the relative revenue recognition criterion is related and has an accounting model based on five steps: (i) identification of the contract with the customer; (ii) identification of the contractual commitments to transfer goods and/or services to a customer (so-called performance obligation); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations identified; and (v) recognition of the revenue when the associated performance obligation is satisfied that is, at the completion of the transfer to the customer of the promised good or service. The transfer is considered completed when the customer obtains control of the good or service, which may take place at a specific time point (at a point in time) or continuously (over time).
  At the time of first-time application, the Company chose to apply the new standard retrospectively with a re-statement of the comparative financial statements from 2017, using the following exemptions: (i) revenue was not restated for completed contracts which began and ended in the same reporting period; (ii) for completed contracts that have variable consideration, the transaction price at the date on which the contract was completed was used, rather than estimating amounts of variable consideration for each comparative reporting period; (iii) for all periods presented before the date of first-time application, the amount of the transaction price allocated to remaining performance obligations was not restated.
  On transition, there are no impacts on shareholders' equity as at January 1, 2017, while "Sales revenues" and "Materials and services used" for 2017 saw a reduction of the same amount (1,142 million euros), with no impact on the EBITDA.

This change was caused by the application of the following rules:

a. the "**principal versus agent**" principal on the basis of which, for some specific contracts, the qualification of Edison as "agent" requires revenues to be presented at net values, highlighting only the gross operating income;

b. "**combination of contracts**" concerning the **identification of the performance obligation**. IFRS 15 establishes that a separate performance obligation may be (i) a "distinct" good or service or (ii) a series of distinct goods or services which are substantially the same and which have the same pattern of transfer to the customer. If the goods or services promised are not distinct, even if included in different contracts, an entity must combine those goods or services with other goods or services promised to represent a single distinct performance obligation. In this regard, for certain electricity sale and purchase transactions, par. 17 (c) of IFRS 15 was applied, proceeding with the combination of two or more contracts entered into in the same period of time with the same customer, and accounting for them as if they were a single contract.
The table below shows the effects referring to the year 2017:

Impacts of IFRS 15 (in millions of euros)	2017 full year	Principal vs agent	Combination of contracts	Total impact IFRS 15	2017 full year Restated
Hydrocarbons operations	4,220	-	-	-	4,220
Electric power operations	3,738	(301)	(841)	(1,142)	2,596
Corporate activities	24	-	-	-	24
Total Sales revenues	**7,982**	**(301)**	**(841)**	**(1,142)**	**6,840**
Hydrocarbons operations	(2,809)	-	-	-	(2,809)
Electric power operations	(4,714)	301	841	1,142	(3,572)
Corporate activities	(107)	-	-	-	(107)
Total Materials and Services used	**(7,630)**	**301**	**841**	**1,142**	**(6,488)**

(*) Includes the values arising from the merger of Edison Trading Spa before the application of IFRS 15.

- **IFRS 9 "Financial Instruments"**, which replaced IAS 39 effective for reporting periods starting on or after January 1, 2018, and (i) amended the classification and measurement model for financial assets basing it on the characteristics of the financial instrument and the business model adopted by the Company which, for the Edison Group, is the held-to-collect and sell model; (ii) introduced a new method of impairment of financial assets which takes account of expected losses (so-called expected credit losses); and (iii) modified hedge accounting provisions.
The provisions of IFRS 9 were applied on transition on a prospective basis, starting from January 1, 2018, without any restatement of comparative periods. For a description of the accounting standards applied during the comparative year, refer to the standards described in the Separate financial statements at December 31, 2017.
The adoption of IFRS 9 resulted in:

a. **adoption of the expected credit losses (ECL) model** (so called loss given default). In estimating the impairment of receivables, (i) official ratings were used when available or internal ratings already used in making decisions about granting credit to customers, to determine the probability of default of the counterparties; (ii) for retail customers, without specific internal ratings, a simplified cluster-based approach was implemented, breaking customers down on the basis of uniform risks; (iii) the recovery capacity in the case of counterparty default was also identified based on previous experiences and different recovery methods than can be employed; the additional loss provision (ECL) of 7 million euros at January 1, 2018 was recognised as an offsetting entry to the retained loss provision, net of the relative deferred tax impacts of 2 million euros.

b. **a new classification of financial assets**: in determining the classification of financial assets, the Group's business model and the characteristics of cash flows were taken into account. In particular, trade receivables were classified in the category "held for collection and sale" (so-called Held-to-collect and sell); the other receivables have been classified in the category of assets held for collection and minority shareholdings (recognised previously under available-for-sale investments 1 million euros) and trading investments (3 million euros) were reclassified to non-current investments measured at fair value through profit and loss (4 million euros) with no impact on the initial shareholders' equity;
c. **modifications with respect to hedge accounting**, the provisions laid out in the new IFRS 9 require changes compared to the previous IAS 39 applied until December 31, 2017 to the rules for managing hedge accounting, bringing the recognition approach closer to the rules used by the Group for risk management. Indeed, the new standard allows for the application of hedge accounting on a prospective basis starting on January 1, 2018 even for groups of items and individual components of non-financial items (i.e., breakdown of the price formula of a commodity), provided the risk component can be measured reliably. On transition, existing hedges were thus re-analysed in light of the new standard, and in certain cases, the existing hedging relationships were revised and extended consistent with risk management objectives. For hedges that were qualified as such pursuant to IAS 39 and continued to qualify as hedges under IFRS 9, there was no impact and they were treated as continuing hedges during the transition. However, if the existing hedging relationship ceased and a new hedging relationship was recognised to reflect risk management objectives, the new hedging relationship was applied only prospectively from the transition date, while any fair value previously recognised was maintained, pending the realisation of the positions, in the income statement or in the cash flow hedge reserve. Consistent with previous years, when a forward agreement is used in a hedging relationship, the Company designated the change in fair value of the entire forward agreement, including forward points, as a hedging instrument. When option agreements are used to hedge highly likely planned transactions, only when solely the intrinsic value of the options is designated as a hedging instrument, on the basis of IFRS 9, changes in the time value of the options relating to the hedged risk are recognised in other comprehensive income and accumulated in the hedging reserve in shareholders' equity. The amounts accumulated in shareholders' equity are either reclassified to profit (loss) for the period when the hedged element influences profit (loss) for the period or directly removed from shareholders' equity and included in the carrying amount of the non-financial item. IFRS 9 requires the accounting treatment of the undesignated time value of a hedging relationship to be applied retrospectively at the date of first-time application of IFRS 9. On the other hand, under IAS 39, changes in the fair value of the time value of the option (the undesignated portion) were immediately recognised in profit (loss) for the year.

As regards the effects recognised in the balance sheet following the application of the above-mentioned standard, the table below highlights the changes in the individual balance sheet items reflected in the financial statements, which resulted in a restatement at January 1, 2018 with respect to the values at December 31, 2017:

Impacts of IFRS 9 (in millions of euros)	12.31.2017	Changes	1.1.2018 Restated
Available-for-sale investments	1	(1)	-
Investments at fair value through profit and loss	-	4	4
Deferred-tax assets	249	2	251
Total changes in non-current assets		**5**	
Trade receivables	937	(6)	931
Current financial assets	4	(4)	-
Current financial assets from subsidiaries and affiliated companies	1,700	(1)	1,699
Total changes in current assets		**(11)**	
Total changes in assets		**(6)**	
Shareholders' equity	**5,250**	**(4)**	**5,246**
Derivative financial instruments and FVH - current	259	(1)	258
Total changes in current assets		**(2)**	
Total changes in liabilities		**(6)**	

The principles introduced by the new **IFRS 16 "Leases"**, published in the OJEC on November 9, 2017 and applicable as of January 1, 2019, will be applied on transition prospectively, starting from January 1, 2019, with an impact of first-time application **preliminary estimated at roughly 110 million euros**. In implementing the new standard that will enter into force in 2019, the relevant interpretations that will be issued by the IFRS Interpretations Committee (IFRIC) and accounting practices to be observed will be taken into account.
This standard will replace IAS 17 Leases in 2019, changing the method of accounting for operating leases taken out for lessees that rent/lease a specific asset. 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. During the transition, some practical measures were adopted as envisaged by IFRS 16 relating to contracts with a duration of less than twelve months and some contracts of modest value, which were excluded from this valuation,. The application of the new standard to the contracts identified will result in the initial recognition in the balance sheet (i) of an asset, which represents the right of use pursuant to IFRS 16 (equal to the present value of the mandatory minimum future lease payments that the lessee will have to pay starting from January 1, 2019, including accrued income) which will be amortised over the economic-technical life or residual duration of the contract, whichever is shorter, and (ii) of a financial liability equal to the present value of the mandatory minimum future lease payments that the lessee will have to pay starting from January 1, 2019, including accrued expenses not yet settled at the transition date. The payable will subsequently decline over time as the lease payments are made. In the 2019 income statement, the lease fee will no longer be recognised in EBITDA, which instead will show (i) the amortisation of the right of use and (ii) the financial expense on the recognised payable.

1.2 OTHER VALUATION CRITERIA APPLIED

Net working capital

Inventories

Inventories relating to so-called "industrial activities" are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realisable value, based on reference market conditions, whichever is lower. If present, they include environmental securities acquired for trading.

Trade receivables, Other assets, Trade payables, Other liabilities

They are qualifiable as financial instruments. They are initially recognised at fair value. Trade receivables without a significant financial component are initially recognised at the transaction price. The recoverability of receivables is evaluated on the basis of the Expected Credit Losses model set forth in IFRS 9; see previous section 1.1 “Newly applied standards”.
Operating grants are booked in full in the income statement when the conditions for recognition are satisfied; items that qualify as operating grants include agreed incentives for energy produced by plants using renewable sources, which are measured at fair value pursuant to IAS 20.
No revenue is recognised for exchanges between goods or services that are similar in nature and value as these are not representative of sale transactions.

As regards the prerequisites for the elimination of receivables and payables from the balance sheet, please refer to the comments below with reference to financial assets and liabilities.

Valuation of Long-term Take or pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the Group is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the Company is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities at the end of the reporting period for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries of natural gas, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The part of the payment that qualifies as an advance on future deliveries is initially recognised in “Other non-current assets” pursuant to IAS 38. The recognised amount is maintained based on the prior periodic verification that: i) over the residual duration of the contract, Company estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); ii) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). These recoverability assessments are also applied to quantities that, while scheduled for delivery, were still undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognised as a commitment.
Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognised in profit or loss as penalties when it is unable to take delivery of the gas. In estimating the estimated realizable value of the gas inventory, any contractual renegotiations on a three-year basis of the price of delivered natural gas may be considered as a price adjustment, if applicable.

Derivatives

Financial derivatives, including embedded derivatives, subject to separation from the main contract, are assets and liabilities measured at fair value.

As part of the risk management strategy and objectives, the following are required for transactions to be classified as hedges: (i) verification of the existence of an economic relationship between the hedged item and the hedging instrument such so as to offset the relative changes in value, and such offsetting capacity should not be negatively impacted by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives within the Group’s risk management strategy, carrying out the appropriate rebalancing actions when necessary. Amendments to risk management objectives, the elimination of the conditions specified previously for the qualification of transactions as hedges or the implementation of rebalancing operations result in the prospective total or partial discontinuation of the hedge.

Company applies hedge accounting extensively; in particular:

a. when derivatives hedge the risk of changes in the fair value of the hedged instruments (Fair Value Hedge), the derivatives are recognised at fair value through profit or loss. The carrying amount of the hedged items is adjusted accordingly to reflect changes in fair value associated with the hedged risk in the income statement.
b. when derivatives hedge against the risk of changes in cash flows of the hedged instruments (Cash Flow Hedge), changes in the fair value of derivatives deemed effective are initially recognised in the shareholders' equity reserve and in other comprehensive income and, subsequently, allocated to the income statement consistent with the economic effects of the hedged transaction.

Please note that the economic effects of transactions for the purchase or sale of commodities entered into to meet company needs in the ordinary course of business and which are expected to be settled with the physical delivery of the goods, are recognised on an accrual basis ("own use exemption").

The fair value of financial instruments listed in an active market is based on market prices at the reporting date. The fair value of instruments that are not listed in an active market is defined using specific measurement techniques.

Fixed assets

Property, plant and equipment

In the financial statements, these assets are valued at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.
After acquisition, **property, plant and equipment** are recognised using the cost model.
Costs incurred for periodic maintenance, particularly in the thermoelectric sector (major and/or revamping) are charged to the relevant assets and they are amortised over the specific residual possible use of those assets.
The estimated realizable value that the Company expects to recover at the end of an asset's useful life is not depreciated. Non-current assets are depreciated every year on a straight-line basis, according to economic-technical rates calculated based on the residual possible use of assets.
The table that follows shows the ranges of the depreciation rates applied:

	Electric power operations		Hydrocarbons operations		Corporate activities	
	minimum	maximum	minimum	maximum	minimum	maximum
Buildings	1%	15%	3%	8%	3%	5%
Plant and machinery	1%	6%	3%	44%	4%	14%
Industrial and commercial equipment	3%	6%	10%	37%	3%	3%
Other assets	0%	10%	3%	28%	1%	20%
Investment property	-	-	-	-	1%	1%

The depreciation of the portion of assets that is transferable free of charge is taken on a straight-line basis over the remaining term of the respective contracts (taking into account any renewals/extensions) or their estimated useful lives, whichever is shorter.
Upon first-time adoption of the IFRS principles, the Group used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognised.

As from January 1, 2009, the financial expense directly related to the purchase, construction or production of an asset having a significant life is capitalized if the investment exceeds a pre-defined size threshold; please note that, until December 31, 2008, the financial expense was not capitalized.

Intangible assets and Goodwill

Intangible assets are recognised in financial statements at their purchase price. After acquisition, they are recognised using the cost model and are amortised on a straight-line basis over their estimated useful life. The intangible assets recognised have a definite useful life.
Goodwill is not subject to systematic amortisation, but is tested for impairment at least once a year. Any writedowns cannot be reversed in subsequent periods.

Hydrocarbons sector assets

A significant portion of the hydrocarbons sector assets are amortized according to the **unit of production (UOP) method**. In this approach, the amortization rate is determined comparing the quantity extracted during the year with the estimated quantity of extractable reserves outstanding at the beginning of the year; the value of opening reserves is based on the best latest estimates available at the end of every period.
Indeed, with the UOP method plants appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures are recognised in the balance sheet assets as well as the concessions themselves.

Environmental securities

The Company secures a supply primarily of low carbon emissions rights to meet its own requirements in the exercise of its industrial activities.
Specifically, "Intangible assets" can include emissions rights, which are recognised at the cost incurred to acquire them, provided that the rights carried by the Company at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year. Emissions rights allocated free of charge and utilized for compliance purposes are recognised at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognised to account for the difference. Any emissions rights that are surrendered each year, based on the volume of polluting gas emissions released into the atmosphere each calendar year or the production generated, will be derecognised (compliance) using a special reserves for risks set aside in the previous year.
The costs attributable to the year are recorded under "Raw materials and services used" (this item also includes any costs referred to plants disposed of in the transferor's accounting period). In the course of the year, expected costs are calculated by valuing at market price the difference between emissions for the period and the rights held; if there are derivative hedging instruments correlated with the acquisition of rights (typically futures with physical delivery at year end), the relative fair value is recognised as an adjustment of the estimated cost.

Equity investments in subsidiaries, joint ventures and affiliates

Subsidiaries are companies in which Edison has the power to make strategic decisions independently, in order to receive the corresponding advantages. As a rule, control is assumed when the company directly or indirectly holds over a half of the voting rights that can be exercised within the ordinary Shareholders' Meeting, also considering potential votes, i.e. voting rights linked to convertible instruments.

Other equity investments comprise joint ventures that do not qualify as joint operations and affiliates on which Edison has a significant influence in determining the company's strategic choices, while it does not control it, also considering potential votes, i.e. voting rights linked to convertible instruments; significant influence is assumed when Edison directly or indirectly holds over 20% of the voting rights that can be exercised within the ordinary Shareholders' Meeting.
Equity investments in subsidiaries, joint ventures and affiliated companies are valued at acquisition cost, permanently written down to reflect any distributions of share capital or equity reserves or any impairment losses detected as a result of an impairment test. If the reasons that justified the write-down cease to apply in subsequent years, the original cost can be reinstated. The restoration of value cannot exceed the original cost. In the event that the loss attributable to Edison Spa exceeds the book value of the investment and the participant is obliged to fulfill legal or implicit obligations of the investee company or in any case to cover its losses, any surplus from the carrying amount is recognized in a specific provision for liabilities in the context of provisions for risks and charges.

Provisions for risks and employee benefits

Employee benefits

The Company provides its employees with short-term benefits (only for example, holidays, production bonus, flexible benefits correlated with welfare services and benefits); the relative costs are recognised in the period in which the Company receives the service from the employee.
With reference to employee severance indemnities specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental pension funds or INPS funds). Following the entry into force of that Law and as a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future. Thus, the Company considers the portion accrued prior to that reform as a "defined benefit plan", while the portion accrued subsequently is a "defined contribution plan".

Provisions for risks and charges

Provisions for risks and charges are recognised against obligations existing at the reporting date and are valued on the basis of the best estimate of the expense required to fulfil such obligations. The estimates are reviewed at each reporting date and adjusted when necessary. For details, please refer to the following section: "Use of estimated values above".

Shareholders' equity, financial debt and cost of debt

Dividends are recognised when the shareholders' right to collect them arises, usually in the year when the Shareholders' Meeting of the investee resolving on the distribution of profits or reserves takes place.
Financial assets are initially recognised at fair value. Subsequent to initial recognition, financial assets that generate contractual cash flows representative solely of payments of principal and interest are measured at amortised cost.
The recoverability of financial assets not at fair value through profit or loss is evaluated based on the Expected Credit Losses model set forth in IFRS 9; see section 1.1 "Newly applied standards".
Financial liabilities other than derivatives are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs and are subsequently measured at amortised cost.

Financial income and expense are recognised on an accrual basis.

Elimination of financial assets and liabilities

Financial assets are derecognised when the right to receive the related cash flows is extinguished and all of the risks and benefits related to the ownership of the assets have been substantially transferred (so-called derecognition) or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.
The financial liabilities are removed from the balance sheet when the specific contractual obligation is redeemed. Also the amendment of existing contractual terms is understood as redemption, if the new terms change the original understandings significantly and however when the current value of cash flows generating from the revised agreements differs by over 10% from the value of discounted cash flows of the original liability.
Financial assets and liabilities are offset in the balance sheet when there is a current legally enforceable right to offset and the Company intends to settle on a net basis (or to realise the asset and simultaneously extinguish the liability).

Translation of Items Denominated in Foreign Currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the reporting period, cash assets and liabilities are translated at the exchange rate in force on the balance sheet date. Any resulting foreign exchange translation differences are recognised in the income statement. Non-cash assets and liabilities denominated in foreign currencies and measured at cost are translated at the exchange rate in force on the transaction date.

Taxation

Current tax liabilities and assets are measured at the value expected to be paid to tax authorities, calculated by applying the tax rates in force or essentially in force at the reporting date.
Deferred tax assets are recognised only to the extent that their future recovery is probable. In valuing deferred tax assets, the timeframe of the business planning period for which approved company plans are available is taken into account.
The deferred tax liability on retained earnings of Group companies is recognised only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled when a consolidated tax return is filed.
Tax treatments for which there is uncertainty regarding application are valued separately or together with other situations of tax uncertainty, depending on the approach that best represents its resolution. The Company accounts for uncertain tax treatment based on the probability that the tax authority will accept this treatment. Uncertain tax treatments can be estimated using one of the two methods that best represents the uncertain tax treatment: i) the most probable amount; ii) the expected value. Also see following point "Use of estimated values above".

Use of estimated values

The preparation of the financial statements 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.

The use of estimates is particularly significant for the following items:

- 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"). First and foremost, the impairment testing process calls for testing the sustainability of the value of the individual assets broken down

into Cash Generating Units (CGUs) and, subsequently, a test on goodwill with reference to the aggregates of the CGUs and as an evaluation of the Company overall due to the presence of unallocated general costs, which cannot be objectively allocated to the above-mentioned CGUs (second level impairment testing).
The CGUs, which have been identified in a way that is consistent with the Company's organizational and business structure, are assets that generate cash inflows independently, through their continued use and have a two-fold dimension related, on one hand, to the source of production and relative technology and, on the other, the current outlet market.
At each reporting date, the Company verifies whether there is any indication that an asset may have suffered a loss in value (impairment indicator), with the exception of goodwill, which is annually subjected to mandatory impairment testing.
IAS 36 defines the recoverable amount as the higher of the fair value of an asset or cash generating unit, less costs to sell, and its value in use. Thus, the recoverability of the value of fixed assets is verified by comparing the carrying amount recorded in financial statements with the relative recoverable value, after deducting from both the values of any risk provision recognised for costs to decommission and remediate sites.
The recoverable amount is calculated in compliance with the criteria laid out in IAS 36 and is determined as the value in use through the discounting of cash flows expected from the use of the asset or from an aggregation of assets (so called CGU) as well as the amount expected from its disposal at the end of its useful life. The recoverability of the value of the fixed assets is therefore verified by comparing the carrying amount recorded in the financial statements with the relative recoverable value, after deduction from both the values of the risk reserve recorded for site dismantling and restoration costs. This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discounting rates.
Future cash flows are based on the most recent economic-financial plans developed by the management with reference to the functioning of productive assets (production, operating and capital expenses, useful life of the assets), the market environment (sales, prices of reference commodities, margins) and the evolution of the regulatory and legislative framework.
In particular, in developing future cash flows, reference was made to information reflecting Top Management best estimates with reference to Company's operations, namely:

- the 2019 budget approved by the Board of Directors on December 7, 2018;
- the 2020-2022 Medium-Term Plan presented to the Board;
- the long-term plan drawn up by senior management.

When the valuation entails estimates beyond the forecast period included in the economic-financial plans developed every year by the management, projections based on conservative growth assumptions are used.
The valuation of assets entailed an estimation of cash flows until the end of the useful life of the fixed assets including, if present, a residual value when activities are completed.
Specifically, to determine the recoverable amount of goodwill, a terminal value was calculated that is consistent with the long-term plan based on business continuity assumptions. These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 14, 2019.

With reference to the businesses in which the Company operates, the factors with the greatest importance in estimating future cash flows are:

- for power activities: single national price ("PUN") and spark spread scenarios, the evolution of Italian sector regulations on producer governance and incentives (e.g., capacity payment) and national demand trends;
- for hydrocarbons activities: oil commodity, natural gas and EUR/USD exchange rate scenarios;
- for goodwill: the future growth rate necessary to determine the terminal value.

The discount rates applied were estimated by determining the weighted average cost of capital (WACC), taking into consideration the specific risks of the Company's business, and are based on data observable in the financial markets.
The Company relies on an independent expert to determine the recoverable amount (i.e., value in use) and, through statistical simulation techniques (Montecarlo method), weights the cash flows linked to variables with the greatest risk of volatility (capacity payment remuneration rates, parameters of discount rates and growth rates, the level of non-discretional investments to maintain normal business operating conditions).
For details on the results of the impairment test conducted this year, please refer to the "Impairment test pursuant to IAS 36 on the value of goodwill, property, plant and equipment and intangible assets" section (note 5.1.5).

