SEMIANNUAL REPORT

AT JUNE 30, 2017

CONTENT

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

HIGHLIGHTS OF THE GROUP

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

2016 full year	**Income statement highlights** (millions of euros)	**First half 2017**	First half 2016	% change
11,034	Sales revenues	4,968	5,468	*(9.1%)*
653	EBITDA	426	340	*25.3%*
5.9%	*% of sales revenues*	*8.6%*	*6.2%*	-
(260)	EBIT	19	21	*(9.5%)*
n.m.	*% of sales revenues*	*0.4%*	*0.4%*	-
(389)	Profit (Loss) attributable to Parent Company shareholders	(140)	(67)	*n.m.*
12.31.2016	**Balance Sheet highlights** (millions of euros)	**06.30.2017**	06.30.2016	% change
337	Capital expenditures	153	146	*4.8%*
68	Investments in exploration	42	41	*2.4%*
7,327	Net invested capital (A + B)(1)	6,884	7,337	*(6.0%)*
1,062	Net financial debt (A) (1)(2)	780	1,067	*(26.6%)*
6,265	Total shareholders' equity (B)(1)	6,104	6,270	*(2.6%)*
5,955	Shareholders' equity attributable to Parent Company shareholders (1)	5,817	5,922	*(2.3%)*
	Rating	**06.30.2017**	12.31.2016	
	Standard & Poor's			
	- M/L Term Rating	BB+	BB+	
	- M/L Term Outlook	Stable	Stable	
	- S/T Rating	B	B	
	Moody's			
	-Rating	Baa3	Baa3	
	- M/L Term Outlook	Stable	Stable	
12.31.2016	**Key indicators**	**06.30.2017**	06.30.2016	% change
0.17	Debt / Equity ratio (A/B)	0.13	0.17	
14%	Gearing (A/A+B)	11%	15%	
4,949	Number of employees (1) (3)	5,017	5,047	*1.4%*

(1) End-of-period data. Changes are calculated with respect to December 31, 2016.
(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.
(3) Year-end data for companies consolidated line by line.

2016 full year	**Operational data**	**First half 2017**	First half 2016	% change
20.4	Net production of electric power (Twh)	10.0	9.1	*10.1%*
11.6	Sales of electric power to end users (TWh)	5.2	5.9	*(12.9%)*
14.6	Gas imports (bn m^3)	7.5	7.3	*3.2%*
21.9	Total net gas sales in Italy (bn m^3)	10.7	10.5	*1.1%*
1,059	Locations served power and gas (thousands)	1,048	1,097	*(4.5%)*
16.1	Hydrocarbon production in Italy and abroad (Mboe)	8.4	8.4	-

INFORMATION ABOUT THE EDISON SHARES

Shares at June 30, 2017	number	price
Common shares	5,266,845,824	(*)
Savings shares	110,154,847	0.8399

Shareholders with significant holdings at June 30, 2017	% of voting rights	% interest held
Transalpina di Energia Spa [1]	99.484%	97.446%

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

CORPORATE GOVERNANCE BODIES

At June 30, 2017		
Board of Directors [1]		
Chairman		Jean-Bernard Lévy [2]
Chief Executive Officer		Marc Benayoun [3]
Directors		Marie-Christine Aulagnon [4]
		Béatrice Bigois [5]
	Independent Director	Paolo Di Benedetto [6]
	Independent Director	Gian Maria Gros-Pietro [7]
		Sylvie Jéhanno [8]
	Independent Director	Nathalie Tocci [9]
		Nicole Verdier-Naves [10]
Secretary to the Board of Directors		Lucrezia Geraci
Board of Statutory Auditors [11]		
Chairperson		Serenella Rossi
Statutory Auditors		Lorenzo Pozza
		Gabriele Villa
Independent Auditors [12]		Deloitte & Touche Spa

(1) Elected by the Shareholders' Meeting on March 22, 2016 for a three-year period ending with the Shareholders' Meeting convened to approve the 2018 financial statements.
(2) Confirmed as Director and Chairperson by the Shareholders' Meeting on March 22, 2016.
(3) Confirmed as Director by the Shareholders' Meeting on March 22, 2016 and as Chief Executive Officer by the Board of Directors on March 22, 2016.
(4) Elected as Director by the Shareholders' Meeting on March 22, 2016. Member of the Control and Risk Committee.
(5) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Chairperson of the Control and Risk Committee.
(6) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Chairperson of the Compensation Committee and member of the Control and Risk Committee, the Committee of Independent Directors and the Oversight Board.
(7) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Chairperson of the Committee of Independent Directors, Lead Independent Director and member of the Control and Risk Committee, the Compensation Committee and the Oversight Board.
(8) Elected as Director by the Shareholders' Meeting on March 22, 2016.
(9) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Member of the Compensation Committee and the Committee of Independent Directors.
(10) Confirmed as Director by the Shareholders' Meeting of March 22, 2016. Member of the Compensation Committee.
(11) Elected by the Shareholders' Meeting of March 30, 2017 for a three-year period ending with the Shareholders' Meeting convened to approve the 2019 financial statements.
(12) Audit engagement awarded by the Shareholders' Meeting on April 26, 2011 for the nine-year period from 2011 to 2019.