- the determination of some provisions for risks and charges, in particular the:
  - **provisions for decommissioning and remediation of industrial sites:** the valuation of future liabilities connected to industrial site decommissioning and remediation obligations is a complex process based on technical and financial assumptions of the management supported, when necessary, by independent appraisers. These liabilities reflect estimated dismantling, removal and clean-up costs that the Company will need to incur when production and operating activities at a production site are completed, to restore environmental conditions in compliance with local regulations as well as specific contractual arrangements.
    The initial estimate of remediation costs, after deducting income that it is estimated could derive from the resale of recoverable parts, takes into consideration the value of inflation estimated until the expected site decommissioning date and is then discounted on the basis of a risk-free rate. The estimate is based on the principle of prudence in light of the market, legislative and technological conditions known at the moment of the valuation. This value is capitalised with that of the asset to which it refers and is subject to depreciation; the relative provision for decommissioning is recognised as an offsetting entry which, taking into account the expected time horizon, is then adjusted from time to time by recognising the effect of discounting under financial expense.
    At each reporting date, the estimates are revised so as to verify that the amounts recognised are the best expression of the costs that will likely be incurred by the company and, if there are significant changes, the amounts are adjusted. The main factors triggering a revision of cost estimates are the revision of the useful life of the site, market scenarios, the evolution of environmental technologies and regulations and inflation and discounting rate trends.
  - **provisions for legal and tax disputes**, within which the types that require greater recourse to estimates and assumptions by the management are the **provisions relating essentially to environmental disputes** connected to legal and arbitration proceedings of various types in which Edison Spa, as the universal successor of Montedison Spa, which it absorbed, is involved. Specifically as regards the provisions recognised in relation to disputes deriving from events dating back some time, connected to the management of chemical production sites formerly owned by the Montedison Group - which were subject to a large-scale decommissioning process between the 1990s and the first decade of the new century, resulting in the conversion of the Edison group's activities in the energy sector - the current levels of the provisions have been determined as the residual amount of the amount recognised initially with reference to the specific dispute, considering the complexity and differentiation of the reference legal matters, as well as the uncertainties in terms of the merit and the time horizons for the evolution of the various proceedings and, therefore, their outcomes. For the purposes indicated in section 1.3 "Presentation formats of the financial statements adopted by the Company", since the economic and financial impact associated with the aforementioned disputes is not part of the Company's ordinary business, it is separated in the summary schedules and identified as non-energy activities.

The quantification and updating of these provisions are subject to a periodic review process which takes the above into account. Likewise and in general, this periodic review also regards the quantification and updating of the other provisions for risks relating to legal and arbitration 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. These revenues include turnover on the basis of the periodic reading of consumption for the year and the estimate for the supply of commodities provided but not yet invoiced at the reference date.
  This estimate is calculated in a differentiated manner depending on the commodity and on the basis of the segment of customers receiving the supply, according to the following factors:
  1) volumes distributed (based on communications coming from third parties: transporters and distributors);
  2) historical consumption of the customer;
  3) pipeline leaks and adjustments to reflect weather conditions or other factors that could impact the consumption estimate.

  Specifically, the first factor is subject to potential invoicing settlements up to the fifth subsequent year as laid out in reference legislation; in particular, the estimate impacts revenues from natural gas sales. Historical consumption, on the other hand, is most significant in determining the revenues from electricity sales to residential customers. Please also note that at each reporting date, revenues from the sale of natural gas and electricity from residential and other customers include the estimate referring to the last two months of consumption.

1.3 STATEMENTS ADOPTED BY THE COMPANY

The main presentation formats utilised have the following characteristics:

- the **Income Statement** is scalar, with the single items analysed by nature, and comprises the Statement of Comprehensive Income, which shows the result components outstanding in the shareholders' equity;
- in the **Balance Sheet**, assets and liabilities are analysed by maturity. Current and non-current items, which are due within or after 12 months after the balance sheet date, respectively, are shown separately;
- the **Cash Flow Statement** is prepared reporting the cash flows in accordance with the "indirect method", as permitted by IAS 7;
- the **Statement of Changes in Shareholders' Equity** shows the flows concerning the components of the reserve for other components of comprehensive income separately.

Effective Communication

Based on the numerous projects that IASB is developing, starting this year Edison introduced a new presentation method that will make its financial reporting more effective and more in line with the expectations of its Stakeholders, also taking into account the relevance of the information provided. With this in mind, the notes to the financial statements were revised and aggregated by uniform topics, broken down into chapters (no longer with details by individual income statement and balance sheet item); there is also a chapter dedicated to the values and events relating to the activities under the responsibility of Edison as universal successor of Montedison (chapter 9 "Non-energy Activities") and which are unrelated to the Company's current business.
Consequently, the summary tables have also been revised and supplemented, the 2017 figures were restated accordingly, and the reclassified consolidated balance sheet was introduced to allow for a more rapid reconciliation with the information provided in the following chapters.
In detail, the main changes introduced regard:

Income Statement:

- Depreciation, amortisation and write-downs highlighted separately;
- Other income (expense) from non-energy activities highlighted;
- details of Financial (expense) income expanded.

Balance Sheet:

- details of Other Assets and Liabilities and financial assets with controlled companies, expanded to highlight, inter alia, the fair value of derivatives and of the hedged element in the Fair Value Hedge hedging relationship;
- aggregation of the items concessions/other intangible assets in the item intangible assets;
- details of provisions for risks expanded to show, inter alia, Provisions for risks for non-energy activity disputes.

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.

In particular, Edison Spa:
- provides Group companies with business support and operating activity support services, such as administrative, legal, procurement, personnel management, information technology and communication services, as well as risk management, through the management of financial derivatives relating to energy commodities, in order to optimise the available resources and make efficient use of existing know-how, providing subsidiaries with use of spaces for offices and for operating areas, as well as services relating to their use. These services are governed by the appropriate intercompany service agreements;

- in the electric power segment, it 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 it E2i Energie Speciali Srl) and the Fenice Group.

2.2 KEY EVENTS

To complement the more fully commented on in the Report on Operations with reference to the events that characterized 2018, the main transactions and their effects on the 2018 financial statements are referred to below.

Edison Spa completes the acquisition of Gas Natural Vendita Italia

On February 22, 2018, Edison Spa acquired Gas Natural Vendita Italia (GNVI), which was renamed Edison Energie Spa. The price for the acquisition of the company, including accrued interest, was around 196 million euros and was recognised under equity investments. In April, Gas Natural Fenosa transferred the gas procurement agreement relating to the Azerbaijan Shah Deniz II field to Edison. Edison’s takeover of the contract required an outlay of 10 million euros -booked in the intangibles assets- and also requires Edison to pay a further 20 million euros when the supply is activated. This amount was recorded under commitments. The long-term supply agreement has a duration of 20 years and is for an annual gas purchase volume of 1 billion scm.

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

On February 21, 2018, Edison Spa and Idinvest Partners, one of the leading Pan-European private equity firms, signed a Partnership Agreement. This investment of around 3 million euros was recognised under financial assets.

Edison Spa launches the first district heating crowdfunding project

On November 21, 2018, Edison promoted Crowd for Barge: an innovative citizen participation and engagement project to share together with local communities the benefits of the creation of the district heating system currently being installed in this municipality in the province of Cuneo.

Edison launches the first small-scale LNG integrated logistics chain in Italy which will make heavy land and maritime transport sustainable and the relative agreement with Knutsen for the construction of a ship that will transport the LNG to the depots.

On November 30, 2018, Edison launched the first small-scale LNG integrated logistics chain in Italy (small-scale liquefied natural gas plants) with a sustainable mobility development plan in the transport sector, both on land and sea. Edison established, together with PIR (Petrolifera Italo Rumena), the new company Depositi Italiani GNL (51% PIR, 49% Edison) that will construct the depot at the port of Ravenna for an investment of 100 million euros.
At the same time, Edison entered into a long-term 12-year contract (renewable for a further 8) with Norwegian ship owner Knutsen OAS Shipping for the charter of a 30,000 cubic-metre LNG vessel for gas procurement. The vessel will be built by Hyundai Heavy Industries in the Mipo shipyard in South Korea and will be delivered in the first half of 2021. A total of 77 million euros, equal to the value of the term of the agreement, was recognised under commitments.

2.3 SPIN-OFF OF THE E&P (HYDROCARBONS EXPLORATION & PRODUCTION) BUSINESS UNIT

The governance bodies of Edison Spa and Edison Exploration & Production Spa (Edison E&P Spa) approved, as of July 1, 2018, the spin-off of the business unit consisting of Edison Spa's E&P Division activities to the new company Edison E&P Spa, wholly owned by Edison Spa (the "E&P Spin-Off").
Edison E&P Spa thus became the main corporate vehicle within which the Edison Group's Oil & Gas Exploration & Production activities are concentrated, and which manages all E&P activities, mineral leases and corporate shareholdings in the Hydrocarbons Operations segment in Italy and abroad for the Edison Group.
In particular, Edison E&P has been transferred the equity investments relating to Edison Idrocarburi Sicilia Srl and the Italian and international joint ventures of Edison Spa, Edison International Spa and the relative branches and international joint ventures Edison Norge, Edison E&P UK Ltd and Euroil Exploration Ltd, therefore becoming a sub-holding company responsible for the corporate shareholdings in the Hydrocarbons Operations sector, coordinating the relative activities in compliance with the autonomous powers of the relative governance bodies.

Within the Edison Group's overall organisation, the E&P Division continues to act with the same operating methods, without prejudice to the forms and methods for the management of contractual transactions and intercompany services connected to the new corporate dimension.

Furthermore, in the first half of 2018, to complete the spin-off of the equity investments to Edison Exploration & Production Spa, Edison Spa carried out the following transactions:

- Capital contribution of 850 million euros to the subsidiary Edison International Spa, through the partial conversion of the loan granted to the company; this transaction was approved by the Edison Spa Board of Directors at its meeting held on May 24, 2018.
- Capital increase of 119 million euros of the subsidiary Edison International Holding NV, the company that holds equity investments in Edison E&P UK Ltd, the company that manages, as a non-operator, production activities in the English fields of Tors & Wenlock (gas) and Scott & Telford (oil, gas and liquids) and Euroil Exploration Ltd, which carries out exploration activities in England, in particular in the Glengorm and Isabella concessions.

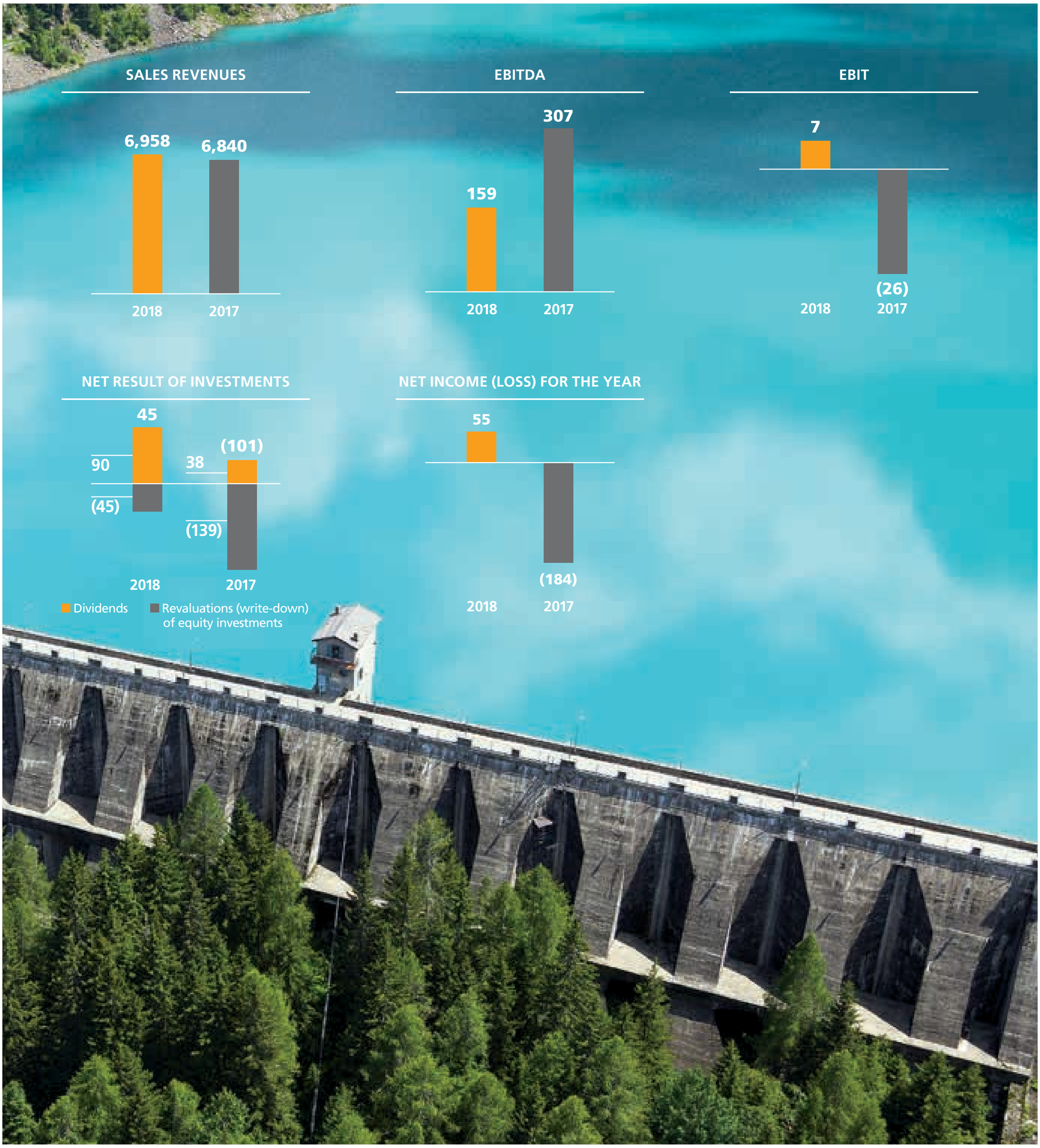
2.3.1 Spin-off and subsequent transfer

The spin-off and subsequent transfer of the business unit is a "business combination of entities under common control", as Edison Spa continued to consolidate the assets transferred to Edison E&P Spa pursuant to IFRS 10 - Consolidated Financial Statements.
Business combinations of entities under common control are explicitly excluded from the scope of application of accounting standard IFRS 3 "Business Combinations" and are not currently dealt with in any international accounting standard or interpretation.
In lack of a dedicated accounting standard, IAS 8 clarifies that the Company shall use its own judgement in developing and applying an accounting policy, in order to provide information that (i) is relevant for the purposes of the financial decisions of users, (ii) is reliable so that the financial statements provide a fair view of the equity and financial situation, profits and losses and cash flows of the Company, (iii) reflects the economic substance of the transaction and (iv) is prudent and (v) is comprehensive with reference to all relevant aspects. In exercising its judgement, Edison Spa referred to and considered the following sources: (i) IFRS provisions dealing with similar and related cases and (ii) definitions, recognition criteria and valuation concepts for accounting assets, liabilities, revenues and costs as per the IFRS Systematic Framework.
Note that on these kinds of transactions in Italy, ASSIREVI published the document OPI 1 (revised October 2016), containing a proposal for the accounting treatment applicable in the annual financial statements to this type of transaction which is aligned with the principles set forth in IAS 8 noted above. In particular, ASSIREVI proposes that for transactions without a significant influence on the future cash flows of the net assets transferred, the principle of the continuity of values should be followed, based on which the assets and liabilities of the business transferred are recognised in the financial statements of the transferee at the carrying amounts set forth in the financial statements of the transferor.
Edison Spa has applied this principle as in this case the spin-off of net assets to the company Edison E&P Spa, which is wholly owned by your company, was a mere business reorganisation with no significant influence on the future cash flows of the net assets transferred and, therefore, the net assets were transferred with continuity of carrying amounts.
Considering the significance of the spin-off and so as to allow for better comparability of the data provided below, the following statements highlight the asset values transferred on July 1, 2018 to Edison E&P Spa and the "operating" income statement result which contributed to the profit in the first six months of the year 2018 (compared with the full year 2017). Although this transaction modified financial debt, it did not entail significant cash flows.

Income statement (in millions of euros)	First half 2018	2017 full year
Sales revenues	77	145
Other revenues and income	8	29
Total revenues	**85**	**174**
Raw materials and services used (-)	(45)	(110)
Labor costs (-)	(11)	(23)
EBITDA	**29**	**41**
Depreciation and amortisation (-)	(12)	(42)
(Write-downs) reversal on non-current assets	-	(40)
EBIT	**17**	**(41)**
Other net financial income (expense)	(8)	(16)
Profit (Loss) before taxes	**9**	**(57)**
Taxes	(5)	(2)
Net income (loss) for the year	**4**	**(59)**

Balance Sheet (in millions of euros)	07/01/2018	12/31/2017	Change
Non-current assets	246	244	2
Intangible assets	1	1	-
Hydrocarbon concessions	15	16	(1)
Equity investment in Edison International Spa	924	104	820
Equity investment in Edison Idrocarburi Sicilia	12	12	-
Prepaid taxes	137	140	(3)
Other receivables	4	4	-
Non-current assets	**1,339**	**521**	**818**
Inventories	21	21	-
Trade receivables	54	67	(13)
Other receivables	5	5	-
Current assets	**80**	**93**	**(13)**
Total assets	**1,419**	**614**	**805**
Shareholders' equity	**862**	**98**	**764**
Provision for employee severance indemnities and provisions for pensions	3	3	-
Non-current financial debt	60	-	60
Provisions for operational risks and charges	416	410	6
Non-current liabilities	**479**	**413**	**66**
Trade payables	58	97	(39)
Current financial debt	10	-	10
Other payables	10	6	4
Current liabilities	**78**	**103**	**(25)**
Total liabilities	**1,419**	**614**	**805**

2.4 ECONOMIC PERFORMANCE OF OPERATIONS



2.4.1 Sales revenues

Sales revenues stood at 6,958 million euros, up 1.7% on 2017 (6,840 million euros restated), offset by an even more significant increase in costs for **materials and services used**, addressed below. This increase, which on a like-for-like basis (not considering the spin-off of the E&P branch) is even more considerable (+3.1%), is attributable to the effect of the energy scenario, which experienced a significant uptick since 2017 for all of the main commodities, which overall more than offset the reduction in volumes, which was particularly notable in the Wholesales - Power segment.

(in millions of euros)	2018 full year	2017 full year (*) restated	Change	% Change	2017 full year
Natural gas	4,587	3,935	652	16.6%	3,935
Electric power	2,210	2,527	(317)	(12.5%)	3,669
Oil	36	71	(35)	(49.3%)	71
Steam	42	38	4	10.5%	38
Environmental securities (Green, white certificates)	5	4	1	25.0%	4
Other	36	11	25	n.m.	11
Total sales	**6,916**	**6,586**	**330**	**5.0%**	**7,728**
Realised commodity derivatives	8	220	(212)	n.m.	220
Sundry service revenues	34	32	2	6.3%	32
Margin on physical trading activities	(2)	(9)	7	n.m.	(9)
Margin on financial trading activities	2	11	(9)	n.m.	11
Total sales revenues	**6,958**	**6,840**	**118**	**1.7%**	**7,982**

(*) “Sales revenues” and “Materials and services used” for 2017 were restated due to the application of IFRS 15 “Revenue from contracts with customers”, with no impacts on the EBITDA.

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

2.4.2 Materials and services used

(in millions of euros)	2018 full year	2017 full year (*) restated	Change	% Change	2017 full year
- Natural gas	4,587	3,763	824	21.9%	3,763
- Electric power	1,229	1,400	(171)	(12.2%)	2,542
- Utilities and other materials	20	29	(9)	(31.0%)	29
- Green certificates	42	40	2	5.0%	40
- Demineralized industrial water	2	1	1	100,0%	1
Total	**5,880**	**5,233**	**647**	**12.4%**	**6,375**
- Transmission of natural gas	644	648	(4)	(0.6%)	648
- Realised commodity derivatives	(161)	113	(274)	n.m.	113
- Regasification fee	115	115	-	n.m.	115
- Facilities maintenance	51	76	(25)	(32.9%)	76
- Professional services	57	55	2	3,6%	55
- Insurance services	11	13	(2)	(15.4%)	13
- Change in inventories	(33)	(12)	(21)	n.m.	(12)
- Accruals to provisions for risks	17	30	(13)	(43.3%)	30
- Cost of leased assets	70	66	4	6,1%	66
- Indirect taxes and fees	28	13	15	n.m.	13
- Sundry items	60	138	(78)	(56.5%)	138
Total materials and services used	**6,739**	**6,488**	**251**	**3.9%**	**7,630**

(*) "Sales revenues" and "Materials and services used" for 2017 were restated due to the application of IFRS 15 "Revenue from contracts with customers", with no impacts on the EBITDA.

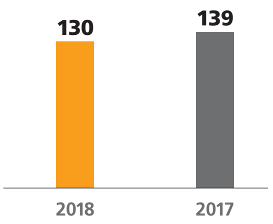
As mentioned in the revenues section, also as regards materials used trends were strongly influenced by the performance of the underlying energy scenario which, also in the case of the acquisition of raw materials, increased the average unit cost of the main commodities by impacting the main price formulas pegged to the single national price, Brent or VTP. Overall, this price effect offset the effect of lower volumes acquired, particularly notable especially with reference to electricity purchases (mirroring the reduction in revenues), confirming a general reduction in volumes purchased and sold in the wholesale segment.

2.4.3 Other revenues and income

(in millions of euros)	2018 full year	2017 full year	Change	% Change
Recovery of costs from partners in hydrocarbon exploration projects	3	7	(4)	(57.1%)
Reversals of provisions for risks and sundry provisions	12	7	5	71.4%
Insurance indemnities	6	11	(5)	n.m.
Contractual indemnities	6	19	(13)	n.m.
Recovery of costs, out-of-period income and sundry items	39	61	(22)	(36.1%)
Total other revenues and income	**66**	**105**	**(39)**	**(37.1%)**

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 year.
The item **recovery of costs, out-of-period income and sundry items** includes out-of-period income earned from invoicing settlements relating to previous years for hydrocarbons as well as electricity, insurance and contractual indemnities, and lastly recoveries of insurance and personnel leasing costs.

LABOUR COST (M€)



2.4.4 Labour costs

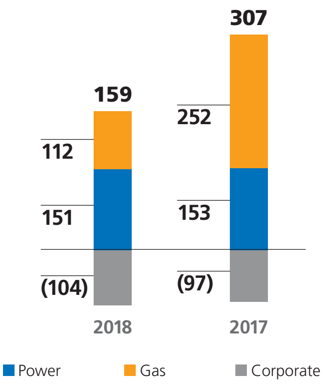
The labour cost came to 130 million euros, down compared to the previous year due to the spin-off of assets and resources subject to the E&P transfer transaction to Edison E&P Spa on July 1, 2018.

For the same reasons, the final headcount at December 31, 2018 declined by 177, as shown based on category in the table below.

(number of employees)	Start of the year	Incoming	Outgoing	Outgoing - E&P transfer	Changes of classification	End of the year	Average number 2018	Average number 2017	% Change
Managers	128	2	(8)	(15)	9	**116**	**122**	130	(6.2%)
Office staff and Middle managers	1,181	88	(66)	(156)	(7)	**1,040**	**1,110**	1,175	(5.5%)
Production staff	161	11	(16)	(17)	(2)	**137**	**148**	165	(10.5%)
Total	**1,470**	**101**	**(90)**	**(188)**	**-**	**1,293**	**1,380**	**1,470**	**(6.1%)**

Net of the change in scope - quantifiable at the spin-off date of 188 staff members and roughly 11 million in labour costs - the labour cost rose by +2.6% in line with inflation and salary trends, as well as the headcount, which had a net balance of +11 at the end of the year.

EBITDA (M€)



2.4.5 EBITDA

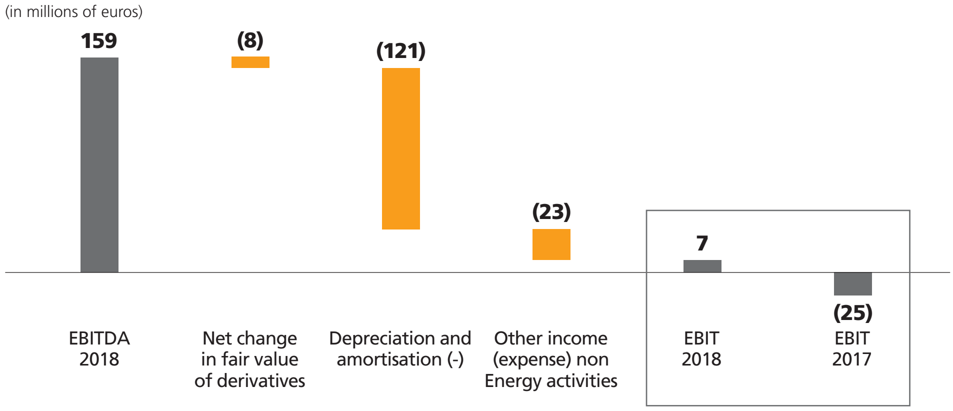
The result of the above was a positive **EBITDA** of 159 million euros, down with respect to 2017 (307 million euros). In detail:

- in the **hydrocarbons segment**, EBITDA for 2018 amounted to 112 million euros, marking a significant decline of 140 million euros which relates in part to the contribution of E&P activities transferred on July 1, 2018 for only six months, and in large part attributable to natural gas buying and selling activities. Indeed, this segment suffered from a downturn in unit margins caused by market scenario trends and in particular the indicators present in sale price and procurement cost indexing formulas (primarily VTP, TTF and Brent);
- in the **electric power segment**, EBITDA for 2018 totalled 151 million euros, at the same level as in 2017 thanks to improved availability of water resources as well as the results of the thermoelectric segment in which better margins on the spot and wholesale market as well as on ancillary services made it possible to offset the Candela plant's loss of incentives;
- in the **corporate segment**, which incorporated the central and cross-company management activities, i.e. not directly connected to specific business, the EBITDA was a negative 104 million euros in 2018 (-97 million euros in 2017), influenced by the effect of lease instalments on the Foro Buonaparte properties, sold in November 2017.

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. "Operating" EBITDA of the individual segments is not verified by the Independent Auditors.

2.4.6 EBIT

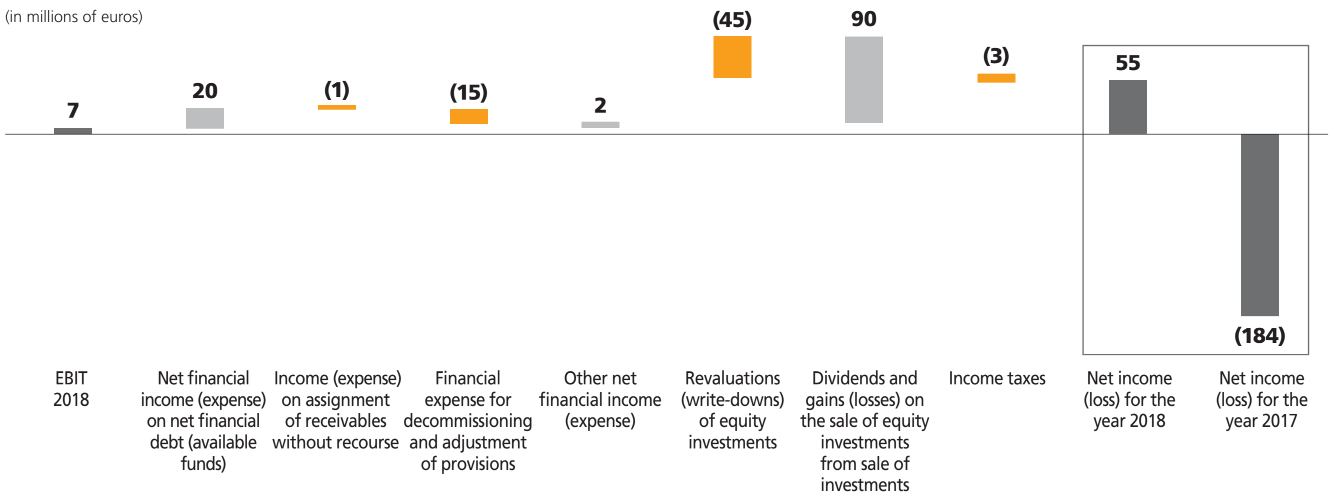


EBIT is positive for 7 million euros (negative for 25 million euros in 2017) and includes:

- 8 million euros being the negative impact connected with the **net change in fair value of derivatives on commodities and exchanges** (negative for 202 million euros in 2017 pro-forma) thanks to the entry into force of the new IFRS 9 standard and the maturity of the transactions that had generated volatility in previous exercises (for more information, see chapter 4 "Market risk management");
- 121 million euros totally, for **depreciation, amortisation and writedowns** (230 million euros in 2017) of which € 153 million for amortization and € 77 million for writedowns); in particular depreciation and amortization are down compared to 2017, mainly due to the spin-off of E & P activities (for more information, see chapter 5 "Net Invested Capital and provisions");
- 23 million euros for **other net non-energy income (expenses)** (32 million euros other net expenses in 2017) 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 Actvities");
- To be mentioned that, in 2017, there was a positive net effect of 132 million euro related to the sale of the Foro Buonaparte buildings.

2.4.7 Net income (loss) for the year

The **net profit for the year** of Edison Spa as at December 31, 2018 came to 55 million euros, compared with a loss of 184 million euros in 2017. Aside from the industrial margin trends discussed above, financial items and the results from equity investment management positively affected performance.



In detail, the main items refer to:

- roughly 20 million euros for **net financial income** relating to the financial position (24 million euros in 2017), which benefits from a lower level of average financial debt (for more information, see chapter 7);
- around 1 million euros in expenses (3 million euros in 2017) relating to costs for the assignment of receivables without recourse to factoring companies (further details provided in chapter 3);
- roughly 15 million euros in expenses (22 million euros in 2017) for the adjustment of decommissioning provisions and the discounting of provisions for risks (further details provided in chapter 5);
- around 2 million euros for other net financial income (15 million euros in other net financial expenses in 2017), inclusive of other financial expenses of 1 million euros, essentially relating to bank charges as well as net exchange gains of 3 million euros (exchange losses of 15 million euros in 2017);

(in millions of euros)	2018 full year	2017 full year
Other net financial income (expense)	**(1)**	**-**
Net fforeign exchange translator gains (losses)		
Foreign exchange gains of which:	**51**	**35**
- EDF	28	9
- other	23	26
Exchange losses, of which:	**(47)**	**(50)**
- EDF	(16)	(19)
- other	(31)	(31)
Total foreign exchange gains / (losses)	**3**	**(15)**
Totale other net financial income / expenses	**2**	**(15)**

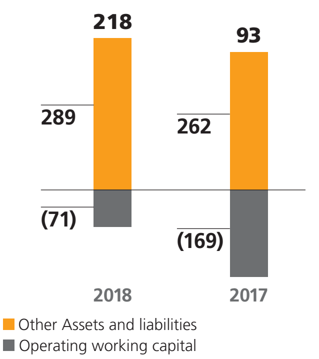
- around 90 million euros for dividends from investee companies (38 million euros in 2017) (for more information, see chapter 5);
- around 45 million euros for net writedowns on equity investments (138 million euros in 2017) (for more information, see chapter 5);
- around 3 million euros for income taxes (19 million euros in 2017) (for more information, see chapter 8).

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.
At December 31, 2018, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment or significant concentrations with individual non-institutional counterparties.

NET WORKING CAPITAL (M€)



3.2 OPERATING WORKING CAPITAL

(in millions of euros)	12/31/2018	01/01/2018 (*) restated	Changes
Inventories (+)	117	105	12
Trade receivables (+)	824	931	(107)
Trade payables (-)	(1,012)	(1,205)	193
Operating Working Capital	**(71)**	**(169)**	**98**

(*) Includes the effects resulting from the initial application of IFRS 9, which were recognised in shareholders' equity.

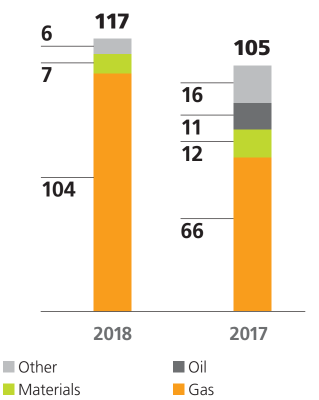
3.2.1 Inventories

Aligned, where necessary, to the presumed net realisation value, they consist of gas inventories for 104 million euros (66 million euros at December 31, 2017) and materials and equipment used for the maintenance and operation of operating plants for 7 million euros (16 million euros at end 2017). The increase with respect to 2017 is the result of:

- a reduction in oil and technical material inventories transferred to Edison E&P as part of the restructuring (21 million euros);
- a significantly positive price effect on gas stocks attributable to the improvement in the energy scenario.

Inventories also include 27 million euros (14 million euros at end 2017) in quantities of natural gas stored subject to restricted use, both as a strategic reserve and as a guarantee of the balancing regime.

INVENTORIES (M€)



3.2.2 Trade receivables

(in millions of euros)	12/31/2018	Restated 01/01/2018 (*)	Changes	12/31/2017 published
Total trade receivables	**824**	**931**	**(107)**	**937**
Broken down as follows:				
- amount owed to outsiders	430	650	(220)	656
- amount owed to subsidiaries and affiliated companies	394	281	113	281
of which allowance for doubtful accounts (*)	**(31)**	**(53)**	**22**	**(47)**
Guarantees owned (*)	**12**	**27**	**(15)**	**27**
Past due receivables:				
- Within 6 months	11	8	3	8
- From 6 to 12 months	1	2	(1)	2
- Over 12 months	17	36	(19)	36

(*) With reference to the initial application of IFRS 9, the effects of which were recognised in shareholders' equity.

They specifically refer to electricity and steam supply contracts and natural gas supply contracts, with Group companies and Terna, GSE and GME. The reduction is in part attributable to receivables transferred to Edison E&P as part of the spin-off (54 million euros) and in part to lower electricity volumes sold in the wholesale market.
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.
The Company disposes of trade receivables without recourse on a monthly revolving basis and through the transfer without recourse of the credit risk. These transactions were carried out for a total value of 905 million euros (1,748 million euros as at December 31, 2017). The costs related to managing these activities are recorded under financial items and amount to approximately 1 million euros, in line with last year.
There were no receivables exposed to the risk of recourse at December 31, 2018.

The **allowance for doubtful accounts,** amounting to 31 million euros, includes the effects of the first-time application of IFRS 9 as of January 1, 2018 (6 million euros) recognised in shareholders' equity.

(in millions of euros)	Balances at 12/31/2017	IFR9 - first application	Balances at 1/1/2018	Utilisations	Provisions	**Balances at 12/31/2018**
Total	47	6	53	(24)	2	**31**

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; **utilisations** were mainly recognised for losses on receivables deemed uncollectible during the year.

3.2.3 Trade payables

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. As commented on with respect to trade receivables, the reduction in absolute value is in part attributable to trade payables transferred to Edison E&P as part of the restructuring (58 million euros) and in part to lower electricity volumes purchased in the wholesale market.

(in millions of euros)	**12/31/2018**	12/31/2017	Changes
Total trade payables	**1,012**	**1,205**	**(193)**
Broken down as follows:			
- amount owed to outsiders	965	1,186	(221)
- amount owed to subsidiaries and affiliated companies	47	19	28
Total	**1,012**	**1,205**	**(193)**

3.3 OTHER OPERATING ASSETS AND LIABILITIES

(in millions of euros)	12/31/2018	12/31/2017	Changes
Provision of technical, admin. and financial services to Group companies	27	16	11
VAT receivable from the tax administration	151	105	46
Customer advances	9	22	(13)
VAT pool receivables	11	8	3
Other current assets	71	76	(5)
Total current assets (A)	**269**	**227**	**42**
VAT receivable from the tax administration	103	104	(1)
Guarantee deposits	6	5	1
Other non-current assets	7	11	(4)
Total non-current assets (B)	**116**	**120**	**(4)**
Employees	20	25	(5)
Social security and welfare institutions	16	18	(2)
Other current liabilities	60	42	18
Total current liabilities (C)	**96**	**85**	**11**
Total other assets/liabilities (A+B-C)	**289**	**262**	**27**

More specifically:

- **current assets** include the VAT receivable of 151 million euros accrued in 2018;
- in the 2018 annual VAT return, a reimbursement of 100 million euros was requested for the credit accrued in the course of 2017; this value was classified in **non-current assets** given the uncertainty of the date of collection from the state entities;
- lastly, in 2018 around 100 million euros was collected relating to the VAT receivable for which a reimbursement was requested in the 2016 annual VAT return, recognised in 2017 under non-current assets.

4. MARKET RISK MANAGEMENT

This chapter provides a 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.
As required by IFRS 7 – Financial instruments, additional information- 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 December 31, 2018 are also provided.

4.1 MARKET RISKS AND RISK MANAGEMENT

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

Edison Spa 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 Company is also exposed to exchange rate risk.
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.
From an organizational standpoint, the governance model adopted by the Company requires the separation of the risk control and management functions from the derivatives activity.
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 Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments. These activities are performed in line with the policy of the Group with the aim to minimize the use of financial markets for hedging, by maximizing the benefits of vertical and horizontal integration of the various business operations and the homogenization of the formulas and indexing between the sources and physical uses. In addition, the gradualness of Strategic Hedging ensure the minimization of the execution risk, related to the concentration of all the hedges in a phase of unfavourable market, the volume risk, linked to the variability of the underlying hedged based on the best volume projections, and of the operational risk, related to implementation errors.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the risk management objectives and with the Group's total exposure, the Company, responding to specific requests from individual Business Units, may also use

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.

other types of hedges called Operational Hedges with the aim to fix the margin related to a single transaction or to limited set of transactions correlated.

The unrealised derivatives at December 31, 2018 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.
The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year. Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.
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 2021.

For all derivative contracts in place as at December 31, 2018, 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 December 31, 2018.

Value at Risk (VaR)

(in million of euros)	**12/31/2018**	12/31/2017
Maximum expected negative variance in fair value (*)	**584,6**	503,9

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

The increase in the maximum change in fair value compared to December 31, 2017 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 December 31, 2018, the probability of a negative variance greater than 585 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 585 million euros to 299 million euros.
Of this value:
- roughly 17 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 282 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

	2018 full year		2017 full year	
	without derivatives	with derivatives	without derivatives	with derivatives
Average absorption of the approved economic capital limit	187%	52%	68%	40%
Maximum absorption	260% - Dec. '18	71% - Nov. '18	105% - Jan. '17	83% - Jan. '17

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 foreign exchange risk arises from the fact that part of the activities of the Edison Group are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contractual components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk).
The foreign exchange risk management objectives are described in specific Policies.
The exposure to economic and transaction risk arising from exchange rate, related to commodity transactions, is also managed in accordance with the above-mentioned specific limits and strategies.

4.2. HEDGE ACCOUNTING AND ECONOMIC HEDGES – FAIR VALUE HIERARCHY

Whenever possible, Edison uses hedge accounting, provided the transactions comply with the requirements of IFRS 9.

4.2.1 Classification

Forward transactions and existing derivatives can be 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 Hedge – CFH), exchange rates and commodities and (ii) transactions that hedge the fair value of the hedged item (Fair Value Hedge – FVH) on commodities (price and exchange rate);
2) **forward transactions and derivatives that cannot be defined as hedges pursuant to IFRS 9**, meeting the requirements of compliance with company risk management policies on exchange rates and on energy commodities.

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 December 31, 2018, this level includes two categories of instruments (one category as at December 31, 2017), the fair value of which is not material.

The valuation of financial instruments can entail significant subjective judgements. 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 HEDGING DERIVATIVE TRANSACTIONS ON THE INCOME STATEMENT AND BALANCE SHEET AT DECEMBER 31, 2018

4.3.1. Effects of Hedging Derivative Transactions on the Income Statement at December 31, 2018

(in millions of euros)	12.31.2018			12.31.2017		
	Realized (A)	Change in Fair Value in the period (B)	**Amounts recognized in earnings (A+B)**	Realized (C)	Change in Fair Value in the period (D)	**Amounts recognized in earnings (C+D)**
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IFRS 9 (CFH) (*)	**143**	**(9)**	**134**	**(2)**	**-**	**(2)**
Price risk hedges for energy products	159	(10)	149	(8)	4	(4)
Exchange risk hedges for commodities	(16)	1	(15)	6	(4)	2
Total definables as hedges pursuant to IFRS 9 (FVH)	**31**	**8**	**39**	**57**	**(8)**	**50**
Price risk hedges for energy products	36	(245)	(209)	53	(1)	52
Exchange risk hedges for commodities	(5)	66	61	4	(71)	(67)
Fair value physical contracts	-	187	187	-	64	64
Total not definables as hedges pursuant to IFRS 9	**(5)**	**(7)**	**(12)**	**51**	**(194)**	**(143)**
Price risk hedges for energy products	3	3	6	40	(172)	(132)
Exchange risk hedges for commodities	(8)	(10)	(18)	11	(22)	(11)
Total price risk and exchange risk hedges for commodities (A)	**169**	**(8)**	**161**	**106**	**(202)**	**(96)**
Margin on trading activities of which:						
Margin on physical trading activities	(2)	1	(2)	(5)	(4)	(9)
Margin on financial trading activities	2	-	2	12	(1)	11
Total margin on trading activities (B)	**-**	**-**	**-**	**7**	**(5)**	**2**
TOTAL INCLUDED IN EBIT (A+B)	**169**	**(8)**	**161**	**113**	**(207)**	**(94)**
Result from interest rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH/FVH)	-	-	-	16	(15)	1
Not definables as hedges pursuant to IFRS 9	-	-	-	-	-	-
Total interest rate hedges (C)	**-**	**-**	**-**	**16**	**(15)**	**1**
Result from exchange rate hedges:						
Definables as hedges pursuant to IFRS 9 (CFH)	10	-	10	(8)	-	(8)
Not definables as hedges pursuant to IFRS 9	2	-	2	(2)	-	(2)
Total exchange rate hedges (D)	**12**	**-**	**12**	**(10)**	**-**	**(10)**
TOTAL INCLUDED IN THE OTHER NET FINANCIAL INCOME (EXPENSE) (C+D)	**12**	**-**	**12**	**6**	**(15)**	**(9)**

(*) Includes the ineffective portion.

Please note that the margin on trading activities (row B in the table above) refers to contracts still outstanding entered into by Edison before the cooperation agreement with EDF Trading (MASA). The actual results of the activity carried out within the scope of the MASA joint venture agreement in place with EDF Trading, referred to as "profit sharing", are instead not included here as they are recorded in the item "Other revenues and income" (roughly 2 million euros in 2018).
The results from risk management on interest rates shown in 2017 (row C in the table above) referred to fair value hedges associated with Edison's bond issue repaid on maturity in November 2017.

Focus on the Net change in fair value of derivatives (commodities and foreign exchange)

The following table shows the impact on the income statement of changes in the fair value of derivatives (commodities and foreign exchanges) in 2018 and 2017, negative for 8 and 202 million euros, respectively (see row A in columns B and D in the table above).

Change in fair value commodities and exchange rate (in millions of euros)	Definable as hedges (CFH) (*)	Definable as hedges (FVH)	Not definable as hedges	**Total change in fair value**
2018				
Hedges of price risk on energy products	(10)	(245)	3	(252)
Hedges of foreign exchange risk on commodities	1	66	(10)	57
Change in fair value in physical contracts (FVH)	-	187	-	187
Total at December 31, 2018	**(9)**	**8**	**(7)**	**(8)**
2017				
Hedges of price risk on energy products	5	(1)	(172)	(168)
Hedges of foreign exchange risk on commodities	(4)	(71)	(23)	(98)
Change in fair value in physical contracts (FVH)	-	64	-	64
Total at December 31, 2017	**1**	**(8)**	**(195)**	**(202)**

(*) It refers to the ineffective portion.

To be noted that, on January 1, 2018, the new IFRS 9 entered into force, which replaced IAS 39 and, inter alia, amended provisions on hedge accounting. These new provisions also made amendments to the rules for the management of accounting hedges, bringing the relative recognition criteria more into line with a risk management approach. The application of these new rules, possible only on a prospective basis, therefore entailed a review of the hedges on contracts in place at January 1, 2018. This review resulted in the extension of the application of hedge accounting, as a result reducing the effects of volatility.
The value in 2017, a negative 202 million euros, was instead linked primarily to the derivatives that, by virtue of the economic hedging strategies protecting margins and the significant price changes in commodities, had determined, in previous years, starting from 2014, a positive fair value that was then reversed into the income statements of subsequent years until 2017, with an essentially nil effect over the time period concerned.

4.3.2 Effects of Hedging Derivative Transactions on the Balance Sheet at December 31, 2018

The table below provides details of the Fair value recorded in Balance Sheet and classification by IFRS 13.
As at December 31, 2018, net receivables are recognised referring to transactions in derivatives measured at fair value equal to 46 million euros, in large part carried out with EDF Trading Ltd.

(in millions of euros)	12/31/2018			12/31/2017		
	Receivables	Payables	Net	Receivables	Payables	Net
- Current financial assets / Current financial debt	-	-	-	-	-	-
- Other assets / liabilities (current portion)	539	(491)	48	315	(259)	56
- Other assets / liabilities (non current portion)	173	(175)	(2)	144	(67)	77
Fair Value recognised as assets or liabilities (a)	**712**	**(666)**	**46**	**459**	**(326)**	**133**
of which of (a) related to:						**-**
- Interest rate risk management	-	-	-	-	-	-
- Exchange rate risk management	63	(17)	46	2	(80)	(78)
- Commodity risk management	371	(508)	(137)	414	(153)	261
- Trading portfolios	1	(1)	-	10	(10)	-
- Fair value on physical contracts	277	(140)	137	33	(83)	(50)
Broken down on fair value hierarchy:						
- Level 1	66	(1)	65	19	(1)	18
- Level 2	644	(665)	(21)	257	(87)	170
- Level 3 (*)	2	-	2	-	-	-
IFRS 7 Potential offsetting (b)	**(302)**	**302**		**(79)**	**79**	
Potential Net Fair Value (a+b)	**410**	**(364)**	**46**	**380**	**(247)**	**133**

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

Please note that the receivables and payables shown are offset in shareholders' equity by a positive cash flow hedge reserve amounting to 44 million euros, before the applicable deferred taxes (positive for 126 million euros at December 31, 2017).