SEMIANNUAL REPORT ON OPERATIONS

AT JUNE 30, 2017

KEY EVENTS

Edison teams up with Comat Energia to enter the district heating sector in Piedmont

On March 1, 2017, Edison launched into the urban biomass district heating sector, acquiring the majority share (51%) of Comat Energia, the Comat group company operating in 50 mountain communities across Piedmont. The operation is part of Edison's strategy to develop the energy and environmental services sector as it pursues a market leadership position in Italy in this segment too, offering integrated services covering all sectors, from industry to the voluntary sector and public administration.

Comat Energia operates in the heating and woody biomass district heating sector through around 100 heat production plants.

Edison enters the home services market

On March 2, 2017, Edison purchased 51% of Assistenza Casa, the Italian company of the international HomeServe group, which holds the remaining 49% of the capital.

Assistenza Casa, established in 2010, numbers more than 50 employees, boasting a network of around 1,400 artisans across Italy and approximately three hundred thousand customers.

Thanks to this operation, Edison will be able to offer its customers repairs of electrical, gas and hydraulic systems, the installation and maintenance of boilers and air conditioning units, as well as the installation of remote-controlled smart systems connected to the internet (Internet of Things).

These home services are an integral part of the new Edison World platform that was unveiled to the market late March, offering customers innovative smart home services and offering assistance in the home and control over consumptions.

Gazprom, DEPA and Edison sign an Agreement of Cooperation on the southern route for Russian gas supplies to Europe

On June 2, 2017, Gazprom, Edison and DEPA signed a Cooperation Agreement at the St. Petersburg International Economic Forum 2017.

The agreement envisages joint efforts aimed at establishing a southern route for Russian gas supplies from Russia to Europe, which will run across Turkey and Greece to Italy. The three companies will coordinate the development and implementation of the TurkStream project and of the Poseidon project from the Turkish/Greek border to Italy, in full compliance with relevant applicable legislative framework. In addition, the Agreement formalizes the arrangements on expanding cooperation in the field of Russian gas deliveries.

Edison inaugurated Pizzighettone hydroelectric plant

On June 28, 2017, Edison inaugurated its hydroelectric plant in Pizzighettone (CR), on the Adda River, confirming its view that developing renewables is key to the company's growth. The Pizzighettone plant, a mini run-of-river hydroelectric installation with a capacity of 4.3 MW, blends perfectly into the landscape of South Adda Park, thanks to its underground structure and special passage that allows fish to swim upstream.

The plant can generate an average of 18 million KWh a year. The sustainable energy generated by the water is equivalent to the annual consumption of about 6,000 households and prevents the release of approximately 8,000 tons of carbon dioxide into the atmosphere.

Significant Events Occurring After June 30, 2017

Information about events occurring after the end of the reporting year subject of this Report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Significant Events Occurring After June 30 2017".

EXTERNAL CONTEXT

Economic Framework

The second quarter of 2017 confirms the international recovery already recorded in the first three months of the year. As had not been the case for some time, both advanced and emerging countries contributed to this. There has also been a speeding up of world trade, boosted by the recovery of investments, which constitute a very positive factor indeed, as they feed demand and increase growth potential, prolonging the economic expansion phase. Other positive signs can be found in the rise in trust, confirmed by the higher stock exchange listings and the optimism of businesses, which is back to pre-crisis peak levels in the advanced economies, and the distancing of fears that had reared their head a year ago, in connection with a possible deflation.

Some doubts remain, however, as to the strength and duration of the recovery; these include the weak trend of oil prices and that of other commodities, as well as elements such as the protectionist approach taken by President Trump, the spread of populism, albeit staved somewhat by the political elections in the Netherlands and France, geo-political tension and the threat of terrorist attacks that have led to an increase in instability and political uncertainty.

Overall, in these first six months of 2017, world growth appears more widespread and less driven by the United States, where consumption and the real estate sector appear to be supported by the good trends of employment and family budgets. The situation of full employment of the labor market is, in fact, ever closer, with the unemployment rate now standing at 4.3% (the lowest since March 2001), driving towards a rise in salaries and feeding residential investments and private consumption.