Instruments Outstanding at December 31, 2018

The tables that follow provide an illustration of the information listed below:

- the fair value hierarchy applied;
- derivatives that were outstanding, classified by maturity;
- the value at which these contracts are reflected on the balance sheet, which is their fair value.

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	**December 31, 2018**										December 31, 2017		
	Fair value hierarchy (***)	Notional amount (*)								**Balance sheet value (**)**	Notional amount at 12/31/2017 (*)		Balance sheet value (**)
		due within 1 year		due between 2 and 5 years		due after 5 years		Total					
Interest rate risk management:													
- Fair Value Hedges in accordance with IFRS 9	2	-		-		-		-		-	-		--
- contracts that do not qualify as hedges in accordance with IAS 39	2	-		-		-		-		-			
Total interest rate derivatives		**-**		**-**		**-**		**-**		**-**	**600,000**		**-**
		due within 1 year		due between 2 and 5 years		due after 5 years		total			total		
		to receive	to pay	to receive	to pay	to receive	to pay	to receive	to pay		to receive	to pay	
Foreign exchange rate risk management													
A. Cash Flow Hedge pursuant to IFRS 9:													
- on commercial transactions	2	896	-	41	-	-	-	937	-	20	927	(19)	(46)
- on financial transactions	2	25	-	-	-	-	-	25	-	(0)	-	-	-
B. Fair Value Hedge pursuant to IFRS 9:													
- on commercial transactions	2	-	-	-	-	-	-	-	-	-	-	-	(20)
C. contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:													
- on commercial transactions	2	135	-	32	-	-	-	167	-	(3)	115	(162)	(12)
- on financial transactions	2	-	-	-	-	-	-	-	-		13	-	(0)
Total exchange rate derivatives		**1,056**	**-**	**73**	**-**	**-**	**-**	**1,129**	**-**	**17**	**1,055**	**(181)**	**(79)**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognised on the balance sheet following the measurement of derivatives at fair value.
(***) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 13".

B) Commodity Risk Management

		December 31, 2018						December 31, 2017	
	Fair value hierarchy (***)	Notional amount (*)					Balance sheet value (**) (in millions of euros)	Notional amount (*)	Balance sheet value (**) (in millions of euros)
Price risk hedges for energy products		Unit of measurement	due within 1 year	due within 2 years	due in more than two years	Total			
A. Cash Flow Hedge pursuant to IFRS 9, of which:							**26**		**181**
- Electric power	2/3	TWh	4.73	-	-	4.73	1		-
- Natural gas	2	Millions of therms	(247.44)	147.49	2.99	(96.96)	24	(352)	(31)
- LNG and oil	2	Barrels	12,834,450.00	716,898,00	-	13,551,348.00	(64)	19,783,650	193
- CO_2	1	Millions of tonnes	5.00	1.00	-	6,00	65	8	19
B. Fair Value Hedge pursuant to IFRS 9							**(139)**		**73**
- Natural gas	2	Millions of therms	(126)	(683)	40	(769)	(143)	-	73
- OIL	2	BBL	10,104,550	7,274,400			(25)		
- exchange rates	2						29		
C. Contracts that do not qualify as hedges in accordance with IFRS 9, to hedge margins:							**4**		**7**
- Electric power	2	TWh						(2)	-
- Natural gas	2	Millions of therms	2	(2)		-	(1)	(71)	(15)
- LNG and oil	2	Barrels	1,219,328	373,712		1,593,040.41	3	4,996,300	23
- CO_2	1	Millions of tonnes					0	(1)	(1)
- others	3						1		
Total							**(109)**		**261**

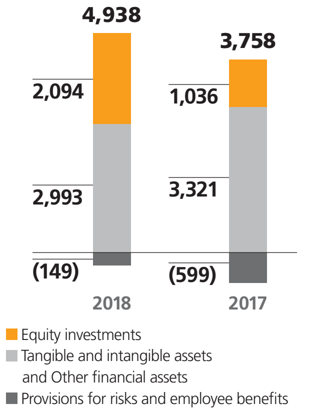
(*) + for purchase balance, - for sales balance.
(**) They represent loans (+) or net debt (-) recorded in the balance sheet following the fair value measurement of derivates.
(***) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 13".

5. INVESTED CAPITAL AND PROVISIONS

Edison Spa is the operating holding company of the Edison Group. Through the assets held directly rather than those owned by the companies in which it 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.

During the year, invested capital rose by roughly 1,180 million euros. Considering the values of Non-current assets and operational provisions transferred to Edison E&P and the 850 million euro share capital increase of Edison International SpA carried out prior to the transfer, more than 1 billion euros of the above-mentioned change related to the E&P business segment restructuring and roughly 173 million euros regarded operating effects described in more detail below.
Due to the significance of the transaction, the table shows the overall change in invested capital for each category of items, distinguishing the effects attributable to the above-mentioned "E&P spin-off" from other changes.

INVESTED CAPITAL AND PROVISIONS (M€)



(in millions of euros)	2018	2017	Changes	of which E&P operation	of which other effects
Non-current assets (Property, plant and equipment - Intangible Assets - Goodwill)	2,993	3,321	(328)	(262)	(66)
Equity investments	2,094	1,036	1,058	850	208
Operational funds and Provision for employee severance indemnities and provisions for pensions	(149)	(599)	450	419	31
Non-current assets and provisions	**4,938**	**3,758**	**1,180**	**1,007**	**173**

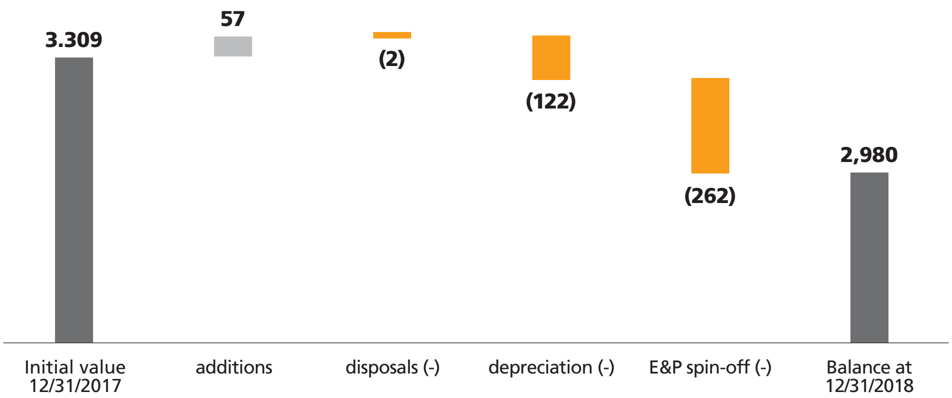
5.1 TANGIBLE AND INTANGIBLE ASSETS

(in millions of euros)	Property, plant and equipment	Intangible Assets	Goodwill	Total
Opening balances at 12/31/2017 (A)	**1,521**	**81**	**1,707**	**3,309**
Changes at December 31, 2018:				
- additions	37	20	-	57
- disposals (-)	(2)	-	-	(2)
- depreciation (-)	(109)	(13)	-	(122)
- E&P spin-off (-)	(246)	(16)	-	(262)
Total changes (B)	**(320)**	**(9)**	**-**	**(329)**
Balances at 12/31/2018 (A+B)	**1,201**	**72**	**1,707**	**2,980**

Commitments on non-current assets:

There are commitments of 23 million euros for the completion of investment projects in progress in Italy and abroad.

CHANGES IN TANGIBLE AND INTANGIBLE ASSETS (M€)



5.1.1 Property, plant and equipment

This refers for the most part to land and buildings, as well as the assets located there for the production of electricity, consisting of natural gas combined cycles and hydroelectric power stations.

(in millions of euros)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Payments on account and assets under construction	Investment property	Total
Opening balances at 12/31/2017 (A)	**232**	**1,166**	**2**	**2**	**114**	**5**	**1,521**
Changes at December 31, 2018:							
- additions	-	11	-	-	26	-	37
- disposals (-)	-	(2)	-	-	-	-	(2)
- depreciation (-)	(8)	(100)	(1)	-	-	-	(109)
- E&P spin-off (-)	-	(140)	-	(1)	(105)	-	(246)
- other changes	1	9	-	-	(10)	-	-
Total changes (B)	**(7)**	**(222)**	**(1)**	**(1)**	**(89)**	**-**	**(320)**
Balances at 12/31/2018 (A+B)	**225**	**944**	**1**	**1**	**25**	**5**	**1,201**
of which:							
- historical cost	422	3,591	9	12	25	7	4,066
- write-downs (-)	(51)	(663)	-	-	-	(1)	(715)
- depreciation (-)	(146)	(1,984)	(8)	(11)	-	(1)	(2,150)
Net value	**225**	**944**	**1**	**1**	**25**	**5**	**1,201**

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

- **additions,** equal to 37 million euros, of which:
  - 24 million euros in the electricity business mainly relating to the replacement of parts of some hydroelectric and thermoelectric plants;
  - 12 million euros in the hydrocarbons business**,** the acquisitions of which are almost all recognised in fixed assets under construction and advances, referring to the assets of the E&P Division in the first half of 2018;
- **disposals** of 2 million euros, with no particular impacts on the income statement;
- **depreciation**, totalling 109 million euros, down with respect to 131 million euros in 2017, primarily due to the spin-off of the E&P Division activities as of July 1, 2018.
- the **spin-off** relates to the transfer of the E&P Division assets to the company Edison E&P Spa, as extensively commented on in chapter "2. *Performance*".

The net carrying amount of **property, plant and equipment** includes **assets transferable without consideration** attributable mainly to Edison's hydroelectric operations, which holds 36 concessions. A breakdown is as follows:

Assets transferable at no cost

(in millions of euros)	Buildings and other assets	Plant and machinery	Total
Opening balances at 12/31/2017 (A)	**5**	**42**	**47**
Changes at December 31, 2018:			
- additions	-	1	1
- depreciation (-)	-	(7)	(7)
Total changes (B)	**-**	**(6)**	**(6)**
Balances at 12/31/2018 (A+B)	**5**	**36**	**41**
of which:			
- historical cost	7	325	332
- depreciation (-)	(2)	(289)	(291)
Net value	**5**	**36**	**41**

The balance of **investment property** refers to land and buildings that are not used for production activities.
No amount of financial expense was capitalised in property, plant and equipment in the reporting period, consistent with the requirements of IAS 23 Revised.

5.1.2 Intangible Assets

This refers mostly to:

- **hydrocarbon concessions**, which following the spin-off of the E&P Division assets to the company Edison E&P Spa, as commented on in chapter "2. Performance", have been eliminated;
- **other intangible assets**, which include primarily:
  - 47 million euros for an intangible asset recognised in 2014 for the value of the electric power offtake contract, with a total duration of 10 years (6 years remaining), in connection with the renewable energy hub;
  - 8 million euros for patents, licenses and similar rights consisting mainly of software licenses;
  - 17 million euros for work in progress and advances.

(in millions of euros)	Hydrocarbon concessions	Other intangible assets	Total
Opening balances at December 31, 2017 (A)	**16**	**65**	**81**
Changes at December 31, 2018:			
- additions	-	20	20
- depreciation (-)	(1)	(12)	(13)
- E&P spin-off (-)	(15)	(1)	(16)
Total changes (B)	**(16)**	**7**	**(9)**
Amounts at December 31, 2018 (A+B)	**-**	**72**	**72**
of which:			
- historical cost	-	166	166
- depreciation (-)	-	(93)	(93)
- write-downs (-)	-	(1)	(1)
Net value	**-**	**72**	**72**

In detail, additions during the period primarily include:

- 10 million euros for the advance paid to purchase from Gas Natural Fenosa the gas procurement agreement relating to the Azerbaijan Shah Deniz II field. The effectiveness of the agreement is subject to the development of the Trans Adriatic Pipeline (TAP) gas pipe and the relative import of gas is expected to begin in late 2020. Therefore, the advance was considered work in progress and is not amortised but is subject to impairment. Starting in 2021, with the first delivery of gas to Italy through the TAP, an additional 20 million euros will be paid to the counterparty. This amount is recognised under commitments (see chapter 10 "Other notes");
- 8 million euros for the capitalisation of expenses for the implementation and updating of network applications and the acquisition of software licences.

The table below provides a **disclosure about the concessions** held by the Company recognised in other intangible assets:

		Residual life	
	Number	from	to
Hydroelectric concessions	36	2	29

5.1.3 Goodwill

The value of 1,707 million euros has not changed on December 31, 2017.
The residual value represents an intangible asset with an undefined useful life and, therefore, it is not subject to systematic amortisation, but rather to impairment testing at least once a year. As specified in note 5.1.5 below, the impairment test conducted pursuant to IAS 36 did not bring to light any impairment.

5.1.4 Other financial assets

This item 14 million euros, the balance of which was up by 3 million euros compared with December 31, 2017, includes loans receivable with a maturity of more than 12 months.
In particular, the increase refers to the investment in the FPCI Electranova - 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 investment is valued at fair value through profit or loss, which during the year resulted in a write-down of less than 1 million euros.

5.1.5 Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles

The impairment test conducted pursuant to IAS 36 did not bring to light any impairment at CGU level or in goodwill in the course of the year.

The principal assumptions used in the test are as follows:
- in general and with respect to the previous year, the scenario prepared for the 2018 impairment test incorporates an improvement in energy commodity prices in the short/medium-term, while long-term growth assumptions were revised down.
- brent and gas prices were, on average, higher in 2018 than the previous year, resulting in an upward revision for the short/medium-term horizon. Uncertainties related to global growth have, instead, led to a downward revision in long-term forecasts.
- in developing the reference scenario for the Italian electricity market, the current uncertainty in the regulatory context was taken into account, as well as the further delay in introducing the announced capacity incentive mechanisms, (so called capacity payment), the increase in production costs of gas power plants, the increasing contribution from production from renewable sources, and the likely sale of coal plants in the long term. These assumptions have resulted in an increase in the forecast of prices for the short/medium term - mainly due to the increase in production costs - thus leading to a downward revision of thermoelectric generation profits (spark spread).
- WACCs used in the 2018 impairment test are, overall, in line with those of last year for power business; on the other hand, a slight increase in the rates used for the Hydrocarbons Operations segment was assumed. The assumed growth rates are in the range 0-2%.

	WACC 12/31/2018	WACC 12/31/2017
Electric Power Operations	5.80%	5.80%
Hydrocarbons Operations	7.20%	6.90%

To support the analyses developed from the test, sensitivity analyses were also conducted to highlight the impact on the recoverable amounts of the assets as specific assumptions change on certain variables. In particular, in reference to the regulatory uncertainty regarding the introduction of capacity payment mechanisms, some sensitivities were carried out on the impacted CGUs in order to assess on one hand the hypothetical impacts of a failure to introduce the production capacity remuneration, on the other hand scenarios alternative to the hypothesis of constant and prudential tariffs over the long term. In both cases the test results do not indicate the need for writedowns.

With regard to goodwill, some key variables were analyzed with Montecarlo simulation, to identify the recoverable amount. In addition to determining the reference recoverable amount, the simulation allows to quantify the possible deviations with respect to this value linked to the oscillations of the variables taken into consideration and to the statistical probability of such variations. Considering a reasonable interval, the recoverable value at Group level would have a relative change in the range between +/- 280 million euros.

5.2 EQUITY INVESTMENTS

Equity investments and Investments at fair value through profit and loss

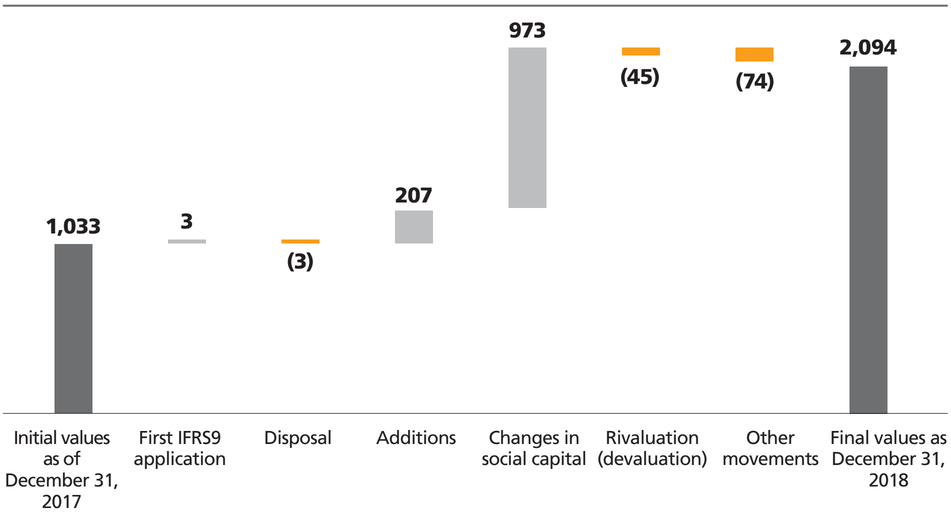
(in millions of euros)	Equity investments	Investments at fair value through profit and loss	Total
Opening balances at 12/31/2017 (A)	**1.032**	**1**	**1.033**
Changes at December 31, 2018:			
- first application IFRS 9	-	3	3
- disposals (-)	-	(3)	(3)
- additions	207	-	207
- changes in share capital and reserves	973	-	973
- rev. (+)/write-down (-) on income statement	(45)	-	(45)
- other changes (-)	(74)	-	(74)
Total changes (B)	**1.061**	**-**	**1.061**
Balances at 12/31/2018 (A+B)	**2.093**	**1**	**2.094**
of which:			
- historical cost	2.587	1	2.588
- write-downs (-)	(494)	-	(494)
Net value	**2.093**	**1**	**2.094**

Total equity investments amount to 2,094 million euros and break down as follows:

- **equity investments** of which 2,069 million euros in subsidiaries and 24 million euros in associates and joint ventures;
- **investments at fair value through profit and loss** for 1 million euros, referring to the equity investment in American Superconductor, which until December 31, 2017 was classified under "trading investments".

As required by the Italian Civil Code, information about the changes that occurred during the year and detailed data about investments in subsidiaries, affiliated companies, joint ventures and other companies is provided in the schedule entitled "List of Equity Investments at December 31, 2018" annexed to these separate financial statements.

EQUITY INVESTMENTS (M€)



The main changes in 2018 are reviewed below:
- following the **introduction of the new accounting standard IFRS 9**, the minority holdings previously recorded respectively among the available-for-sale investments (1 million euros) and among the trading interests (3 million euros) were reclassified among the investments immobilized;
- **additions**, which basically include the equity investments in Gas Natural Vendita Italia (GNVI), later renamed Edison Energie Spa (193 million euros), Idroelettrica Cervino Srl (11 million euros) and Idroelettrica Brusson Srl (2 million euros);
- the **change in share capital and reserves** of 973 million euros, refers to the E&P spin-off transaction for 969 million euros (850 and 119 million euros, respectively, for the subsidiaries Edison International SpA and Edison International Holding BV), already described in chapter 2.3. Moreover, please also note that a roughly 4 million euro share capital increase was also carried out for 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 subsidiaries due to the impairment testing process described below;
- **other changes** include primarily the net effects arising from the spin-off to the company being established, Edison Exploration & Production Spa, of the equity investments in Edison Idrocarburi Sicilia Srl and in Edison International Spa, as well as the relative international branch and joint ventures Edison Norge AS, Edison E&P UK Ltd. and Euroil Exploration Ltd.

Impairment test on equity investments

At least once a year the Company evaluates whether there are any indicators of impairment on each equity investment, in line with its strategy for the management of legal entities within the Group and, if they are identified, it tests such assets for impairment. The processes and methods for assessing and determining the recoverable amount of each equity investment are based on assumptions which are at times complex and by their very nature require recourse to the judgement of the Directors, in particular with reference to the identification of indicators of impairment, forecasting their future profitability for the Group's business plan period, determining normalised cash flows on the basis of estimated terminal value and determining long-term growth rates and discounting rates to be applied to expected future cash flows.
The **write-downs of equity investments** reflect the valuations resulting from the impairment test performed on such equity investments. The impairment test on the carrying amount of equity investments involves comparing the carrying amount and the respective shareholders' equity and profit (loss) of the investee, which thus includes the effects of the impairment test it has conducted on its own 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.

(in millions of euros)	2018 full year	2017 full year
Writedowns of equity investments		
- Edison International Spa	(30)	(106)
- Edison International Holding NV	(14)	(31)
- Other companies	(1)	(2)
Total writedowns	**(45)**	**(139)**

The table shows the writedowns accounted for in 2018, regarding in particular:
- the valuation of Edison International Spa until the date on which it was a direct subsidiary of Edison Spa (an equity investment later transferred to the company being established, Edison E&P Spa), and the writedown of which was correlated with Exploration & Production

activities which the latter carries out in Egypt, Croatia and, through one of its subsidiaries, in Norway;
- Edison International Holding NV which, through its investees, has E&P activities in the UK.

Dividends and other income and (expense) from equity investments (in millions of euros)	**2018 full year**	2017 full year	Changes
Income from equity investments			
Dividends from subsidiaries and affiliated companies:			
- Edison Stoccaggio	42	10	32
- Infrastrutture Distribuzione Gas	24	3	21
- Ibiritermo	10	11	(1)
- Edison Energia	10	-	10
- Edison Partecipazioni Energie Rinnovabili	3	4	(1)
- Infrastrutture Trasporto Gas	-	3	(3)
- Eta3	-	2	(2)
- Terminale GNL Adriatico	-	2	(2)
- AMG Gas	-	1	(1)
- Other companies	1	2	(1)
Total dividends	**90**	**38**	**52**
Revaluations of trading securities	**-**	**1**	**(1)**
Gains on the sale of equity investments	**-**	**18**	**(18)**
Total income from equity investments	**90**	**57**	**33**
Losses on the sale of equity investments	**-**	**(41)**	**41**
Total expense on equity investments	**-**	**(41)**	**41**
Income from (Expense on) equity investments, net	**90**	**16**	**74**

Please recall that in 2017 capital gains from the sale of equity investments included the sale of minority investments in companies such as Eta3 Spa, Istituto Europeo di Oncologia, Gever and Emittenti Titoli, while capital losses included the net profit (loss) from the disposal of the equity investments in Terminale LNG and Infrastrutture Trasporto Gas.

5.3 PROVISIONS FOR RISKS AND EMPLOYEE BENEFITS

(in millions of euros)	12/31/2017	Financial expense	Provisions	Utilisations	E&P spin-off	**12/31/2018**
- Provisions for employee benefits	20	-	-	(2)	(3)	15
- Provisions for decommissioning and remediation of industrial sites	442	10	-	(1)	(387)	64
- Other provisions for risks and charges	137	1	15	(54)	(29)	70
Total provisions for operational risks	**599**	**11**	**15**	**(57)**	**(419)**	**149**

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.

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:

	12/31/2018	12/31/2017
- Theoretical annual discounting rate	2.30%	1.90%
- Annual rate of inflation	0.90%	1.00%
- Global salary annual increase rate	2.00%	2.00%
- Estimated annual increase in employee severance indemnities	2.18%	2.25%

5.3.2 Provisions for decommissioning and remediation of industrial sites

These reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Company expects to incur for industrial sites and mineral extraction facilities. The main change for the period is attributable to the spin-off of the business unit to Edison E&P Spa, commented on in chapter "2. Performance".