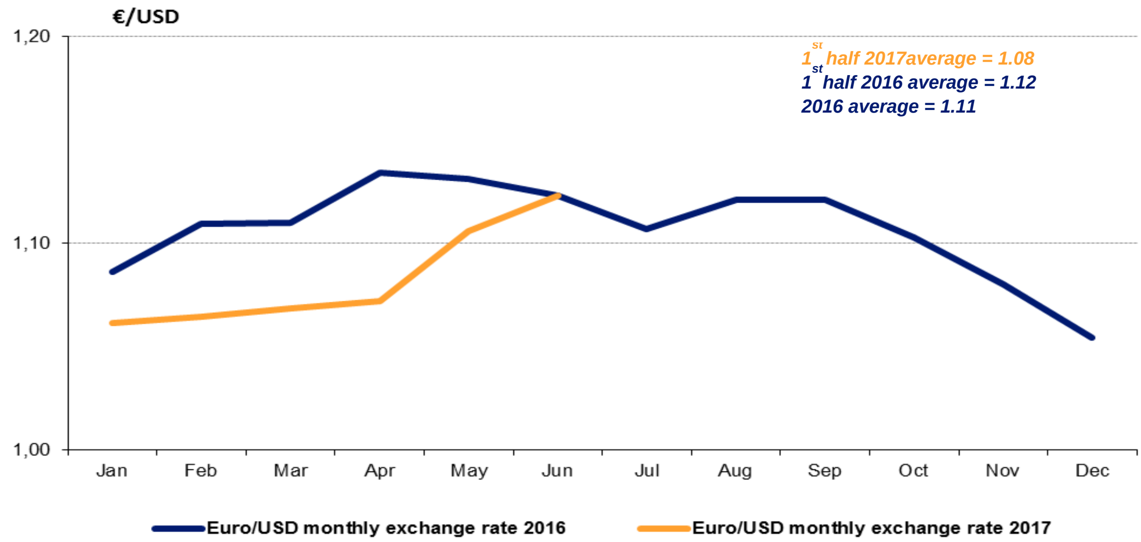
The recovery amongst the emerging economies looks to be mainly driven by Asian countries: the Russian economy continues, in fact, to be weighed down by the relatively low prices of oil and growth prospects remain weak for the economies of Latin America, due to the political uncertainty. More specifically, China continues its growth with the aim of maintaining economic expansion within an annual average of 6.5% during the period 2016-2020. In order to cope with the surplus production capacity, also due to the investments that continue to be excessive, the Chinese government is ready to implement policies by which to reduce the credit, even if this should result in lesser growth than the forecast 6.5%. In India, growth is confirmed as being robust, albeit below expectations above all due to the cash crunch phenomenon that followed the demonetization process: in November 2016, the Indian government in fact withdraw the 500 and 1000 rupee notes from issue, in a bid to fight counterfeiting, evasion and corruption; however, following the delay with which the replacement bank notes were introduced, circulating liquid funds reduced by 86%, affecting investments and consumption.

As regards the European countries, the United Kingdom has seen its growth slow in the wake of the Brexit, which, after having shown its effects initially on inflation and exchange rates, now appears to be striking consumption in particular, which in this first part of the year looks to have slowed considerably. The context is further complicated by the growing uncertainty that characterizes the country after the general elections chosen by the English Prime Minister in a bid to obtain a stronger mandate in handling negotiations over leaving the European Union, resulted in a defeat that not only downsized the weighting of the conservative party, but also made it lose the parliamentary majority, making an alliance with the unionist party necessary.

Growth in the Eurozone looks to be not only diffused, with a positive contribution made by all the major members, but also more balanced as regards the domestic and export components of demand. The creation of new jobs drives family consumption, whilst expansion of the economic activity, led by the manufacturing sector, has fostered investments in machinery and equipment, as well as those in the construction sector. The contribution made by exports is also positive, benefiting from the recovery of the global market and growing demand from emerging countries.

In Italy, the growth forecast is due to the positive dynamics of export and investments. The Italian economy in fact benefits from the new vigor enjoyed by world trade and the effects of as-yet expansive budgeting measures adopted by the government, including tax incentives for the purchase of machinery and plants (which alone are worth 30% of the total investments). For the third year running, family consumption is on the up, as is industrial production, above all driven by domestic demand. Employment figures improve, although the labor market is still a far cry from being in an optimal position. The credit market also improves, where the generalized crunch on loans has been overcome, although credit is still only available in a highly selective manner, particularly in some specific sectors.

During the first half of 2017, the average euro/dollar exchange rate came in at 1.08, down 3% on the same period of last year. By contrast, in analyzing the monthly trend, the changes to the exchange rate highlighted, starting from the lows observed in December 2016, a positive trend, going from an exchange rate of 1.06 in January to one of 1.12 in June, with a more marked rise between April and June. If on the one hand the depreciation of the dollar was favored by the progressive downsizing of market expectations following the late 2016 US presidential elections, on the other, the appreciation of the euro was driven by expectations over an increase in interest rates by the ECB, as well as by the easing of the political risk in the Eurozone, following the outcome of the presidential and legislative elections in France and the Netherlands, in the last few months of the half-year.



As regards the oil markets, the average price of Brent for the first six months of 2017 came to 52.8 USD/barrel, up 28.7% on the first half of 2016. However, during the first half of 2017, the price of Brent recorded a negative trend, with prices that lost around 15.7% since the start of the year, going from 56.8 USD/barrel recorded in early January to 47.9 USD/barrel recorded on June 30, 2017.

The trend seen in the first half of 2017 is due to the Vienna agreements reached at the end of 2016 between the OPEC countries and another 10 producing countries, including Russia, regarding the reduction in the production of raw oil, to be applied during the first half of 2017. These agreements, which lead the market to expect a restoration of balance to the oversupply situation, have strongly supported oil prices in the last listings of 2016, as indeed in the first few months of 2017.

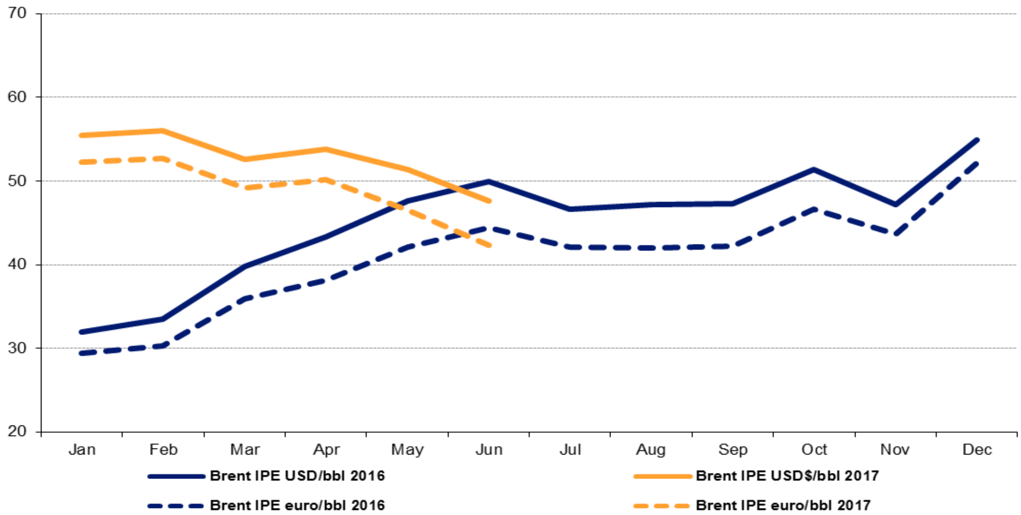
From the second half of March through to the second half of May 2017, the levels of oil prices recorded a period of volatility driven by unscheduled interruptions to production fields, in particular in Libya and Nigeria, by the progressive opening of different producing countries to an extension of agreements beyond mid-2017 and the increasing dynamic of US production; moreover, a disappointing start of the driving season accentuated downward movements.

Thereafter, in the late May Vienna meeting, the agreements to limit production were temporarily extended through to March 2018, leaving the production cut at the same level as the first agreement (approximately 1.8 million barrels per day). The definition of measures below those that market participants expected sparked a June price reduction trend.

In the first half of 2017, the crude oil price in euros was 32.8% above the average booked for the same period the previous year, as a consequence of the lesser buying power of the euro against the dollar.
The table and chart below show, respectively, the average figures for six-month periods and the monthly dynamics in the current and previous years:

2016 full year		**First half 2017**	First half 2016	% change
45.1	Oil price in USD/bbl[1]	52.8	41.0	*28.7%*
1.11	USD/EURO exchange rate	1.08	1.12	*(3.0%)*
40.8	Oil price in EURO/bbl	48.8	36.7	*32.8%*

(1) Brent IPE



Similarly to oil, distilled products also recorded a downward trend in the first six months of 2017 and half-year averages that were higher than those of the same period 2016. More specifically, oil recorded an average price in the first half 2017 of 467.5 USD/metric ton, 28% higher than the average price for the first half of 2016.
The prices of fuel oils recorded positive changes of 73% on the first half 2016 for low sulfur products and 70.2% for high sulfur products.
Coal prices on the Atlantic market also recorded growth, coming in at 78.9 USD/ton, up almost 70% on the first half 2016. During the first three months of the year, the prices decreased, despite the fact that Europe was supported by a greater demand for thermoelectric generation. By contrast, in the second quarter, the rising trend is mainly due to weather phenomena that resulted in a reduction of production in both Australia and South-East Asia.
Similarly to the other energy commodities, gas prices to the main European hubs have also recorded a rise, on average approximately 30%, with respect to the prices recorded during the first half 2016.
During the first six months of 2017, the low carbon emission rights market continued to remain basically stable with respect to the very variable movements recorded in 2016. List prices closed at 5.0 euros/ton, down almost 13% on the first half 2016. Factors driving it down include the end of backloading (a measure intended to reduce the surplus market supply, during the three years 2014-2016 accruing a progressively smaller portion of emission rights) and regulatory uncertainties regarding phase 4 of the Emissions Trading System (ETS). More specifically, during the second quarter, despite the lack of support offered to prices whilst awaiting the annual compliance date, the electric and coal market dynamics contributed towards a slight increase in prices.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