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.
With regard to the changes during the year, note in particular the following:

Dispute with Axpo Italy for alleged non-compliance with the natural gas supply contract - Concluded
On December 23, 2013, Axpo Italia brought a case against Edison before the Court of Milan to obtain compensation for alleged damages from non-compliance as a result of Edison's alleged failure to supply the agreed gas volumes. Edison appeared in Court, flatly denying any breach and filing a counterclaim against Axpo Italia for breach of contract.
In June 2018, the Court of Milan issued a judgement in first instance, ordering Edison to pay compensation of approximately 15 million euros to Axpo Italia. Therefore, the outstanding risk provision was adjusted to this amount.
In the second half of 2018, Edison paid the amount determined by the Court, furthermore, deciding not to appeal the judgement. The risk provision was therefore used to fully cover the disbursement.

Reclassification for registration tax purposes of the business transfer transaction to Taranto Energia and subsequent sale of the equity investment
At the end of 2018, the Milan Revenue Agency requested that Edison Spa pay the pending amount of the registration tax liquidated for the business transfer transaction of the Taranto thermoelectric power plants to Taranto Energia and subsequent sale of the equity investment to ILVA in 2011.
The tax was paid by Edison to avoid enforcement procedures: in fact, it was due because the dispute, together with that proposed by ILVA, is currently pending before the Court of Cassation following an unfavourable decision for the companies. The charge was fully covered through the partial use of the outstanding risk provision for the sale of the equity investment.

Note that the tax is still payable jointly by both companies and, in relation to which, a formal request has been sent to ILVA. The Company is assessing possible developments in the dispute based on the new provisions envisaged in the 2019 Budget Law, as well as based on the provisions of Italian Legislative Decree no. 119/2018.

Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants

In the spring of 2018, the long dispute was finally concluded in relation to the definition of property values for the Torviscosa (Udine) thermoelectric power plant: the Court of Cassation definitively confirmed the fairness of the property value proposed by the Company, which had been relevant up through 2015.
Consequently, during the year all the disputes for local taxes and consortium contributions were defined, which had originated indirectly from the adjustment of the property value.

Disputed municipal property taxes (ICI and IMU) on offshore hydrocarbon production platforms (with charges borne by the transferee Edison E&P Spa)

In 2016, the Court of Cassation affirmed, for some disputes against ENI and Edison, that offshore platforms were subject to municipal property taxes (ICI and IMU), pronouncing how the possible tax base could be determined and yet not clarifying which criterion, in the absence of a specific law, should be considered valid in defining the territorial jurisdiction between municipalities. Consequently, disputes continued with the various municipalities to establish the actual jurisdiction and the tax bases on which the tax should be applied, in line with what has been declared by the Court of Cassation.
In the first half of 2018, the dispute was resolved with the Municipality of Vasto in relation to the tax due for the Rospo Mare C platform in the Rospo Mare field in the Adriatic Sea.
In December 2018, a settlement was reached for the pending dispute with the Municipality of Porto Sant'Elpidio for the Sarago Mare and Vongola Mare platforms in the Adriatic Sea. The amount due was paid in December 2018 and the amount, as per the agreements included in the transfer deed, was charged back to Edison E&P Spa, the company to which the business unit and the existing risk provision were transferred.
Finally, in January 2019 the disputes with the Municipality of Scicli for Vega A, a platform in the Channel of Sicily, were settled. The payment made in 2019 will be charged back to Edison E&P Spa. All payments made or expected are covered by the risk provision.
The existing remaining risk provision covers all estimated risks for disputes still pending.

5.4 CONTINGENT ASSETS AND LIABILITIES

Contingent assets

Benefit not recognised in the financial statements as not virtually certain.

Dispute for registration fees on transactions requalified as disposal of business operations regarding CIP 6/92 power plants

The dispute, pending since 2010, concerns registration tax settled following the requalification as a business sale of the contribution of the business unit consisting of thermoelectric power stations subject to the CIP 6/92 system and the subsequent sale of the transferee.
This dispute is pending before the Court of Cassation following the Regional Commission's decision that was unfavourable to the Company, but the tax was already paid in full while the proceedings are under way.

Contingent liabilities

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.

Ministry for the Environment - request for compensation for environmental damages

On May 31, 2018, the Ministry for the Environment notified Edison of a claim for compensation for alleged environmental damages deriving from reinjection activities for the Vega 6 well of the aquifer and process waters, operated by the Vega A platform.
The request for compensation totals about 80 million euros.
The facts in question have already been the subject of a criminal procedure declared invalid by the competent court.
Edison believes that this claim for compensation is completely unfounded, since the activities in question are not illegal, rather, on the contrary, authorized according to the applicable regulation, have not produced any environmental damage, nor any risk of geological pollution, or pollution of the aquifer or the sea.
Consequently, the Company appeared in court requesting the full dismissal of the request from the Ministry for the Environment.

Notice of assessment for 2010 VAT (former Edison Trading Spa)

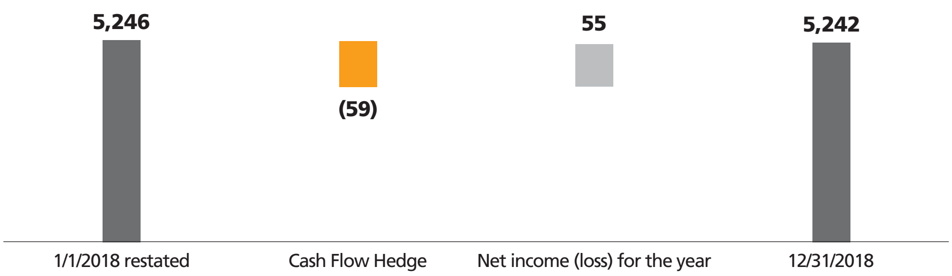
The merged company formerly Edison Trading was involved in a VAT dispute relative to 2010, which challenged the deduction of VAT relating to some transactions involving the purchase of green certificates, imposing the relevant sanctions.
Both the Provincial Tax Commission and, in January 2019, the Regional Tax Commission fully upheld the Company's appeal, cancelling the assessment and sanctions. However, the Revenue Agency may still appeal to the Court of Cassation.
In view of the Company's correct and lawful conduct, there appears to be no need to recognise a provision for risks.

6. SHAREHOLDERS' EQUITY

Edison Spa's **shareholders' equity** is 5,242 million euros compared to 5,246 million euros recorded at January 1, 2018. The structure of shareholders' equity at December 31, 2018 is shown in the table below compared with that of December 31, 2017:

Shareholders' equity (in millions of euros)				**12/31/2018**	1/1/2018 restated	change	12/31/2017 published
Share capital of which:	No. shares	Unit. Euro N.V.	% of Share capital				
Common shares	5,266,845,824	1.00	97.95%	5,267	5,267	-	5,267
Non-convertible savings shares	110,154,847	1.00	2.05%	110	110	-	110
Total share capital	**5,377,000,671**		**100.00%**	**5,377**	**5,377**	**-**	**5,377**
Statutory reserve				-	-	-	-
Cash flow hedge reserve				31	90	(59)	90
Reserve for actuarial gains (losses)				(1)	(1)	-	(1)
Reserve from merger by absorption				218	218	-	218
Retained earnings/(loss carryforward)				(438)	(254)	(184)	(250)
Net income (loss) for the year				55	(184)	239	(184)
Total shareholders' equity				**5,242**	**5,246**	**(4)**	**5,250**

CHANGE IN SHAREHOLDERS' EQUITY (M€)



In particular, please note that the change in the reserve for retained earnings (losses) includes about 5 million euros from the negative effects resulting from the first-time application of IFRS 9. The Shareholders' Meeting of March 29, 2018 that approved 2017 financial statements, also resolved to carry forward to the retained earnings(losses) reserve the losses for the year 2017 for 184 million euros.

Comments are provided below on the individual items making up the Company's shareholders' equity at the end of 2018:

Share capital

As of February 14, 2019, the share capital totalled 5,377 million euros, divided into 5,266,845,824 common shares, par value 1 euro each, equal to 97.95% of the total share capital, and 110,154,847 savings shares, par value 1 euro each, equal to 2.05% of the total share capital, which are bearer or registered as chosen by the shareholder, with the exception of those held by Directors, Statutory Auditors and any General Manager, which must be registered. The Company's savings shares have been traded on the MTA operated by Borsa Italiana since December 2, 2002 in the FTSE Italia Small Cap index.

We would hereby point out that no financial instruments that convey the right to acquire newly issued shares through subscription are outstanding and no options awarded to Group employees that convey the right to purchase Edison shares at pre-set prices (Stock Option Plans) are outstanding and, consequently, no capital increases earmarked for such purpose were carried out.

Shareholders with Significant Equity Interests

The table that follows, which is based on the data in the Shareholder Register and reflects communications received pursuant to law and other information available as of February 14, 2019, shows that there is no party, other than the EDF Group, that holds, directly or indirectly (including through third parties, nominees and subsidiaries), an interest greater than 3% of the voting stock ("Significant Equity Interests"). A breakdown of the interest held by EDF in Edison's common share capital is as follows:

	Common shares	% of common share capital	% of total share capital
TdE Spa (Ex WGRM)	5.239.669.098	99,48	97,45
Totale gruppo EDF	**5.239.669.098**	**99,48**	**97,45**

Rights of the Classes of Shares

COMMON SHARES	SAVINGS SHARES
The common shares, which are registered shares, convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings, in accordance with the applicable provisions of the law and the Bylaws, and provide their holders with any additional administrative and property rights attributed to voting shares pursuant to law.	The savings shares can be either bearer or registered shares, as the holder may choose, except for shares held by Directors, Statutory Auditors and the General Manager, if one is appointed, which must be registered shares. They do not convey the right to vote at the Company's Ordinary and Extraordinary Shareholders' Meetings. Pursuant to the Bylaws, they convey the benefits and have the characteristics that are listed below in addition to those provided pursuant to law: • A reduction in the share capital to absorb losses does not cause the par value of savings shares to decrease, except for the amount in excess of the aggregate par value of the shares. • If the savings shares are delisted, they will retain all of the rights attributed to them under the Bylaws and may be converted into common shares according to the terms and conditions determined by a Shareholders' Meeting, which must be held within two months from the date of delisting. • The remainder of the earnings shown in the duly approved financial statements, after allocating at least 5% to the statutory reserve, which must be set aside until the reserve reaches one-fifth of the share capital, are distributed to the savings shares up to an amount that may not be greater than 5% of their par value (equal to 5 eurocents). If in a given fiscal year the savings shares receive a dividend that is less than the abovementioned amount, the difference will be brought forward and added to the preferred dividend over the following four years. • If no dividend is distributed to the savings shares for five consecutive years, these shares can be converted one for one into common shares, upon a simple request by the shareholder, during the period from January 1 to March 31 of the sixth year. • Any remaining earnings that the Shareholders' Meeting decides to distribute are allocated to all of the shares such that the savings shares receive a total dividend that is greater than the dividend paid to the common shares by 3% of their par value.
In the event of a share capital increase, holders of common and savings shares are entitled to receive a prorated number of rights to acquire newly issued shares of the same class or, lacking such shares or for any difference, shares of another class.	

For any matters not addressed here, please refer to the Company's Bylaws.

Other shareholders' equity items

Cash flow hedge reserve

The cash flow hedge reserve, amounting to roughly 31 million euros, is due to the adoption of IFRS 9 for the accounting of derivatives. It refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities. The amounts recognised directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items. The table below shows the change with respect to December 31, 2017:

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at 12.31.2017	126	(35)	91
Change in the year	(82)	23	(59)
Reserve at 12/31/2018	**44**	**(12)**	**32**

Reserve for actuarial gains and losses

It is entered directly as shareholders' equity and totals around 1 million euros, basically unchanged with respect to 2017. 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.

Reserve from merger by absorption

The reserve from merger by absorption, equal to 218 million euros, refers essentially to the merger of the former Edison Trading Spa on December 1, 2017, with accounting effects retroactive to January 1, 2017.

Retained earnings/(loss carryforward)

Losses carried forward amounted to 438 million euros (254 million euros as at December 31, 2017 restated).
The change for 2018 of 184 million euros is attributable to the coverage of losses for the year 2017, approved by the Shareholders' Meeting of March 29, 2018.
Please also recall that the initial application of IFRS 9 entailed a 5 million euro reduction in shareholders' equity, due to the adoption of the expected credit losses model on receivables.

Tax status of share capital and reserves in the event of repayment or distribution

The types of tax status and utilisation options of the different items that constitute the Company's shareholders' equity are reviewed below:

(in thousands of euros)		Tax Status		
	Carrying amount	Share class	Amount	Utilisation options
Share capital	**5,377,001**			
	of which:	B	192,082	-
		C	588,628	-
Capital reserves				
Share premium reserve	-	D	-	1, 2, 3
Earnings reserves:				
Statutory reserve	-			
Other reserves	248,523			
	of which:	A	(744)	1, 2
		A	217,922	1, 2, 3
		E	31,345	-
Utili portati a nuovo	-	A	-	1, 2, 3

Tax Status
A: Reserves that, if distributed, would be included in the taxable income of the shareholders.
B: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.
C: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (so-called realignment), which, if utilised, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).
D: Reserves that, if distributed, would not be included in the taxable income of the shareholders.
E: Cash flow hedge reserve.

Utilisation options
1:Share Capital Increase
2: Coverage of losses.
3: Distribution to shareholders

- The reserves the taxation of which has been suspended that are part of share capital, with **B** status, include the following (in thousands of euros):

No. 576 of 12/01/1975 (old Edison form. Montedison)	31,064
No. 72 of 03/19/1983 (old Edison form. Montedison)	15,283
No. 576 of 12/01/1975 (former Finagro)	1,331
No. 72 of 03/19/1983 (former Finagro)	3,310
No. 72 of 03/19/1983 (former Montedison)	8,561
No. 72 of 03/19/1983 (former Silos di Genova Spa)	186
No. 413 of 12/30/1991 (former Finagro)	4,762
No. 576 of 12/01/1975 (former Calcemento)	976
No. 72 of 03/19/1983 (former Calcemento)	4,722
No. 413 of 12/30/1991 (former Sondel)	2,976
No. 413 of 12/30/1991 (former Edison)	118,911

Any taxes that may be due on the reserves would amount to 46 million euros for those of Item B, 80 million euros (net of tax credit) for those of Item C.
As for the negative income components that are not reflected in the income statement, which until 2008 could be deducted by listing them on a separate schedule annexed to the income tax return, the provision of the tax code require that a corresponding amount of the unrestricted reserves and retained earnings should be maintained on the Company's financial statements and, if the above-mentioned amount is distributed, it would be included in the Company's taxable income.
As a result of non-accounting depreciation and amortisation taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions still available totalled about 13 million euros. Deferred taxes totalling about 3 million euros were recognised in connection with these entries.
Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in art. 109 of the Uniform Tax Code, totalling 10 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.
Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (art. 47 of the Uniform Tax Code).

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

7.1 MANAGEMENT OF FINANCIAL RESOURCES

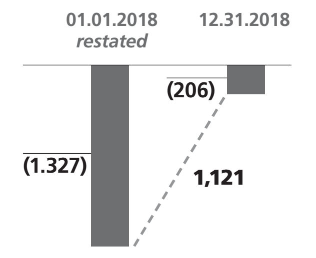
Edison Spa defines its financial strategy with the main view of guaranteeing the availability of monetary resources under the best market conditions, and in the appropriate proportions, to support the running of ordinary business activities and the development of investments to support future growth.
For this purpose, Edison Spa relies primarily although not exclusively on the parent company EDF Sa for funding, to obtain loans in any technical form that guarantee flexibility in liquidity and/or coverage of structural needs. The terms and conditions are aligned with the best market conditions for Edison.
In terms of cash management, one of Edison's current accounts is dedicated to the cash pooling relationship with EDF Sa, allowing for significant cash flexibility, thanks to a credit facility of up to 199 million euros under market conditions.
Liquidity management is mainly centralized at the level of the parent company Edison Spa, which in general directly manages, or in some cases simply co-ordinates, the treasury operations of its subsidiaries through correspondent current accounts and intra-group loans. The former are used for the collection and payment system, ensuring, when necessary, cash flexibility in the short term, while the loans make it possible to cover structural requirements, first and foremost investments. The terms and conditions applied reflect prevailing market conditions over time according to the "arm's length" principle, based on which transactions, in this case financial, between members of the same Group must be carried out substantially under the same conditions as would be applied with respect to third parties.

To support certain investment activities, Edison turns to the market when it can find particularly favourable financing opportunities. This is the case of several lines of credit granted to Edison by the European Investment Bank (EIB), either directly or through EDF Sa. These lines of credit are intended for the development of specific projects, which will be described in more detail below.
At December 31, 2018, 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, liquidity risk).

7.2 NET FINANCIAL (AVAILABLE FUNDS) DEBT AND COST OF DEBT

NET FINANCIAL (AVAILABLE FUNDS) DEBT (M€)



Below is a summary of the main phenomena which impacted the net available funds as at December 31, 2018, which came to 206 million euros (net available funds of 1,327 million euros at January 1, 2018 restated).

The **change of 1,121 million euros in net financial debt (available funds)** is related primarily to equity investments for 1,180 million euros, which include in particular the conversion into share capital for 850 million euros of the receivable due from Edison International Spa, as well as the 119 million euro share capital increase for EIH, in addition to the acquisition of 100% of Gas Natural Vendita Italia (see chapter 5.2).
The effects deriving from the outlays connected with net investments made in property, plant and equipment, intangible assets (57 million euros) are also included. On the other hand, current management generated positive cash flows of more than 100 million euros.

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

(in millions of euros)	12/31/2018	01/01/2018 restated	Changes
Long-term financial debt and other financial liabilities	271	213	58
Non-current financial assets from subsidiaries and affiliated companies	(574)	(386)	(188)
Net long-term financial debt (Available Funds)	**(303)**	**(173)**	**(130)**
Current financial payables	114	66	48
Current financial payables to subsidiaries and affiliated companies	418	259	159
Current financial assets (*)	-	-	-
Current financial assets from subsidiaries and affiliated companies	(390)	(1.313)	923
Cash and cash equivalents	(45)	(166)	121
Current net financial debt (available funds)	**97**	**(1,154)**	**1.251**
Total net financial debt (available funds)	**(206)**	**(1,327)**	**1.121**
of which:			
Gross financial debt	**803**	**538**	**265**
Cash and cash equivalents and financial assets	**(1,009)**	**(1,865)**	**856**

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

7.2.1 Non-current financial payables

(in millions of euros)	12/31/2018	12/31/2017	Changes
EDF Sa	60	70	(10)
Banks	211	143	68
Total	**271**	**213**	**68**

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.
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 millions of euros)	12/31/2018	12/31/2017	Changes
Banks	88	34	54
EDF Sa	10	-	10
Transalpina di Energia Spa	5	4	1
Factoring companies	4	20	(16)
Other	7	8	(1)
Total current financial payables	**114**	**66**	**48**

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. The item **"banks"** include 16 million euros represented by short-term lines of credit granted by the EIB. also intended for financing development projects in the wind and storage sectors.

The tables below provide details on **current payables and current and non-current receivables** with respect to subsidiaries and affiliated companies, which represent financial transactions and balances in the intra-group current accounts. Edison Spa thus handles the management of the liquidity and investment requirements of its subsidiaries and affiliates, in particular for the development of activities in the energy efficiency sector, increasing wind power generation, the construction of storage centres and the production of hydrocarbons.

7.2.3 Current financial payables to subsidiaries and affiliated companies

(in millions of euros)	**12/31/2018**	12/31/2017	Changes
Edison E&P UK	113	-	113
Edison Partecipazioni Energie Rinnovabili	65	41	24
Edison International Holding NV	64	77	(13)
Cellina Energy	60	44	16
Edison Energia	33	-	33
Fenice	15	34	(19)
Edison Idrocarburi Sicilia	14	10	4
Assistenza Casa	11	-	11
Poggio Mondello	10	10	-
Edison E&P	10	-	10
Termica Cologno	7	8	(1)
Nuova Alba	5	6	(1)
Nuova Cisa	4	5	(1)
Eolo	1	13	(12)
Frendy Energy	-	4	(4)
Other minor	6	7	(1)
Total	**418**	**259**	**22**

7.2.4 Current financial receivables from subsidiaries and affiliated companies

	Total			of which for a long time			of which soon		
(in millions of euros)	**12/31/2018**	12/31/2017	Changes	**12/31/2018**	12/31/2017	Changes	**12/31/2018**	12/31/2017	Changes
Subsidiaries									
Edison Stoccaggio	204	197	7	145	161	(16)	59	36	23
Fenice	195	105	90	195	105	90	-	-	-
Edison International Spa	172	1,108	(936)	50	-	50	122	1,108	(986)
E2i	110	25	85	110	25	85	-	-	-
Edison Norge	107	128	(21)	-	89	(89)	107	39	68
Edison E&P	70	-	70	60	-	60	10	-	10
Infrastrutture Distribuzione Gas	51	35	16	-	-	-	51	35	16
Edison Energie Spa	18	-	18	-	-	-	18	-	18
Edison Energy Solutions	10	18	(8)	4	4	(0)	6	13	(7)
Dolomiti Edison Energy	7	7	0	7	-	7	(0)	7	(7)
Euroil Exploration	5	-	5	-	-	-	5	-	5
Sistemi di Energia	5	6	(1)	-	-	-	5	6	(1)
Compagnia Energetica Bellunese	3	6	(3)	-	-	-	3	6	(3)
Comat	2	-	2	-	-	-	2	-	2
Bargenergia	2	-	2	1	-	1	1	-	1
Edison Energia Spa	-	35	(35)	-	-	-	-	35	(35)
Edison E&P UK	-	21	(21)	-	-	-	-	21	(21)
Edison International Holding NV	-	6	(6)	-	-	-	-	6	(6)
Altre minori	2	-	2	-	-	-	2	-	2
Total subsidiaries (A)	**963**	**1,696**	**(733)**	**573**	**384**	**189**	**390**	**1,312**	**(922)**
Joint ventures and associates									
Ibiritermo	2	3	(1)	1	2	(1)	1	1	-
Total Joint ventures and associates (B)	**2**	**3**	**(1)**	**1**	**2**	**(1)**	**1**	**1**	**-**
Allowance for doubtful accounts IFRS 9 (*)	**(1)**	**-**	**(1)**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Total (A+B)	**964**	**1,699**	**(735)**	**574**	**386**	**188**	**390**	**1,313**	**(923)**

(*) First-time application of IFRS 9, with an offsetting entry in shareholders' equity.

The main changes in the financial receivables of the subsidiaries refer partly to the movement of the intragroup current account linked to ordinary treasury operations, and partly to the financing activities with the subsidiaries. The latter in particular are referable:

- As far as the current part is concerned, to the capital contribution in favour of the subsidiary Edison International Spa for 850 million euros, through the partial conversion of the loan granted to the company in 2016. This transaction was approved by the Edison Spa Board of Directors at its meeting on May 24, 2018 (see chapter "6. Equity investments");
- with regard to the long-term portion, to the loans granted in the course of 2018 to some subsidiaries to support their development and investment plan.