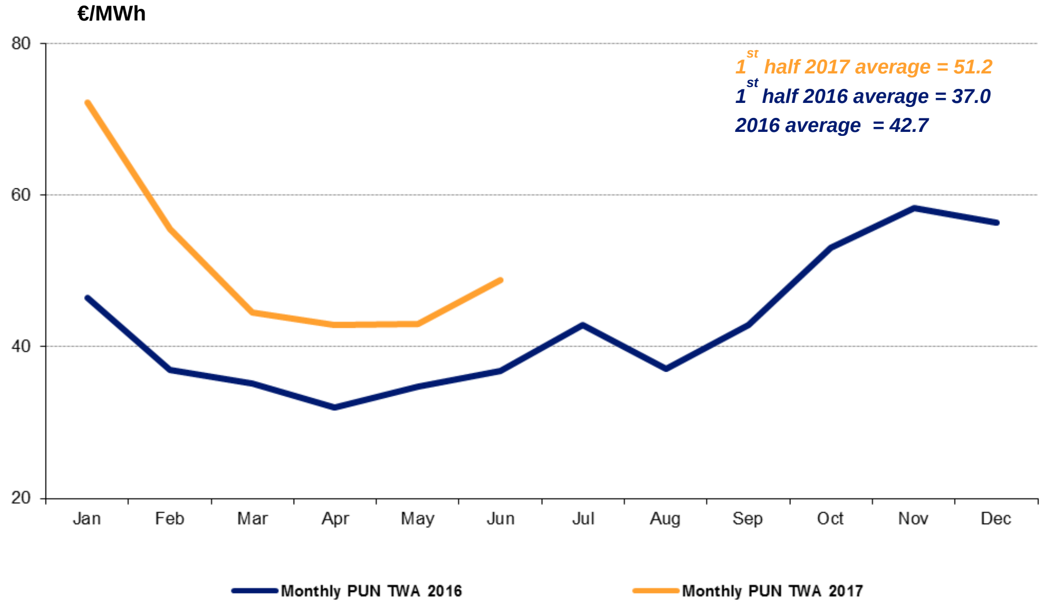
2016 full year	(TWh)	**First half 2017**	First half 2016	% change
275.6	Net production:	137.5	131.1	4.9%
187.5	*- Thermoelectric*	*94.5*	*85.0*	*11.1%*
42.3	*- Hydroelectric*	*18.5*	*21.5*	*(14.0%)*
22.5	*- Photovoltaic*	*12.8*	*11.3*	*13.4%*
17.5	*- Wind power*	*8.8*	*10.3*	*(14.5%)*
5.9	*- Geothermal*	*2.9*	*3.0*	*(1.2%)*
37.0	Net imports	18.4	22.6	(18.4%)
(2.4)	Pumping consumption	(1.3)	(1.2)	4.8%
310.3	**Total demand**	**154.6**	**152.4**	**1.4%**

Source: Analysis of 2016 and 2017 pre-closing Terna data and Edison estimates, before line losses.

The gross demand for electricity in Italy in the first half of 2017 came to 154.6 TWh (TWh = billions of kWh), up 2.2 TWh (+1.4%) on the same period of the previous year: on a seasonally adjusted basis (i.e. removing effects resulting from variations in the number of working days), the increase is approximately 1% on 2016.
The increase in demand is particularly seen in January and June, marked by a significant difference in temperature with respect to period averages, whilst in the spring months, the demand remains stable or slightly down.
National production during the half-year covered 88% of demand, up on the 85% of the first half of 2016, as a result of a significant decline in imports due to the extraordinary maintenance works carried out on French nuclear plants in the first two months of the year (-4.1 TWh; -18.4%).
Hydroelectric production during the first half of 2017, down on last year as a result of the lesser rainfall throughout the year (-3 TWh; -14%) was offset by a greater production by thermoelectric power plants in the amount of about 9.4 TWh (+11.1%) with greater use of gas plants rather than coal.
Total production from other renewable sources remained constant, with a better performance recorded by photovoltaic (+1.5 TWh; +13.4%) offset by an equivalent reduction in wind power (-1.5 TWh; -14.5%).
Finally, pumping consumption was slightly greater than that of the corresponding half-year of 2016 (+4.8%).

Insofar as the price scenario at June 30, 2017 is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 51.2 euros per MWh, up 38.2% compared with the previous year (37.0 euros per MWh).
This clear price recovery, with respect to the first half of 2016, comes under the context of a considerable increase in thermoelectric generation and its production costs (gas and coal), aimed at compensating for the lesser availability of energy from renewable sources, despite the fact that demand has remained virtually unchanged.
As regards zone prices, during the first half of 2017, increases were recorded similar to those booked on the Single National Price, specifically 41.4% for the North zone and 37.8% for the South zone. The higher price increase in the North zone is due to a greater thermoelectric generation in the zone in order to offset the reduced imports from France and increasing the export hours towards France.
The entry into operation on May 28, 2016 of the new electric line Sorgente-Rizziconi, which enables transmission capacity of up to 1,100 MW has not, instead, contributed (mainly due to a series of maintenance work carried out during the second quarter of the year) to reducing the gap between Sicily and the South zone, which stands at a half-year

average of 7.2 euros per MWh, up on the 5.4 euros per MWh recorded during the first half of 2016, with a limited effect on the PUN, due to the little weighting of the Island on total demand.
In observing the monthly trend of the PUN, the most significant differences were recorded in January and February 2017 (respectively +55.4% and +50.2% on the same month of the previous year), characterized by a considerable increase in thermoelectric generation offsetting the reduction in imports from France, for the unavailability of numerous nuclear power plants, and a significant increase in the costs of thermoelectric generation. In the remaining four months of the semester, despite the fact that the load was in line with the previous year, a lesser availability of hydroelectric generation increased the resource to thermoelectric generation, bringing about an average increase of approximately 10 euros/MWh with respect to the corresponding months of 2016.
In observing the group of hours F1, F2 and F3, we note, coherently with that described thus far, an increase across all hourly time periods, more accentuated during the hours of peak demand (+41.3% on F1 with respect to the first half of 2016).
The monthly performance as compared with the previous half-year is shown in the graph below:



In a similar way, foreign countries also show a general price increase: France, affected by the unavailability of approximately one third of its nuclear generation, closed the first half of 2017 at +62.4% on the same period of last year, standing at 44.4 euros/MWh. This situation brought about a reversal of normal energy flows from France, which, in January 2017, at the same time as the temperatures dropped below the seasonal average, was the net importer from surrounding countries.
Germany instead closes at 35.5 euros/MWh (+42.3% on 2016) despite the significant production from wind power, which set the average hourly prices on some days of the half-year at significantly negative values.

Demand for Natural Gas in Italy and Market Environment

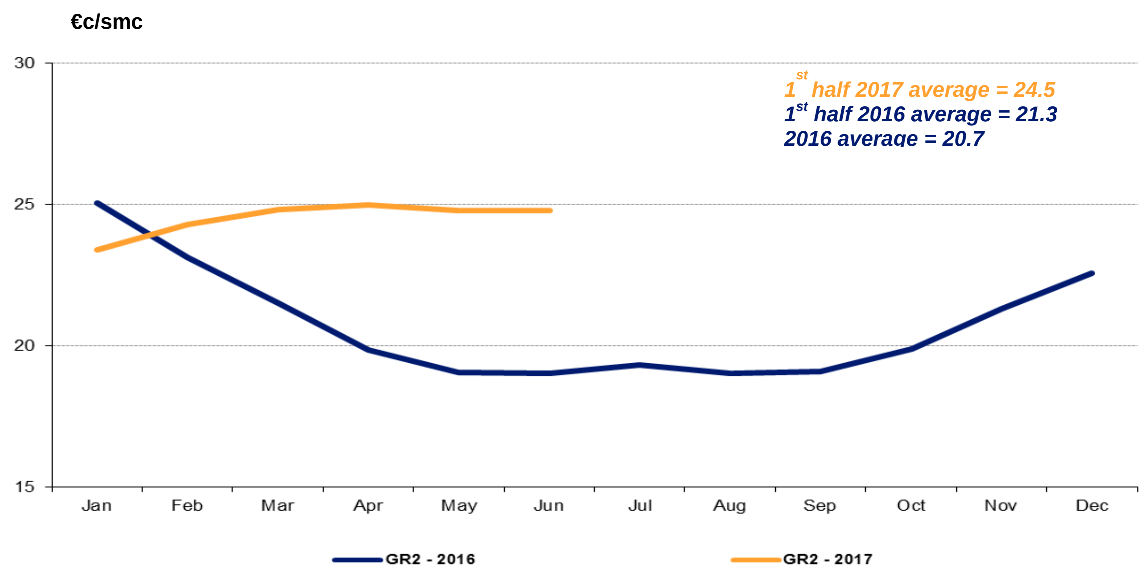
2016 full year	(billions of cubic meters)	**First half 2017**	First half 2016	% change
28.2	Services and residential customers	16.8	16.2	4.0%
16.7	Industrial users	9.1	8.6	*6.4%*
23.4	Thermoelectric power plants	12.3	10.2	*21.5%*
2.1	System usage and leaks	0.9	0.9	*9.9%*
70.4	**Total demand**	**39.2**	**35.7**	***9.7%***

Source: 2016 and preliminary 2017 data from Snam Rete Gas, Ministry for Economic Development and Edison estimates.

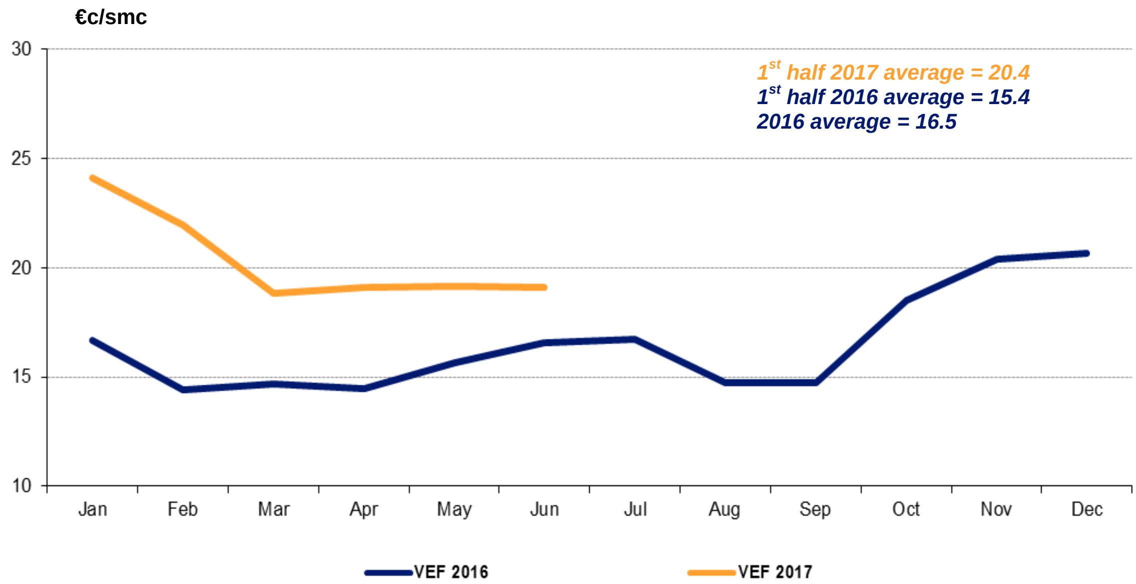
During the first half of 2017, the demand for natural gas in Italy grew by 9.7% on the same period of the previous year, coming in at approximately 39.2 billion cubic meters, up by 3.5 billion cubic meters.
Demand was driven by thermoelectric consumption that, as a result of lesser use of electrical imports and a decline in hydroelectric production, increased withdrawal by 2.1 billion cubic meters (+21.5%).
As a result of the harsher temperatures in January, consumptions for services and residential customers increased by around 0.6 billion cubic meters (+4.0%) on last year.
Similarly, industrial consumption grew by 0.5 billion cubic meters on the same period of last year (+6.4%).
As for supply sources, the first half of 2017 recorded, as compared with the first half of 2016:

- a slight decline in national production (-0.1 billion cubic meters; -5%);
- a sharp increase in gas imports (+4.1 billion cubic meters; +13%);
- withdrawal of gas in storage that was less than last year (1.2 billion cubic meters withdrawn as compared with 1.6 billion cubic meters in the first half of 2016; -30%).

During the first half of the year, the index-linked price of gas (shown in the chart below, which refers to the Gas Release 2 formula) recorded an average value of 24.5 €c/smc, up 15.2% on the first six months of 2016. The formula showed a slightly upwards trend during the first quarter: the growth in oil prices and derivative products is, in fact, partly dampened by the slight appreciation of the dollar. Instead, during the second quarter, downward movements in the oil market and secondary product market added to the downward exchange rate, which accentuated its rising trend, determined a substantial stability in the formula.



The spot gas price in Italy in the first half of 2017, shown in the chart below, which refers to the price on the Virtual Exchange Facility (VEF), significantly up on the first half of 2016, comes in at 20.4 €c/smc, up 32.2%; the prices have been supported by a series of contingencies that involved both the electricity and gas markets. More specifically, during the first quarter of the year, the greater use of thermoelectric generation, to offset the reduced import flows from France, led to approximately 17% growth on the demand for gas with respect to the first quarter 2016, whilst during the second quarter, the spot prices benefited only partially from the low hydraulic levels and above-average seasonal temperatures, particularly in June, remaining basically stable. These phenomena determined a clearly decreasing trend in the first quarter of 2017 and a substantially stable level in the next three months.
The TTF (the European gas reference hub) showed a similar trend to that described for the VEF, albeit at lower price levels, coming in at 18.0 €c/smc, up approximately 31% on the first six months of 2016.
The VEF-TTF spread recorded an average of 2.4 €c/smc, up approximately 42% on the same period of 2016, with a change in the second quarter alone that reached a rise of approximately 60%, thereby encouraging the import of gas from Northern Europe.



Legislative and Regulatory Framework

The main legislative and regulatory measures enacted in the first half of 2017 that concern the Group's various businesses are reviewed below, except for their impact on the Group, which, when material, is the subject of a specific disclosure in the sections of this Report where results and risks are reviewed.

Electric Power

Environment

Energy efficiency: by Organizational Unit Managerial Decree no. 176 of January 12, 2017, the Region of Lombardy approved the update of the provisions on the energy efficiency regulations of buildings and related energy performance certificate. Thereafter, the Region of Lombardy published its Organizational Unit Managerial Decree no. 246 of March 8, 2017, partly replacing the provisions on the energy efficiency of buildings and related annex contained in Decree no. 176 of January 12, 2017 and envisages, amongst other modifications, a new procedure for calculating renewable energy extracted from the environment using heat pumps.

Noise pollution - wind farms: the Legislative Decree no. 42 of February 17, 2017, regarding the new regulations governing noise pollution, was published in Official Journal no. 79 of April 4, 2017.
The Ministry for the Environment and Territorial and Sea Protection will need to prepare an additional Decree, together with the Ministry of Economic Development, the Ministry of Health and the Ministry of Transport, with which the criteria will be defined for the measurement of noise emitted by the wind farms and to limit the related noise pollution.

White certificates: Official Journal no. 78 of April 3, 2017 published the Ministerial Decree of January 11, 2017 of the Ministry of Economic Development regarding the determination of the national energy saving quantitative objectives that must be pursued by electricity and gas distribution companies for the years from 2017 to 2020 and for the approval of the new guidelines for the preparation, execution and valuation of energy efficiency projects. The Decree defines the criteria and method for the development of energy efficiency projects through which to access the white certificates mechanism.

Wholesale market

Italian capacity market: on January 31, 2017, Terna launched a brief consultation on criteria by which to define the demand curves to be applied in assigning the operators' commitments during the Italian capacity market auctions. The document pursues the process of amending and supplementing the regulation of this capacity market started late October 2016, with the publication of a proposal made by Terna, in response to the requests made by numerous operators to simplify the demand curve construction methods.
This simplification of the demand curve on the one hand satisfies the requests made by Edison and by the operators in general, and on the other makes it more adaptable to suit the needs of the Ministry and Terna in regards to the budget defined for the capacity market.

Re-activation of mothballed plants: on March 21, 2017, Edison Trading received a communication from Terna asking it to re-activate the thermoelectric plants currently being mothballed (Cologno Monzese, San Quirico, Porto Viro and Jesi) as quickly as possible; authorization for the definitive decommissioning of Sarmato was instead received from the Ministry of Economic Development.
This request, also taking due consideration of the low level of the water basins due to the scarce rainfall during the winter season, had become necessary in order to cope with the summer peaks in consumption.
In the letter of reply sent to Terna on March 31, Edison Trading confirmed the timing for re-activation.