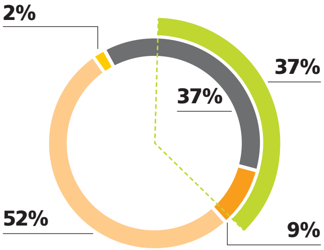
7.2.5 Cash and cash equivalents

These include the available current account funds of EDF Sa for a total of 28 million euros (140 million euros as at December 31, 2017) and bank account balances of 17 million euros.

BREAKDOWN BY FUNDING SOURCE OF GROSS FINANCIAL DEBT

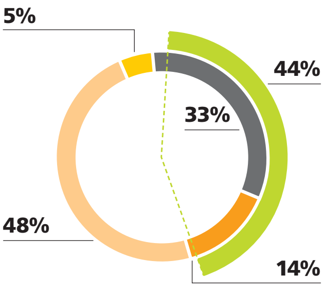
12.31.2018

803 (M€)



12.31.2017

538 (M€)



- Payables to banks
- Payables to companies of the EDF Group
- Payables to subsidiary and associated companies
- Debts to other lenders
- Debts on BEI funds

7.2.6 Breakdown by funding source of gross financial debt

The **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 of euros)	2018 full year	2017 full year	Change
Financial income			
Financial income from Group companies	24	36	(12)
Total financial income on cash and cash equivalents	**24**	**36**	**(12)**
Financial expense			
Interest paid on bond issues	-	(21)	21
Fair value adjustment on bond issues	-	12	(12)
Financial expense paid to EDF	(2)	(2)	-
Interest paid to banks	(1)	(1)	-
Financial expense paid to Group companies	(1)	-	(1)
Total financial expense on debt	**(4)**	**(12)**	**8**
Total financial income (expense) on net financial debt (available funds)	**20**	**24**	**(4)**

Financial income on net available funds declined due to the lower net financial exposure receivable with respect to Group companies. This effect was partly offset by the lower financial expense on debt, thanks to a different mix of financial resources and the lower average level of debt. Note that, in 2017, the figure included 8 million euros of expenses for the bond loan repaid upon expiry in November 2017.

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 million of euros)	12/31/2017	First application IFRS 9	1.1.2018 restated	Monetary flow (*)	Non-monetary flows		12/31/2018
					Change in fair value	Other changes	
Long-term financial debt	213	-	213	85	-	(27)	271
Other current financial payables	325	-	325	181	-	27	533
Current financial assets	(1,704)	5	(1,699)	(114)	-	850	(964)
Net liabilities from financing activities	**(1,166)**	5	**(1,161)**	**151**	**-**	**850**	**(161)**
Cash and cash equivalents (-)	(166)	-	(166)	121	-	-	(45)
Net Financial Debt	**(1,332)**	5	**(1,327)**	**272**	**-**	**850**	**(206)**

(*) The change of € 850 million refers to the capital increase in Edison International Spa through the conversion of the financial receivable for the same amount.

7.3 FINANCIAL RISK MANAGEMENT

7.3.1 Interest rate risk

Given the low level of gross debt, 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, and possibly with hedging instruments.

Gross financial debt: mix fixed and variable rate (in millions of euros)	12/31/2018			12/31/2017		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	50	50	6%	-	-	-
- variable rate portion	753	753	94%	538	538	100%
Total gross financial debt	**803**	**803**	**100%**	**538**	**538**	**100%**

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

Sensivity analysis (in millions of euros)	2018 full year Impact on financial expense (P&L)			2017 full year Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa gross	**3**	**2**	**1**	**9**	**8**	**8**

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 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 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)	12/31/2018			12/31/2017		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Financial debt and other financial liabilities (*)	77	27	271	14	22	213
Future interest due on financial liabilities	-	2	22	-	1	15
Payables to suppliers	955	57	-	1.148	57	-
Total	**1,032**	**86**	**293**	**1,162**	**80**	**228**
Guarantees provided to third parties (**)	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**45**			**166**		

(*) value of financial liabilities excluding current payables to other lenders.
(**) These guarantees are provided to lenders of subsidiaries and affiliated companies.

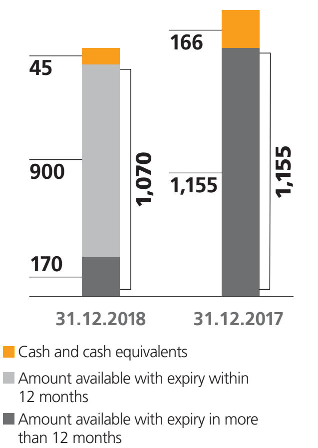
The future cash outflows are compared with available resources below.

Committed credit lines: availability and principal expirations

Commited credit lines at December 31, 2018 (in millions of euros)	**Notional amopunt of the financing**	Drawn amount 12/31/18*	Available amount 12/31/2018	**Expiry date**	Maturities within 3 months	Maturities from 4 months to year end	Maturities 2020-2023	**Maturities beyond 2023**
EDF RCF	600	-	600	apr-19	-	-	-	-
Banks Club deal RCF	300	-	300	mar-19	-	-	-	-
EIB comiited credit lines for the development of specific projects (mainly wind farms, storage and E&P)**	468	298	170	2019-28	-	27	104	167
Other bank commited credit lines	-	-	-	na	-	-	-	-
Leasing	-	-	-	na	-	-	-	-
Other financial debts	-	0,4	-	dec-19	-	0,4	-	-
TOTAL	**1,368**	**299**	**1,070**		**-**	**28**	**104**	**167**

* notional amounts that may differ from accounting values.
** The amount used includes 70 million euros in indirect loans provided through EDF Sa and 5 million euros through Intesa San Paolo. Use of the available amount is restricted to development of financed projects.

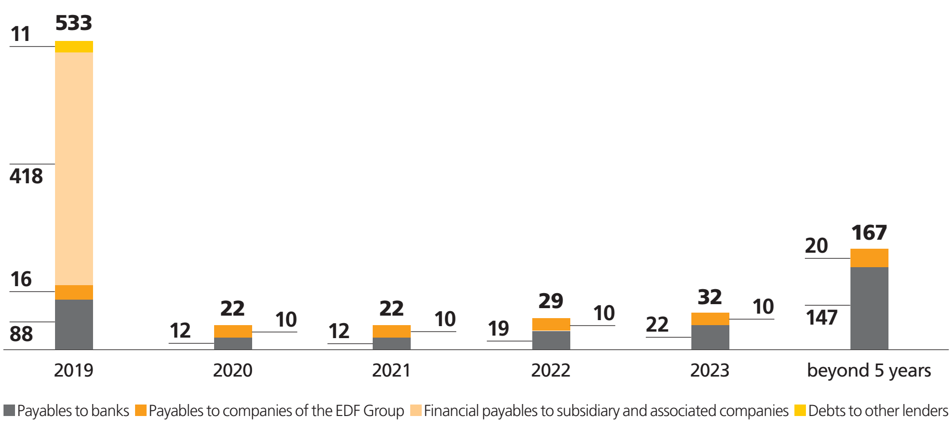
TOTAL AVAILABLE FINANCIAL RESOURCES (M€)



At December 31, 2018, Edison has **available credit lines** totalling 1,070 million euros, including primarily the two-year revolving loan of 600 million euros granted by the parent company EDF Sa (expiring in April 2019) and the two-year revolving credit line of 300 million euros (expiring in March 2019) granted by a pool of banks on a club deal basis.

Edison is acting to refinance the expiring credit lines with the methods and to the extent more appropriate to handle ordinary activities and future development projects.

GROSS FINANCIAL DEBT: DEBT EXPIRATION (M€)



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.
As regards the effects that a change in control over Edison could have on existing loans, please refer to the Report on Corporate Governance and on the Company's Ownership Structure, Change of Control Clauses section.
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 this 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

Current **income taxes** are determined on the basis of the estimated taxable income, computed in accordance with the tax rates and laws that have been enacted or substantively enacted at the balance sheet date, taking into account any applicable exemptions or available tax credits.
Prepaid and deferred taxes are computed on the temporary differences between the values attributed to assets and liabilities for statutory and tax purposes, using the tax rates that are expected to be in force when the temporary differences are carried forward. Prepaid taxes are recognised if they are likely to be recovered in the future. When measuring prepaid taxes the taxable income estimated in the business plans approved by the Company is considered. When gains and losses are recognised directly in shareholders' equity, and namely in the "Reserve for other components of comprehensive income", prepaid-tax assets and deferred-tax liabilities must also be directly recognised in shareholders' equity.

For the 2016-2018 period, the Company opted for the Group taxation option for corporate income tax (IRES) purposes pursuant to art. 117 et seq. of the Uniform Tax Code - so-called **National Consolidated Tax Return** - which is filed by Transalpina di Energia Spa (TdE) and involves all the main Group companies. Consequently, the companies included in the return must determine their IRES liability in coordination with the Parent Company TdE. Mutually agreed commitments and actions are governed by new bilateral agreements executed by TdE, the consolidating entity, and the individual companies.

8.2.1 Taxes and tax proof

(in millions of euros)	**2018 full year**	2017 full year	Change
Current taxes	13	(27)	40
Deferred/(prepaid) tax	(29)	12	(41)
Other taxes	13	(5)	18
Total	**(3)**	**(20)**	**17**

Current taxes consist of the income that national tax consolidation, overseen by the parent company Transalpina di Energia Spa, recognised to the Company for the tax loss contributed by said entity during the period.
During the year in question the Company had a negative tax base for IRAP purposes.

Net **deferred/prepaid taxes** had a negative balance of 29 million euros. This balance was due primarily to the use of prepaid taxes concerning deferred taxation on the difference in values of property, plant and equipment and to the deferred taxation on provisions.

Other taxes consist of the income that the consolidated tax group recognised to the Company for having used higher its previous losses on submission of the 2018 national consolidation form.

An analysis of the reconciliation between the theoretical tax burden, determined by applying the IRES and IRAP tax rate applicable in Italy, and the actual tax burden for the year, is shown below:

(in millions of euros)	2018 full year		2017 full year	
Income (loss) before taxes	**58**		**(165)**	
Taxes applicable in the year	**14**	**24.0%**	**(40)**	**24.0%**
Non-taxable dividends	(21)	(36.2%)	(9)	5.5%
Write-downs (Revaluations) of equity investments	11	19.0%	34	(20.6%)
Permanent differences	5	8.6%	24	(14.5%)
Income taxes attributable to previous years and other differences	(1)	(1.7%)	5	(3.0%)
Regional tax (IRAP)	-	-	13	(7.9%)
Deferred taxes (IRAP)	2	3.4%	(3)	1.8%
Total income taxes in the income statement	**3**	**5.0%**	**19**	**(11.8%)**

For a better understanding of this reconciliation, the impact of IRAP was kept separate to avoid any distortion effects, as that tax is applied on a tax base that is not the same as the pre-tax result. The difference between theoretical and actual taxes is essentially due to the untaxable share of dividends collected during the year, with an effect on the tax rate of 36.2%, writedowns of equity investments.

8.2.2 Income taxes paid

Direct taxes paid during the year amount to 25 million euros, including specifically 11 million euros for the payment of advances and the IRAP balance for the year 2017 and 14 million euros for the payment made in relation to a tax dispute.

8.3 TAX ASSETS AND LIABILITIES

8.3.1 Current taxes receivable and payable

At December 31, 2018, there are net receivables of 43 million euros (net receivables of 3 million euros at December 31, 2017); the details are provided in the table below:

(in millions of euros)	12/31/2018	12/31/2017	Changes
Non-current tax assets	25	24	1
Amount due from the controlling company TDE for the filing of a consolidated tax return	18	-	18
Total Current-tax assets (A)	**43**	**24**	**19**
Current taxes payable	-	13	(13)
Amount due to the controlling company TDE for the filing of a consolidated tax return	-	8	(8)
Total Current taxes payable (B)	**-**	**21**	**(21)**
Current taxes receivable (payable) (A-B)	**43**	**3**	**40**

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.

Receivables from and payables to the parent company for tax consolidation relate to the IRES national tax consolidation, as described below.

8.3.2 Deferred tax assets and liabilities

At December 31, 2018, there were assets totalling 85 million euros (assets of 249 million euros at December 31, 2017) and liabilities of 12 million euros (liabilities of 35 million at December 31, 2017).
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

Deferred tax asset and liabilities (in millions of euros)	12/31/2017	First application IFRS 9	1/1/2018	Effect on P&L	Effect on Balance sheet	Other changes	12/31/2018
Provisions for deferred taxes							
Adoption of IAS 39 to value financial instruments:							
- impact on shareholders' equity	35	-	35	-	(23)	-	12
	35	**-**	**35**	**-**	**(23)**	**-**	**12**
Offsets	-	-	-	-	-	-	-
Provision for deferred taxes net of offsets	**35**	-	**35**	**-**	**(23)**	**-**	**12**
Deferred tax assets:							
Tax assets for tax losses	21	-	21	(6)	-	-	15
Taxed provisions for risks	45	2	47	(9)	-	(2)	36
Adoption of the standard on financial instruments (IAS 39), with impact on:			-				-
- impact on shareholders' equity	-	-	-	-	-	-	-
Differences in the valuation of property, plant and equipment	181	-	181	(13)	-	(135)	33
Other	2	-	2	(1)	-	-	1
Deferred tax assets (B)	**249**	**2**	**251**	**(29)**	**-**	**(137)**	**85**
Offsets	-	-	-	-	-	-	-
Deferred-tax assets net of affsetting	**249**	**2**	**251**	**(29)**	**-**	**(137)**	**85**

In particular, please note that:
- following the application of IFRS 9, deferred-tax assets increased, the balancing entry of which was recognised in shareholders' equity under reserves for losses carried forward;
- other changes include changes due to the spin-off of the E&P business unit on July 1, 2018 to Edison E&P Spa;
- **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 regard to tax losses, the tax asset of 15 million euros refers to a prudential assessment of 50% recoverability of prior losses.

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 2018:
Provisions were used against charges incurred during the year relating to some tax disputes, for which the changes during 2018 are shown below.

(in millions of euros)	12/31/2017	Financial expense	Provisions	Utilisations	**12/31/2018**
Total provisions for tax disputes	**38**	**1**	**4**	**(14)**	**29**

Other tax disputes for income taxes have not had updates, for which reference should be made to the comments in the 2017 separate financial statements in the chapter "Commitments, risks and contingent assets".

Dispute related to direct taxes (IRPEG and ILOR) for years 1995-1997

During 2018, following the decisions handed down on review by the Regional Tax Commission, favourable only in part to the Company, the Company is again submitting appeals before the Court of Cassation as what was laid out in these recent decisions does not appear to be aligned with OECD guidelines on transfer pricing.
In the meantime, as the proceedings are in progress and pending the settlement of the disputes, the Company deposited the amounts that have become enforceable for part of the higher taxes assessed. The payment, still provisional in nature, was fully covered by part of the existing provision for risks. The dispute could be settled in 2019, taking advantage of the provisions set forth in Italian Decree Law no. 119/2019.

9. NON-ENERGY ACTIVITIES

The Company is involved in a number of judicial and arbitration proceedings of various types as universal successor of Montedison, which it absorbed. This resulted in the recognition in the financial statements of expenses and provisions for risks relating to disputes deriving from events dating back some time, connected, inter alia, to the management of chemical production sites formerly owned by the Montedison group - which were subject to a large-scale decommissioning process between the 1990s and the first decade of the new century, resulting in the conversion of the Edison group's activities in the energy sector - and which therefore do not refer to the current industrial management of Edison Spa.
Precisely for this reason we decided to separate and represent in a dedicated section the contribution of such management to the income statement and the balance sheet, as well as the relative contingent liabilities.
The management monitors and periodically quantifies the judicial and arbitration proceedings associated with this management, and evaluates the likely impacts based on estimates and assumptions which assume most relevance as regards provisions relating to environmental disputes, correlated with the chemical sites of the Montedison group. In this regard, note that the current levels of allocations have been determined as the residual amount of what was initially recorded with reference to the specific litigation, considering the complexity and differentiation of the reference legal cases, as well as the uncertainties in terms of merit and time horizons of developments in the various proceedings and, therefore, of the outcomes themselves.

The non-recurring economic effects associated with such activity, which are joined by the correlated legal costs, are recognised in the item **"Other income (expense) non-energy activities"** included in EBIT and which in 2018 amounted to a net expense of 23 million euros (net expense of 32 million euros in 2017).

The break down and changes in the **risk provisions** present in the financial statements and the elements that led to their recognition are as follows:

(in millions of euros)	12/31/2017	Financial expense	Additions	Utilisations	12/31/2018
A) Risks for disputes, litigation and contracts	130	3	2	(1)	134
B) Charges for contractual guarantees on sale of equity investments	52	-	-	-	52
C) Environmental risks	62	-	1	(1)	62
D) Disputed tax items	3	-	-	-	3
Provisions for risks on non-energy activity disputes	**247**	**3**	**3**	**(2)**	**251**

A) Probable liabilities for which a provision for disputes, litigation and contracts risks was recognised:

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Collapse of the Stava Dam		
October 25, 2000 Court of Milan/ Milan Court of Appeals/ Court of Cassation	The last civil dispute that is still pending with regard to the events that occurred in Val di Stava in 1985, when the levies of two mining mud holding ponds, operated by a Montedison-owned company were breeched causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision.	An appeal against the Court of Cassation has been filed.

Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Porto Marghera – Civil lawsuits		
October 25, 2000 Court of Venice/ Venice Court of Appeals	These lawsuits represent the tail end of the so-called "Marghera Maxi-trial," which, as it is well known, involved alleged occurrences of i) manslaughter for exposure to monovinyl chloride and ii) environmental disaster due to pollution for which some former Montedison executives and employees were allegedly responsible. These are lawsuits filed by the counsel of some plaintiffs in the proceedings (heirs to the estates of former employees, environmental associations and local governmental entities, such as the Municipality and Province of Venice and the Veneto Region) seeking payment for the legal expenses they incurred.	The lawsuits are pending at various stages before the lower or appellate court.
Mantua – Criminal Proceedings		
October 25, 2000 Court of Mantua/ Brescia Court of Appeals/ Court of Cassation	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison group and later by companies of the Eni group. The facts subject to the criminal proceedings concern determining the causality between a series of deaths caused by cancer identified by the Public Prosecutor and concerning employees of the facility, and exposure to the processing that took place there. After the ruling whereby the Brescia Court of Appeal confirmed nine convictions for manslaughter in February 2016, in 2017 the Supreme Court accepted some of the grounds for the appeal and voided part of that decision, sending the record of the proceedings back to the Brescia Court of Appeal.	As per the description of the dispute.
Mantua – Administrative proceedings		
2012 - 2016 Lombardy Regional Administrative Court – Brescia Section	In recent years the Province of Mantua sent Edison a number of clean-up orders (eight) relating to areas transferred by Montedison to the ENI Group in 1990 along with the entire petrochemical site of Mantua, despite the fact that the environmental matters had already been subject to two separate settlement agreements entered into, respectively, with ENI and the Ministry of the Environment. On the basis of such agreements, all further liability on the part of Edison is to be deemed excluded for any environmental matters. Edison submitted separate appeals before the Regional Administrative Court of Lombardy - Brescia Section against all of these orders. The Brescia Regional Administrative Court joined the cases in a single hearing and in August 2018 rejected seven appeals of the eight lodged by the Company.	Edison has already challenged this decision before the Council of State.
Brindisi – Administrative proceedings		
February 25, 2013 Apulia Regional Administrative Court – Lecce Section	These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years. On February 25, 2013, the Province of Brindisi notified to Edison, Eni, Syndial and Versalis an injunction pursuant to art. 244, Section 2, of Legislative Decree No. 152/2006 (so-called "Environmental Code") concerning an alleged landfill adjacent to the Brindisi petrochemical plant. The Company challenged this injunction and, after its plea was denied by the lower court, is waiting for a pronouncement at the appellate level by the Council of State.	Waiting for a hearing for oral arguments to be scheduled.
Crotone – Criminal Proceedings		
2005 Court of Crotone	The proceedings concerned are three and regard the Montecatini (a company formerly part of the Montedison group) chemical plant in Crotone. The first relates to the alleged occupational diseases that would have been determined by exposure to asbestos of workers of the facility for events occurring until 1989. The proceedings are now pending in the appeal phase. The second regards a dispute of poisoning of the groundwater and, consequently, of the water intended for feed; the proceedings in the first instance are still under way. The third, also relating to occupational diseases, is pending in the first instance.	As per the description of the disputes.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Belvedere di Spinello – Civil Proceedings		
October 31, 1986 Court of Catanzaro/ Catanzaro Court of Appeals	These proceedings concerning the Belvedere di Spinello mining concession, derives from rock salt mining activities carried out at this location by Montedipe Spa for over 20 years. The proceeding has to do with compensation for the damages suffered by two provincial administrations due to the destruction of a provincial road caused by the collapse of the mine in 1984. With ruling 1634/2018, the Court of Appeal of Catanzaro, based on the report of the court-appointed expert ordered in 2016, sentenced Montedipe (now Edison) to provide compensation for damages quantified at 3 million euros, plus interest and legal fees. An appeal against that measure is currently being prepared for submission to the Court of Cassation.	The filing of the expert's report is expected.
Claims for Damages Caused by Exposure to Asbestos		
	In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison Spa (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.	

B) Probable liabilities for which a provision for risks for contractual guarantees on sale of equity investments was recognised in the balance sheet:

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

Ausimont – Bussi sul Tirino – Administrative proceedings regarding the clean-up of the "Solvay External Areas", areas "2A" and "2B"		
February 28, 2018	On February 28, 2018, the Province of Pescara notified the companies Solvay Specialty Polymers Italy Spa and Edison Spa that it was initiating proceedings pursuant to Title V Part IV of Legislative Decree No. 152/2006 to identify the party liable for the contamination of the "Solvay External Areas" in Bussi sul Tirino, landfill areas 2A and 2B and neighbouring areas. Subsequently, on June 26, 2018, the Province of Pescara sent Edison an order pursuant to art. 244 of Legislative Decree No. 152/2006 (the "Environmental Code") for the removal of all waste dumped over time in the above-mentioned areas of the Bussi site. With regard to this measure, it is necessary to note that: i) the portions of land in question were contributed to Ausimont since its date of establishment in 1981; ii) Ausimont, and only and exclusively Ausimont, obtained authorisation to run, built, managed and closed landfills 2A and 2B located on such portions of land; iii) the shares of Ausimont were transferred to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged with Solvay Solexis in November 2002, with the latter becoming successor of any and all legal positions lodged by and against Ausimont. Edison steadfastly contests the legitimacy of this order and the Company reserves the right to take any measure to protect its rights and legitimate interests.	As per the description of the dispute.
Ausimont – Bussi sul Tirino – Administrative proceedings		
June 2011 Latium Regional Administrative Court - Rome Section and Abruzzo Regional administrative Court - Pescara Section	This dispute concerns the activities to ensure site safety and remediation that Solvay Solexis (now Solvay Specialty Polymers) and Solvay Chimica Bussi were required to implement at areas inside the Bussi sul Tirino chemical plant, operated, until 2002 by Ausimont Spa, a Montedison Group company that was sold to the Solvay group. Edison was sued by the companies of the Solvay Group as counter-interested party and as former parent of Ausimont. These proceedings are still pending before the Council of State, after the Regional Administrative Court of Latium, by a decision handed down in March 2011, found that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints.	As per the description of the dispute.
Ausimont – Bussi sul Tirino – Criminal proceedings		
2008 Court of Pescara/ Chieti Court of Assizes/ Court of Cassation/ Court of Assizes of Appeals of L'Aquila	On September 28, 2018, the Supreme Court of Cassation voided the ruling of the Court of Appeal of l'Aquila without referral in the criminal proceedings relating to the Bussi site, establishing: i) the acquittal of part of the defendants with respect to the accusation of environmental disaster and poisoning of water "as the contested acts were not committed"; ii) that the statute of limitations had run out on the accusation of environmental disaster ascribed to the other defendants; iii) the rejection of all demands for compensation lodged by the civil parties joining the proceedings.	**Concluded**

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Ausimont – Spinetta Marengo – Administrative proceedings		
February 2012 Piedmont Regional Administrative Court	The case concerns activities that Solvay Specialty Polymers was ordered to carry out, under various titles, to ensure safety and environmental remediation of areas inside the Spinetta Marengo (AL) chemical plant. This plant was operated until 2002 by Ausimont Spa, a Montedison Group company sold to the Solvay Group in May 2002. Edison joined these proceedings exclusively to protect its rights and legitimate interests in connection with the challenges filed against the administrative actions of the relevant Services Conference by Solvay Specialty Polymers, which specifically contested the failure to identify Edison as a respondent or correspondent in the proceedings.	As per the description of the dispute.
Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Alessandria Court of Assizes	On January 4, 2019, the Court of Assizes of Turin published the grounds of the ruling confirming the acquittal of the former executives and employees of Montedison and Ausimont with respect to alleged acts of environmental disaster and poisoning of water relating to the management of the Spinetta Marengo industrial site.	As per the description of the dispute.
Ausimont – Solvay Arbitration		
May 2012 ICC - Geneva	These arbitration proceedings were initiated in 2012 by Solvay Sa and Solvay Specialty Polymers Italy Spa against Edison, for alleged violations of certain representations and warrantees in the environmental area concerning the industrial sites of Bussi sul Tirino and Spinetta Marengo included in the deed of sale of Agorà Spa (parent company of Ausimont Spa) executed on the one hand by Montedison Spa and Longside International Sa and on the other hand by Solvay Solexis Spa (now Solvay Specialty Polymers) in December 2001. After a first phase focusing on preliminary and prejudicial issues, the proceedings are now continuing with an examination of the various requests made by the parties with respect to the merits of the case.	As per the description of the dispute.

C) Probable liabilities for which a provision for environmental risks was recognised:

Bussi sul Tirino National Interest Site – "Former Montedison Srl" area and Bolognano site		
2011 and 2015 Abruzzo Regional Administrative Court - Pescara Section	**"Former Montedison Srl" area**: The administrative proceedings for the remediation of the "Tre Monti" area located in the "National Interest Site" (NIS) of Bussi, is currently in the advanced preliminary investigation phase before the Ministry of the Environment. Although the Company is continuing to cooperate with the Ministry and the other Public Administrations concerned, it reserves the right to take action to protect its interest and rights should it deem that current and/or future decisions made within the scope of the above-mentioned proceedings are illegitimate. **Bolognano site:** with reference to the Piano D'Orta site in the Bussi NIS and the clean-up and environmental restoration activities for the "former Montecatini" area in the Municipality of Bolognano (PE), note that Edison Spa has already initiated the activities set forth in the project agreed upon with the authorities. As concerns the criminal proceedings for alleged "failure to remediate", in December 2018 the Public Prosecutor of Pescara asked for them to be dismissed.	As per the description of the dispute.

D) Probable liabilities for which a provision for tax dispute risks was recognised:

Date started/ Investigating department	Description of dispute	Status of proceedings
Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)		
Assessments notified in 1997-1998 by the former Ravenna Income Tax Office	The disputes, relating to the years 1991 and 1992, regard the tax treatment of transactions performed by Calcestruzzi Spa involving beneficial interests in shares. The appeal has been pending before the Court of Cassation since 2012. Pending a judgement, the payment of higher taxes, sanctions and interest has been made as per the rulings issued. The existing provision now relates to possible costs deriving from lower recoveries cancelled as of today.	The dispute is pending before the Supreme Court.

In addition, there are **contingent liabilities**, which are dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably and the corresponding cash outlays cannot be reasonably estimated, for which risk provisions are not recognised and are only discussed in the comments to the notes.

Contingent liabilities associated with legal disputes

Environmental Legislation

In addition to the probable liabilities for environmental risks, already covered by provisions and previously described, in recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the subjective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws. Therefore, taking into account the current and past scope of the industrial operations of the Company and the Group, particularly in the chemical industry, which were carried out in full compliance with the statutes then in force, it cannot be excluded that, in light of current legislation, new allegations of contaminations may arise, in addition to those currently subject to administrative and judicial proceedings.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Montecatini Spa – Montefibre Spa – Verbania –criminal proceedings		
2002-2015 Court of Verbania/ Turin Court of Appeals/ Court of Cassation	All these trials concern the alleged responsibility of former Directors and executives of the Montedison Group for the crimes of involuntary manslaughter and involuntary personal injuries in the violation of the occupational accident prevention regulations, caused in connection with the death or illness of employees of Montefibre Spa at the old plant Montefibre of Pallanza (VB) allegedly caused by exposure to asbestos. Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre. One trial, started in 2007, saw the acquittal in first instance of the defendants and the reform of the decision on appeal. An appeal was submitted before the Supreme Court of Cassation against this decision, which decided to refer to the case to the Court of Appeal of Turin. This Court, in 2018, acquitted the defendants and rejected the demands for compensation. For a second trial, started in 2015, the Court ordered the acquittal of the defendants.	As per the description of the dispute.
Ausimont's participation in a cartel in the peroxides and perborates market – Claim for damages		
April 2010 Court of Düsseldorf - Court of Justice of the European Union	In April 2010, Edison was served with notices setting forth four amending briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Düsseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006. Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. However, the proceedings are still in the preliminary phase. This is because, in 2013, the judge in the proceedings decided to submit some pretrial questions to the Court of Justice of the European Union, which handed down Decision No. C-352/13 on May 21, 2015.	The merit proceedings are continuing with the exchange of briefs between the parties, waiting for the judge to decide if the lawsuit should proceed pending a decision.

10. OTHER NOTES

10.1 OTHER COMMITMENTS

(in millions of euros)	12/31/2018	12/31/2017	Change
Guarantees provided	1.108	1.139	(31)
Other commitments and risks	275	401	(126)
Total	**1,383**	**1,540**	**(157)**
Receivables in arrears:			
- from 1 to 3 months	459	805	(346)
- from 3 months to 1 year	274	346	(72)
- past 1 year	650	389	261
Total	**1,383**	**1,540**	**(157)**

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

- guarantees provided by the Company or by banks and counter guarantees on its own behalf and on behalf of subsidiaries and affiliated companies mainly to secure the performance of contractual obligations;
- guarantees issued to third parties concerning activities on the Power Exchange, in particular to the GME, plus sureties issued to the individual operators with which the Company carries out electricity and gas buying/selling activities;
- guarantees given to the Revenue Agency totalling 126 million euros, primarily relating to VAT credit refunds for the years 2015 and 2016.

Other commitments and risks specifically include:

- 124 million euros for lease instalments, of which 117 million euros in compliance with IAS 17, for the lease agreement with a remaining term of 11 years (expiring on November 21, 2029 and which can be extended for a further 6 years under the same conditions) of the Milan buildings of Foro Buonaparte nos. 31 and 35;
- 77 million euros for a long-term 12-year contract (renewable for a further 8) with Norwegian ship owner Knutsen OAS Shipping for the charter of a LNG vessel which is under construction and scheduled for delivery in the first half of 2021.
- 23 million euros (15 million euros at December 31, 2017) for the completion of investment projects in progress.
- 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.

Please also note that on January 1, 2019, the new IFRS 16 "Leasing" will enter into force, which will amend the method of accounting for operating leases. The effects of initial application that can currently be estimated are reported in section 1.1 "Newly applied standards".

Commitments at December 31, 2017 included 203 million euros associated with the binding agreement entered into with Gas Naturale Fenosa for the acquisition of 100% of Gas Natural Vendita Italia (GNVI). This acquisition was completed in February 2018, as commented on in chapter 2.2 Key Events.
At December 31, 2018, 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.

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 metres of natural gas a year.

These contracts typically have an extended duration (as at December 31, 2018 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 several 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	12.8	40.0	87.0	**139,8**

The economic values are according to the prospective price formulas.

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 December 31, 2018, 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 pursuant to IAS 24				Total for financial statement item	impact %
	With Edison Group companies (A)	With controlling companies (B)	With orther EDF group companies (C)	Total for related parties		
Balance Sheet transactions:						
Equity investments	2,092	-	1	**2,093**	2,093	100%
Trade receivables	394	-	78	**472**	824	100%
Current-tax assets	-	18		**18**	18	100%
Other current assets	39	6	21	**66**	269	24.5%
Current financial assets from subsidiaries and affiliated companies	964	-	-	**964**	964	100%
Cash and cash equivalents	-	28	-	**28**	45	62.2%
Non-current financial debt	-	60	-	**60**	271	22.1%
Trade payables	48	4	74	**126**	1,012	12.5%
Other current liabilities	18	2	12	**32**	96	33.3%
Current financial debt	-	15	-	**15**	114	13.2%
Current financial payables to subsidiaries and affiliated companies	418	-	-	**418**	418	100%
Income Statement transactions:						
Sales revenues	2,739	5	884	**3,628**	6,958	52.1%
Other revenues and income	20	1	2	**23**	66	35.3%
Raw materials and services used (-)	259	18	551	**828**	6,739	12.3%
Net financial income (expense) on net financial debt (available funds)	23	(2)	-	**21**	20	n.s.
Other net financial income (expense)	1	12	-	**13**	3	n.s.
Revaluations (write-downs) of equity investments	(45)	-	-	**(45)**	(45)	100%
Dividends	89	-	1	**90**	90	100%

A) Intercompany transactions

Transactions between Edison Spa and its subsidiaries and affiliated companies and its controlling companies consist primarily of:

- commercial transactions involving the buying and selling of electric power, natural gas and environmental securities;
- transactions involving contracts for the provision of services (technical, organizational, legal and administrative) by headquarters staff functions;
- financial transactions involving lending, risk hedging and current account facilities established within the framework of the cash pooling system with its subsidiaries;
- transactions required to file a consolidated VAT return for the Company (so-called VAT Pool).

As regards **sales revenues**, the amount is almost entire realised from the subsidiary Edison Energia Spa.

With the exception of transactions related to the VAT Pool and the consolidated corporate income tax return, which are executed first of all pursuant to law, all of the transactions listed above are governed by contracts with conditions that are consistent with market terms, i.e., the terms that would be applied by two independent parties.

Consolidated VAT Return

Edison Spa has a consolidated Group VAT return in place (so-called VAT Pool), that includes the Edison Group companies that meet the requirements of art. 73, paragraph 3 of Presidential Decree No. 633/72. The payment of Group VAT relating to 2018 presented a credit of 150 million euros due from the tax authorities. During 2018, the refunds requested in relation to 2016 credits were collected for approx. 102 million euros.

B) Transactions with Controlling Companies

Consolidated Corporate Income Tax (IRES) Return Filed by Transalpina di Energia Spa

With respect to the consolidated tax return, please refer to chapter 8. Taxation.

Intercompany current account by Transalpina di Energia Spa

At December 31, 2018, the current account established by Edison Spa with TdE had a debit balance for 5 million euros (4 million euros at December 31, 2017).

Cash-pooling with EDF Sa

At December 31, 2018, the current account established by Edison Spa with EDF Sa dedicated to the cash-pooling system, had a credit balance for 28 million euros (140 million euros at December 31, 2017).

Loan by EDF Sa

The two-year revolving credit line for a nominal amount of 600 million euros, granted in 2017, was entirely available at December 31, 2018.
Also recall that in December 2015 EDF Sa provided to Edison Spa with a medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at December 31, 2018 (unchanged with respect to December 31, 2017). Please note that in the course of the year, roughly 10 million euros was reclassified to “current financial payables”.

Other transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the year amounted to about 18 million euros (18 million euros at December 31, 2017) which includes, inter alia, an annual fee of around € 1 million for the use of the trademark. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies’ trend, generated net realised gains for 12 million euros (net realised losses of 10 million euros at December 31, 2017).

C) Transactions with other companies of EDF Group

The main transactions with other EDF Group companies are essentially commercial in nature and almost all with respect to EDF Trading Ltd.
Note that since September 1, 2017 a MASA (Trading Joint Venture and Market Access Services Agreement) cooperation agreement has been in force with EDF Trading Ltd, regarding proprietary trading activities as well as methods for exclusive access to the forward power market.
Also note that the item **other revenues and income** includes profit sharing with EDF Trading Ltd, a remuneration mechanism set forth in the MASA cooperation agreement mentioned above, for roughly 2 million euros.

11. OTHER INFORMATION

11.1 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the significant non-recurring event - described more extensively in the "Performance" chapter - was the transfer of the E&P business unit. The governance bodies of Edison Spa and Edison Exploration & Production Spa (Edison E&P), wholly owned and subject to the management and coordination of Edison Spa, approved, as of July 1, 2018, the spin-off of the business unit consisting of Edison Spa's E&P Division activities to the new company Edison E&P Spa.

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 2018, 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.

11.3 TREASURY SHARES

At December 31, 2018, Edison Spa owned no treasury shares.

11.4 COMPENSATION, STOCK OPTIONS AND EQUITY INVESTMENTS OF DIRECTORS, EXECUTIVES WITH STRATEGIC RESPONSIBILITIES AND STATUTORY AUDITORS

For information concerning:
- the compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the annual Compensation Report.

11.5 FEES OF THE INDEPENDENT AUDITORS

(Information pursuant to art. 149-duodiecies of the Consob Issuers' Regulations)

The statement below, drafted pursuant to art. 149-duodiecies of the Consob Issuers' Regulations, shows the consideration for the year 2018 for auditing services and for non-auditing services provided by the same auditing company and entities belonging to its network.

(amounts in euros)	Deloitte & Touche S.p.A.	Deloitte & Touche S.p.A. Network	**Deloitte & Touche S.p.A. Total**
Edison S.p.A.	**872.300**	**33.750**	**906.050**
Legal and accounting audit	759.120	0	759.120
Certification services	113.180	0	113.180
Other services	0	33.750	33.750
Group Companies (1)	**1.053.713**	**317.686**	**1.371.399**
Legal and accounting audit	984.896	272.610	1.257.506
Certification services	62.817	6.676	69.493
Other services	6.000	38.400	44.400
Total	**1.926.013**	**351.436**	**2.277.449**

(1) Subsidiaries and other companies consolidated line by line.

11.6 SUMMARY OF PUBLIC DISBURSEMENTS PURSUANT TO ART. 1, PARAGRAPHS 125-129, LAW NO. 124/2017

Law No. 124 of August 4, 2017 ("Annual market and competition law") introduced, in art. 1, paragraphs 125-129, new disclosure obligations to ensure transparency as regards public disbursements, both received and given.

Please note that no collections for the year 2018 arising from green certificates, feed-in tariffs, white certificates or the energy account were taken into consideration, as they all constitute a fee for supplies and services rendered.

The reporting approach to be followed is the "cash approach". In 2018, Edison Spa did not receive any contributions of the types referred to in Law No. 124 of August 4, 2017.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2018

There were no significant events that occurred after December 31, 2018.

Milan, February 14, 2019

The Board of Directors
by Marc Benayoun
Chief Executive Officer

LIST OF EQUITY INVESTMENTS

Investments in subsidiaries

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Atema DAC	Dublin Ireland (*)	EUR	1,500,000	0.50	100.000	3,000,000	1,381,681	-	1,381,681
Cellina Energy Srl (Sole shareholder)	Milan (*)	EUR	5,000,000	-	100.000	5,000,000	171,128,000	(168,000)	170,960,000
Dolomiti Edison Energy Srl	Trent	EUR	5,000,000	-	49.000	2,450,000	8,187,900	-	8,187,900
Edison Egypst Energy Service Jsc	New Cairo (Egypt)	EGP	-	-	-	-	10,404	-	10,404
Edison Energia Spa (Sole shareholder)	Milan (*)	EUR	40,000,000	1.00	100.000	40,000,000	192,376,125	(106,052,765)	86,323,360
Edison Energie Spa (Sole shareholder)	Milan (*)	EUR	2,100,000	10.00	100.000	210,000	-	-	-
Edison Engineering Sa	Athens (Greece)	EUR	260,001	3.00	100.000	86,667	260,001	(179,001)	81,000
Edison Exploration & Production SpA (Sole shareholder)	Milan (*)	EUR	500,000,000	1.00	100.000	500,000,000	-	-	-
Edison Hellas Sa	Athens (Greece)	EUR	263,700	2.93	100.000	90,000	187,458	(8,000)	179,458
Edison Idrocarburi Sicilia Srl (Sole shareholder)	Ragusa (*)	EUR	-	-	-	-	11,643,346	(18,000)	11,625,346
Edison International Spa (Sole shareholder)	Milan (*)	EUR	-	-	-	-	1,188,606,845	(1,084,685,845)	103,921,000
Edison International Holding NV	Amsterdam (Netherlands)	EUR	123,500,000	1.00	100.000	123,500,000	327,587,200	(304,615,902)	22,971,298
Edison Stoccaggio Spa (Sole shareholder)	Milan (*)	EUR	90,000,000	1.00	100.000	90,000,000	134,280,847	-	134,280,847
Edison Partecipazioni Energie Rinnovabili Srl	Milan	EUR	20,000,000	-	83.300	16,660,000	151,372,434	-	151,372,434
Euroil Exploration Ltd	London (England)	GBP	-	-	0.000	-	950	-	950
Fenice Qualità per l'ambiente Spa (Sole shareholder)	Rivoli (TO) (*)	EUR	330,500,000	100.00	100.000	3,305,000	246,994,680	-	246,994,680
Frendy Energy SpA	Milan	EUR	14,829,312	0.25	72.930	43,259,978	14,369,262	-	14,369,262
Jesi Energia Spa	Milan (*)	EUR	5,350,000	1.00	70.000	3,745,000	15,537,145	(11,432,445)	4,104,700
Idroelettrica Brusson Srl (Sole shareholder)	Courmayeur (AO) (*)	EUR	20,000	-	100.000	20,000	-	-	-
Idroelettrica Cervino Srl (Sole shareholder)	Courmayeur (AO) (*)	EUR	100,000	-	100.000	100,000	-	-	-
Infrastrutture Distribuzione Gas Spa (Sole shareholder)	Selvazzano Dentro (PD) (*)	EUR	460,000	1.00	100.000	460,000	38,512,802	-	38,512,802
Nuova Alba Srl (Socio unico)	Milan (*)	EUR	2,016,457	-	100.000	2,016,457	34,669,151	(32,066,069)	2,603,082
Nuova Cisa Spa in liquidation (Sole shareholder)	Milan (*)	EUR	1,549,350	1.00	100.000	1,549,350	3,500,109	(1,086,596)	2,413,513
Sistemi di Energia Spa	Milan (*)	EUR	10,083,205	1.00	88.276	8,901,029	4,249,906	4,150,094	8,400,000
Società Generale per Progettazioni Cons. e Part. Spa (extraordinary administration)	Rome	LIT	300,000,000	10,000.00	59.333	17,800	1	-	1
Società Idroelettrica Calabrese Srl (Sole shareholder)	Milan (*)	EUR	10,000	-	100.000	10,000	430,000	(330,000)	100,000
Tremonti Srl	Milan (*)	EUR	100,000	1.00	100.000	100,000	-	-	-
Termica Cologno Srl	Milan (*)	EUR	1,000,000	-	65.000	650,000	2,819,782	-	2,819,782
Total Investments in subsidiaries							**2,548,106,029**	**(1,536,492,529)**	**1,011,613,500**

(A) Amounts in euros.
(*) Company subject to management and coordination by Edison Spa.
(**) As per 2018 financial statement drafted to Board of Directors where already available; alternatively last approved financial statement.

The currency codes used are consistent with the ISO 4217 International Standard.
BRL Brazilian real CHF Swiss franc EGP Egyptian pound EUR Euro GBP British pound USD U.S. dollar

Changes during the year (A)							Eding value at December 31, 2018 (A)						
Additions	Disposals	Advance on (Distribution of) capital and reserves	Coverage of loss	Revaluations (Writedowns)	Conveyance	Other changes	Cost	Revaluations (Writedowns)	Net present value recorded in the balance sheet	S.E. last financial statements (**)	Pro rata interest in S.E. (**)	Net result last fin. statements (**)	Pro rata interest in net result (**)
-	-	-	-	-	-	-	1,381,681	-	1,381,681	1,704,626	1,704,626	(77,255)	(77,255)
-	-	-	-	-	-	-	171,128,000	(168,000)	170,960,000	184,734,434	184,734,434	5,531,939	5,531,939
-	-	-	-	-	-	-	8,187,900	-	8,187,900	26,402,823	12,937,383	2,387,140	1,169,699
-	-	-	-	-	(10,404)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	192,376,125	(106,052,765)	86,323,360	84,485,693	84,485,693	12,868,610	12,868,610
193,190,608	-	-	-	-	-	-	193,190,608	-	193,190,608	26,719,284	26,719,284	5,922,690	5,922,690
-	-	-	-	(12,000)	-	-	260,001	(191,001)	69,000	69,625	69,625	(20,921)	(20,921)
-	-	300,000	-	-	862,000,000	-	862,300,000	-	862,300,000	865,654,192	865,654,192	(5,486,855)	(5,486,855)
-	-	-	-	-	-	-	187,458	(8,000)	179,458	520,920	520,920	43,869	43,869
-	-	-	-	-	(11,625,346)	-	-	-	-	-	-	-	-
-	-	850,000,000	-	(29,938,100)	(923,982,900)	-	-	-	-	-	-	-	-
-	-	119,000,000	-	(13,915,000)	-	-	446,587,200	(318,530,902)	128,056,298	129,305,907	129,305,907	(9,084,073)	(9,084,073)
-	-	-	-	-	-	-	134,280,847	-	134,280,847	175,964,962	175,964,962	24,648,232	24,648,232
-	-	-	-	-	-	-	151,372,434	-	151,372,434	143,013,913	119,130,590	6,314,002	5,259,564
-	(950)	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	246,994,680	-	246,994,680	326,509,920	326,509,920	7,224,611	7,224,611
339,130	-	-	-	(606,000)	-	-	14,708,392	(606,000)	14,102,392	17,993,343	13,122,545	(583,569)	(425,597)
-	-	-	-	(176,000)	-	-	15,537,145	(11,608,445)	3,928,700	5,628,335	3,939,835	(405,613)	(283,929)
2,008,641	-	-	-	-	-	-	2,008,641	-	2,008,641	625,165	625,165	72,571	72,571
10,669,245	-	-	-	-	-	-	10,669,245	-	10,669,245	1,925,539	1,925,539	142,879	142,879
-	-	-	-	-	-	-	38,512,802	-	38,512,802	36,477,964	36,477,964	6,652,001	6,652,001
-	-	-	-	(392,327)	-	-	34,669,151	(32,458,396)	2,210,755	2,210,809	2,210,809	(391,687)	(391,687)
-	-	-	-	-	-	-	3,500,109	(1,086,596)	2,413,513	3,835,913	3,835,913	(522,574)	(522,574)
150,300	-	-	-	-	-	-	4,400,206	4,150,094	8,550,300	18,984,540	16,758,793	4,527,056	3,996,304
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	(50,000)	-	-	430,000	(380,000)	50,000	96,176	96,176	48,706	48,706
-	-	100,000	-	-	-	-	100,000	-	100,000	91,157	91,157	(8,843)	(8,843)
-	-	-	-	-	-	-	2,819,782	-	2,819,782	5,386,298	3,501,094	14,000	9,100
206,357,924	**(950)**	**969,400,000**	**-**	**(45,089,427)**	**(73,618,650)**	**-**	**2,535,602,408**	**(466,940,011)**	**2,068,662,397**				

LIST OF EQUITY INVESTMENTS (continued)

Investments in joint ventures and affiliated companies

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Depositi Italiani GNL Spa (1)	Ravenna (RM)	EUR	20,000,000	100.00	49.000	98,000	-	-	-
EDF En Services Italia Srl	Bologna	EUR	10,000	-	30.000	3,000	536,400	-	536,400
EL.I.T.E. Spa	Milan	EUR	3,888,500	1.00	48.449	1,883,940	1,883,940	-	1,883,940
Ibiritermo Sa	Ibiritè (Brazil)	BRL	7,651,814	1.00	50.000	3,825,907	1,161,904	-	1,161,904
Iniziativa Universitaria 1991 Spa	Varese	EUR	16,120,000	520.00	32.258	10,000	4,405,565	(378,938)	4,026,627
Kraftwerke Hinterrhein (KHR) Ag (2)	Thusis (Switzerland)	CHF	100,000,000	1,000.00	20.000	20,000	11,362,052	-	11,362,052
Nuova ISI Impianti selez.inerti Srl in bankruptcy	Vazia (RI)	LIT	150,000,000	-	33.333	50,000,000	1	-	1
Prometeo Spa	Osimo (AN)	EUR	2,826,285	1.00	20.905	590,835	4,221,289	(2,677,504)	1,543,785
Syremont Spa	Rose (CS)	EUR	1,325,000	1.00	22.642	300,000	400	-	400
Soc.Svil.Realizz. e Gest.Gasdotto Algeria-Italia via Sardegna Spa - Galsi SpA	Milan	EUR	37,419,179	1.00	23.529	8,804,516	24,164,757	(24,164,756)	1
Total Investments in joint ventures and affiliated companies							**47,736,308**	**(27,221,198)**	**20,515,110**
Total Equity investments							**2,595,842,337**	**(1,563,713,727)**	**1,032,128,610**

(A) Amounts in euros.
(*) Company subject to management and coordination by Edison Spa.
(1) Company established on 23 November 2018.
(2) Financial statements approved as of 30 September 2018.
(**) As per 2018 financial statement drafted to Board of Directors where already available; alternatively last approved financial statement.

The currency codes used are consistent with the ISO 4217 International Standard.
BRL Brazilian real | CHF Swiss franc | EGP Egyptian pound | EUR Euro | GBP British pound | USD U.S. dollar

Changes during the year (A)							Eding value at December 31, 2018 (A)						
Additions	Disposals	Advance on (Distribution of) capital and reserves	Coverage of loss	Revaluations (Writedowns)	Conveyance	Other changes	Cost	Revaluations (Writedowns)	Net carrying amount	S.E. last financial statements (**)	Pro rata interest in S.E. (**)	Net result last fin. statements (**)	Pro rata interest in net result (**)
514,500	-	3,537,800	-	-	-	-	4,052,300	-	4,052,300	-	-	-	-
-	-	-	-	-	-	-	536,400	-	536,400	10,186,800	3,056,040	3,720,302	1,116,091
-	-	-	-	-	-	-	1,883,940	-	1,883,940	6,428,484	3,114,536	334,623	162,121
-	-	-	-	-	-	-	1,161,904	-	1,161,904	47,037,177	23,518,589	9,768,683	4,884,342
-	-	-	-	-	-	-	4,405,565	(378,938)	4,026,627	13,388,558	4,318,881	137,607	44,389
-	-	-	-	-	-	-	11,362,052	-	11,362,052	107,370,195	21,474,039	1,325,557	265,111
-	-	-	-	-	-	-	1	-	1	-	-	-	-
-	-	-	-	-	-	-	4,221,289	(2,677,504)	1,543,785	16,320,073	3,411,711	1,265,073	264,464
-	-	-	-	-	-	-	400	-	400	-	-	-	-
-	-	-	-	-	-	-	24,164,757	(24,164,756)	1	79,153,639	18,624,060	(543,855)	(127,964)
514,500	**-**	**3,537,800**	**-**	**-**	**-**	**-**	**51,788,608**	**(27,221,198)**	**24,567,410**				
206,872,424	**(950)**	**972,937,800**	**-**	**(45,089,427)**	**(73,618,650)**	**-**	**2,587,391,016**	**(494,161,209)**	**2,093,229,807**				

LIST OF EQUITY INVESTMENTS (continued)

Fixed equity investments valued at fair value through profit or loss

			Share capital		Shares or par value interests held		Initial value (A)		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value	Cost	Revaluations (Writedowns)	Net carrying amount
Emittenti Titoli Spa in liquidation	Milan	EUR	-	-	-	-	-	-	-
European Energy Exchange Ag - EEX	Leipzig (Germany)	EUR	60,075,000	1.00	0.505	303,106	-	-	-
FCA Security S.c.p.a. ex Sirio Sicurezza Industriale Scpa	Turin	EUR	152,520	1.00	0.250	382	-	-	-
I.SV.E.UR. Spa in liquidation	Rome	EUR	2,500,000	1,000.00	1.000	25	-	-	-
MIP Politecnico di Milano Graduate School of Business Scpa	Milan	EUR	378,000	1.00	3.175	12,000	-	-	-
Nomisma - Società di studi economici Spa	Bologna	EUR	6,963,499	0.24	1.096	320,000	-	-	-
Reggente Spa	Lucera (FG)	EUR	260,000	0.52	5.209	26,043	-	-	-
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome	EUR	154,950	51.65	12.600	378	-	-	-
ACSM - AGAM Spa	Monza	EUR	-	-	-	-	-	-	-
American Superconductor	Devens (United States)	USD	212,281	0.01	0.075	16,000	-	-	-
Total Long-term investments valued at fair value through profit or loss							**-**	**-**	**-**

(A) Amounts in euros.
(*) Reclassification from investments available for sale and trading holdings (IFRS 9).

The currency codes used are consistent with the ISO 4217 International Standard.
EUR Euro USD U.S. dollar

Changes during the year (A)						Eding value at December 31, 2018 (A)		
Additions	Disposals	Advance on (Distribution of) capital and reserves	Revaluations (Writedowns)	Reclassification (*)	Other changes	Cost	Revaluations (Writedowns)	Net present value recorded in the balance sheet
-	-	-	-	1	(1)	-	-	-
-	-	-	-	680,500	-	680,500	-	680,500
-	-	-	-	288	-	288	-	288
-	-	-	-	5,620	-	5,620	-	5,620
-	-	-	-	12,000	-	12,000	-	12,000
-	-	-	-	75,080	-	479,473	(404,393)	75,080
-	-	-	-	13,450	-	13,450	-	13,450
-	-	-	-	1	-	1	-	1
-	(3,434,304)	-	-	3,434,304	-	-	-	-
-	-	-	107,380	48,428	-	4,975,111	(4,819,303)	155,808
-	**(3,434,304)**	**-**	**107,380**	**4,269,672**	**(1)**	**6,166,443**	**(5,223,696)**	**942,747**

LIST OF EQUITY INVESTMENTS (continued)

Available-for-sale investments

			Share capital	Shares or par value interests held		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value
Emittenti Titoli Spa in liquidation	Milan	EUR	4,264,000	0.52	3.890	319.000
European Energy Exchange Ag - EEX	Leipzig (Germany)	EUR	60,075,000	1.00	0.505	303.106
FCA Security S.c.p.a. ex Sirio Sicurezza Industriale Scpa	Turin	EUR	152,520	1.00	0.250	382
I.SV.E.UR. Spa in liquidation	Rome	EUR	2,500,000	1.000.00	1.000	25
MIP Politecnico di Milano Graduate School of Business Scpa	Milan	EUR	378,000	1.00	3.175	12.000
Nomisma - Società di studi economici Spa	Bologna	EUR	6,963,499	0.24	1.096	320.000
Reggente Spa	Lucera (FG)	EUR	260,000	0.52	5.209	26.043
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome	EUR	154,950	51.65	12.600	378
Total Available-for-sale investments						

(A) Amounts in euros.
(*) Reclassification between long-term investments valued at fair value through profit or loss (IFRS 9).

Investments held for trading

			Share capital	Shares or par value interests held		
Company	Head office	Curr.	Amount	Par value per share	%	Number or par value
ACSM - AGAM Spa	Monza	EUR	76,619,105	1.00	1.942	1,488,000
American Superconductor	Devens (United States)	USD	212,281	0.01	0.075	16,000
Total Investments held for trading						

(A) Amounts in euros.
(*) Reclassification between long-term investments valued at fair value through profit or loss (IFRS 9).

The currency codes used are consistent with the ISO 4217 International Standard.
EUR Euro USD U.S. dollar

Initial value (A)			Changes during the year (A)	Eding value at December 31, 2018 (A)		
Cost	Revaluations (Writedowns)	Net carrying amount	Reclassification (*)	Cost	Revaluations (Writedowns)	Net carrying amount
1	-	1	(1)	-	-	-
680,500	-	680,500	(680,500)	-	-	-
288	-	288	(288)	-	-	-
5,620	-	5,620	(5,620)	-	-	-
12,000	-	12,000	(12,000)	-	-	-
479,473	(404,393)	75,080	(75,080)	-	-	-
13,450	-	13,450	(13,450)	-	-	-
1	-	1	(1)	-	-	-
1,191,333	**(404,393)**	**786,940**	**(786,940)**	**-**	**-**	**-**

Initial value (A)			Changes during the year (A)	Eding value at December 31, 2018 (A)		
Cost	Mark to market	Net carrying amount	Reclassification (*)	Cost	Mark to market	Net carrying amount
5,360,000	(1,925,696)	3,434,304	(3,434,304)	-	-	-
4,975,111	(4,926,683)	48,428	(48,428)	-	-	-
10,335,111	**(6,852,379)**	**3,482,732**	**(3,482,732)**	**-**	**-**	**-**

MOTION FOR A RESOLUTION

Dear Shareholders,

Your Company's separate financial statements at December 31, 2018 show a profit of 55,159,079.35 euros.
If you concur with the criteria adopted to prepare the financial statements and the accounting principles and methods applied, we recommend that you adopt the following resolutions.

First resolution

"The Shareholders' Meeting,

- having reviewed the Company's separate financial statements and the Group's consolidated financial statements at December 31, 2018, the Report on Operations submitted by the Board of Directors and the Report on Corporate Governance and the Company's Ownership Structure, as well as the consolidated non-financial statement;
- considering the Report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to art. 153 of Legislative Decree No. 58/1998 (TUF);
- considering the Reports of the Independent Auditors on the separate and consolidated financial statements at December 31, 2018;

resolves

- to approve the Company's separate financial statements for the year ended December 31, 2018, as a whole, and the individual items contained therein, which show a profit of 55,159,079.35 euros, rounded to 55,159,079 in the financial statements"

Second resolution

"The Shareholders' Meeting,

- acknowledging that the separate financial statements for the year ended December 31, 2018, approved by this Shareholders' Meeting, show a profit of 55,159,079.35 euros;
- taking into account the provisions of Article 2430 of the Italian Civil Code, concerning the statutory reserve and of Article 2433 of the Italian Civil Code, concerning the distribution of profits;
- having regard to the carried-forward losses of previous years and the existing reserves;

resolves

- to allocate the net profit for year 2018 as follows:
  - 5% for a total of 2,757,953.97 euros: statutory reserve
  - the profit remaining after the partial utilization for the allocation to the statutory reserve, as per the item above, equal to 52,401,125.38 euros: reserve for profits carried forward

Milan, February 14, 2019

On behalf of the Board of Directors
The Chief Executive Officer

Marc Benayoun

CERTIFICATION OF THE ANNUAL FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. The undersigned Marc Benayoun, as "Chief Executive Officer", Didier Calvez and Roberto Buccelli, as "Officers appointed to prepare the Company's accounting documents" of Edison Spa, also taking into account that specified by 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 the administrative and accounting procedures for drawing up the financial statements during the period ranging from January 1 to December 31, 2018.

2. We further certify that:

   2.1 the financial statements:

      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 Report on Operations includes a reliable analysis of the trend and of the operating profit, the situation of the issuer and of all of the consolidated companies, together with the description of the major risks and uncertainties to which they are exposed.

Milan, February 14, 2019

The Chief Executive Officer

Marc Benayoun

The Officers appointed to prepare
the Company's accounting documents
Didier Calvez
Roberto Buccelli

REPORT OF THE INDEPEDENT AUDITORS

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
EDISON S.p.A.

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Edison S.p.A. ("Company" or "Edison"), which comprise the balance sheet as at December 31, 2018, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in shareholders' equity for the year then ended and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the balance sheet of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA Italia"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Edison S.p.A. in accordance with the ethical requirements applicable under Italian Law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon; therefore, we do not provide a separate opinion on these matters.

Impairment test on goodwill, intangible assets, property, plant and equipment and equity investments

Description of the key audit matter	The Company accounts for goodwill, for euros 1.707 million (21% of total assets in the separate financial statements at December 31, 2018), property, plant and equipment, for euros 1.201 million, intangible assets, for euros 72 million, and equity investments, for euros 2.093 million. Considering the strategic and organizational choices taken by the Company, goodwill was allocated to two different groups of cash generating units (from now on "CGUs"): "Electric Power Operations" and "Hydrocarbons Operations".

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The impairment test first requires verification that the carrying amounts of the CGUs, excluding goodwill, do not exceed the recoverable amounts and, subsequently, an analysis that the carrying amounts, including the goodwill allocated to the Electric Power Operations and to the Hydrocarbons Operations. Finally, the Company analyses the carrying amount of assets as a whole (second level impairment test). The preparation of impairment test is carried out with the aid of an external appraiser, who estimates the recoverable amount as "value in use". Such evaluation is based on the asset's capability of generating future cash flows. The impairment test on the equity investments, on the other hand, requires a comparison of the carrying amount of the participated company and the corresponding net assets, including the effects of the impairment test described above. Taking into account this comparison, as well as the recoverable amount of the CGU, the Company determines the value that the investment is accounted for.

The outcome of the impairment test implied to recognize write-downs for a total amount of euros 45 million, related to the carrying amount of equity investments attributable to Hydrocarbons Operations.

The impairment process carried out by the Management is complex since it includes several assumptions regarding the forecasted future cash flows from CGUs, the definition of an appropriate discount rate (WACC) and of a long-term growth rate (g-rate). In order to determine the recoverable amounts, the Company took into account cash flows as reported in:

- the 2019 Budget, approved by the Board of Directors on December 7, 2018.
- The medium-term forecasts, 2020-2022, presented to the Board of Directors during the meeting mentioned above.
- The long-term forecasts elaborated by Management.

Such assumptions are affected by future expectations on market conditions. The most relevant of these variables in determining cash flows are:

- the different scenarios with reference to electricity prices (PUN) and the resulting margins (Spark spread), the evolution of Italian sectorial legislation, with specific regard to the regulation and incentivisation for electricity producers (capacity payment) and the trends of national demand for electricity, for the activities related to Electric Power Operations;
- the scenarios regarding oil commodities, natural gas and Euro/USD exchange rate, for the activities related to Hydrocarbon Operations;
- the long-term discount and growth rates.

Considering the relevant value of assets accounted for within the financial statements, and the subjectivity of estimates used to determine future cash flows, as well as the key variables described above, we considered the impairment test to be a key audit matter for the Company's separate financial statements.

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The paragraphs "1.2 Other valuation criteria applied" and "5.1.5 Impairment test in accordance with IAS 36 applied to the value of goodwill, property, plant and equipment and other intangibles" and "5.2 Equity investments" within the separate financial statements, report information on the impairment test, on the write-downs of equity instruments and on the variations of the key variables used in implementing the impairment test.

Audit procedures performed

We first examined how the Management determined the value in use of the CGUs and the equity investments, taking into account procedures and assumptions on which the impairment test is based.

In particular, we carried out the following procedures, with assistance of experts:

- understanding of relevant controls carried out by the Company on the implementation of the impairment test on goodwill, intangible assets, property, plant and equipment and equity investments;
- assessment of the reasonableness of main assumptions used to forecast the cash flows, also through analysis of sector-based data (for example national demand, estimates on Gross Domestic Product growth, national energetic strategy) and collection of other relevant information for us obtained by the Management;
- analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process;
- assessment of the reasonableness of the discount rate (WACC) and the growth rate (g-rate);
- assessment of mathematical accuracy of the model used to determine the value in use of CGUs and equity investments;
- verification of the correct determination of the carrying amount of CGUs, of the groups of CGUs related to Electric Power Operations and Hydrocarbon Operations, of the assets as a whole and of equity investments;
- assessment of the sensitivity analysis implemented by Management;
- assessment of compliance with applicable accounting standards, over the procedures implemented by Management for the impairment test on goodwill, on intangible assets, on property, plant and equipment and on equity investments;
- assessment of compliance with applicable accounting standards over the information disclosed by the Company with reference to the impairment test.

Revenue recognition – Commodities supplied between the last metering and the reporting date

Description of the key audit matter

Revenues arising from the sale of electricity and gas, amounting to euros 6.797 million, are recognized and accounted for at the moment in which the service is delivered. At the end of the fiscal year, they include the estimated revenues related to commodities supplied between the date of last metering of actual consumption and the reporting date. Such revenues are determined through the estimate of the daily consumption of each customer, taking into account historical trends, as well as the atmospheric conditions and other factors that may affect consumption.

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	We concluded that the process of determining such revenues constitutes a key audit matter for the Company's separate financial statements at December 31, 2018 considering: i) discretion embedded in the nature of the recognitions; ii) relevance of these accounts; iii) high number of transactions concerning final clients; iv) effort necessary to implement the related audit procedures, which require the cooperation of expert and specialized personnel. The paragraph "1.2 Other valuation criteria applied" within the separate financial statements, reports the information of the revenue recognition principles implemented by the Company.
Audit procedures performed	The audit procedures on revenue estimates related to the services delivered between the date of last inspection and the reporting date included: • analysis of IT procedures, implemented by the Company in order to determine the amount of commodities supplied, and of the related algorithm, with the support of our IT specialists; • observation of the main controls implemented by the Company to mitigate the risk of incorrect recognition and verification of the operating effectiveness of such controls. Also, these procedures were carried out with the support of our IT specialists; • sample based verifications aimed to ensure the completeness and accuracy of the data used by Management to determine the above mentioned estimates; • assessment, on a sample basis, of the process through which consumption in estimated. Verification of the application of correct tariffs; • analysis of the main parameters, related to consumptions, used to estimate the revenues; • analysis of actual data and comparison with estimated data in order to understand the nature of differences and the reliability of the process through which recognitions are determined; • Assessment of compliance with accounting standards on revenue recognition of the information disclosed.

Estimates of provision for decommissioning and remediation of industrial sites, provisions for risks and charges, provision for income tax liabilities and provisions for risks and charges for non Energy activities

Description of the key audit matter	The provisions accounted for in the separate financial statements at December 31, 2018 include provision for decommissioning and remediation of industrial sites amounting to euros 64 million, provisions for risks and charges amounting to euros 70 million, provision for income tax liabilities amounting to euros 29 million and provisions for risks and charges for non Energy activities amounting to euros 251 million.

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	Within the account, provisions for decommissioning and remediation of industrial sites (from now on also "decommissioning") are included. The valuation of future liabilities for decommissioning and remediation for industrial sites obligations is a complex process, based on technical and financial hypothesis of Management, using, if necessary, an evaluation issued by external specialists as a support. Such liabilities represent estimated costs for decommissioning and remediation of industrial sites that the Company will have to pay when the production activities cease in order to restore the environmental conditions as required by the applicable regulation. Provisions for other risks and charges 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. With regard to provisions for legal and tax litigations, as mentioned in the notes, the Company has been involved in certain judicial procedures. Estimates produced by Management are accounted for in the accounts – "Provisions for risks and charges", "Provision for income tax liabilities" and "Provisions for risks and charges for non Energy activities". Among the different types of procedures, those related to environmental issues are characterized by highly complex estimates on liabilities and on uncertainties deriving from Edison S.p.A. being part of several types of judicial procedures as successor of Montedison S.p.A., which was incorporated within the Edison S.p.A. itself. With specific reference to provisions related to the chemical production sites which were part of the Montedison group and were included in the large disposal program that brought to the reconversion of the Edison's activities in the energy sector, the current accruals are determined as a residual part of the amount initially recognized for each controversy, taking into account the complexity and diversity of the judicial cases, as well as the uncertainty regarding the final outcomes. The amount and adjournment of these provisions are periodically tested with reference to the aspects that have been mentioned; the same procedure is generally implemented for all the other legal risk provisions. Considering the complexity of the ongoing procedures, the uncertainties regarding the estimation and magnitude of possible effects on the balance sheet, as well as on the income and cash flow statements, this topic was considered as a key audit matter. The paragraphs "1.2 Other valuation criteria applied", "5.3 Provisions for risks and employee benefits", "5.4 Contingent assets and liabilities", "8.3.3 Provisions for tax risks (for income taxes)" and chapter "9. Non-Energy activities" within the separate financial statements deal with all the information about provisions and tax litigations.
Audit procedures performed	Our audit procedures included: • understanding the relevant controls implemented by the Company in order to identify, initially evaluate and monitor proceedings and investigations at different organizational levels; • understanding the relevant controls implemented by the Company in order to identify, initially evaluate and update the provisions;

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- assessment of the compliance of the Management's estimates with the applicable accounting standards;
- analysis of criteria and assumptions used by Management in estimating the provisions;
- assessment of the accuracy and completeness of data used for the estimates;
- information collection from the Company's external legal and fiscal consultants, as well as from the internal legal office;
- analysis of relevant documentation, including the minutes of the Board of Directors meetings, the arrangements with third parties and the monitoring schedules issued by the Company;
- analysis of subsequent events up to the date of our report;
- assessment of adequacy about the information disclosed in the notes with reference to such procedures in compliance with accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05 and, within the terms established by Law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Edison S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by Law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional skepticism throughout the audit. Moreover:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, we designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- We concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and we informed them about any relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Edison S.p.A. has appointed us on April 26, 2011 as auditors of the Company for the years from December 31, 2011 to December 31, 2019.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Edison S.p.A. as at December 31, 2018, including its consistency with the related financial statements and its compliance with the Law.

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We have carried out the procedures set forth in the Auditing Standard (ISA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Edison S.p.A. as at December 31, 2018 and on its compliance with the Law, as well as to make a statement about any eventual material misstatements.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the financial statements of Edison S.p.A. as at December 31, 2018 and are prepared in accordance with the Law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the company and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Matteo Ogliari
Partner

Milan, Italy,
February 20, 2019

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

This document is also available on the
Company website: www.edison.it

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and its wide implications on contemporary
culture and society

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