On May 25, 2017, a meeting was held with Terna with a view to presenting the critical issues relative to the re-activation of the above plants, with regard to the associated costs, the very tight time frame and the future operative management.
A response is awaited from Terna, which, considering the difficulties, has undertaken to meet with the Ministry of Economic Development to request a regime for replenishing the costs.

Priority actions regarding the quantification of actual imbalances within the framework of electric power dispatching: by Resolution no. 444/16 of July 28, 2016, the Authority for electricity, gas and the water system (the Authority) had introduced a new regime for quantifying actual imbalances within the framework of the dispatching service.
By resolution 800/2016/R/eel of December 28, 2016, the changes to be made to the mechanism for quantifying the actual imbalances for 2017, were thereafter defined and, in particular, the change in calculating the sign of the aggregated zone imbalance was introduced, based on effective measurements. In the Authority's programs, the new algorithm, studied by Terna, was potentially applicable as from May 2017.
At end April 2017, the Authority launched the consultation process on the new calculation method of the sign of the aggregated zone imbalances, which concluded with resolution 419/2017/R/eel, published on June 8, 2017. This resolution establishes:

- the introduction, as from July 1, 2017, of non-arbitrage macro zone fees, aimed at eliminating the distortion deriving from the determination of imbalance prices on a macro zone level, in the presence of market prices that are instead determined on a zone level;
- the application of the new algorithm used to calculate the sign of the aggregated zone imbalance proposed by Terna (based on the release and collection programs and on the transit measurements, definitively using the sign determined as D+1, without the need for adjustments in M+1), as from September 1, 2017;
- the restoration of the single pricing mechanism for the dispatching points for units not enabled as from September 1, 2017, in the meantime keeping the mechanisms currently in force fighting non-diligent programming strategies with regards to the system (such as the mixed single-dual pricing system).

Dispatching services market - DSM : on May 5, 2017, the Authority published resolution 300/2017/R/eel opening the DSM to electricity demand and production units also from renewable sources that are not already enabled, as well as storage systems. More specifically, the resolution envisages launching an experimental phase through pilot projects; this is necessary to acquire useful elements for the organic reforming of dispatching and to make new dispatching resources available immediately.
During this experimental phase, the pilot projects will be run according to standardized procedural criteria, identified by Terna, also on the proposal of sector operators. The pilot projects may regard:

- participation in DSM of the demand and production units today not enabled (including storage);
- use of storage combined with significant production units enabled to participation in the DSM, in order to optimize the supply of dispatching resources in compliance with the requirements envisaged by the Grid Code;
- the aggregation methods of the production and consumption units, according to geographic aggregation perimeters;
- the methods for the remuneration of ancillary services, currently not specifically remunerated (e.g. voltage regulation);
- forms of forward procurement of dispatching resources (prices for the availability in €/MW) to be carried out according to competition procedures.

The pilot projects identified by Terna, that must envisage the involvement of operators, are subject to preventive consulting, which must set out the regulation according to which the pilot project will be managed (including technical requirements and methods for the request for the enabling of new resources on DSM) and are sent by Terna to the

Authority for approval, complete with the definitive version of regulation, the terms for execution and the observations received from operators during consultation.
In early June, Terna published the regulation of the first pilot project regarding the aggregation methods of the production and consumption units for the virtual units enabled for consumption (UVAC).

Retail market

General system charges: in May 2016, following a petition submitted by Gala against resolution 612/2013/R/eel on the provisions defining the typical Grid Code for the distribution of electricity, the Council of State had sanctioned two essential principles: a) the customers are the subjects obliged, in legal and economic terms, to pay the costs to cover the general charges relating to the electrical system; b) there is no rule that assigns the Authority the power to regulate the relationship between distributors and sellers: for lack of a legislative provision on the subject that suffers the consequences of breach by customers; regulating this profile is left, where necessary, to the contractual autonomy of the parties.
After a petition by Aiget, Gala and other operators against resolution 268/2015/R/eel on the typical Grid Code for the electricity transmission service, the Lombardy Regional Administrative Court, by its sentences of January 31, 2017, stressed that customers are the subjects obliged to pay the costs for covering the general charges and also specified that the Authority is not allowed to force the provision of guarantees in favor of distributors with reference to the obligations assigned to traders (including the system charges not collected from customers).
In relation to that sanctioned by the Regional Administrative Court, the Authority has appealed to the Council of State and by resolution 109/2017/R/eel of March 3, 2017, revised, for transition, the quantification of the guarantees and launched a procedure aimed at identifying mechanisms aimed at recognizing suitable compensation of transmission users and distributors for any potential failure to collect on the general system charges. Some operators and associations have, however, also challenged resolution no. 109/2017/R/eel, which is currently on hold whilst awaiting discussion of the merits at the Regional Administrative Court.

Proposal for the introduction of standardized offers for electricity and gas: in March 2017, the Authority published the document for consultation 204/2017/R/com, whereby it proposed to introduce, starting October 2017, for the suppliers of Similar protection and from January 2018 for the others, offers at free prices at conditions equivalent to those of protection, referred to as "Placet" offers.
With this proposal, the Authority intends to lay the ground for the complete opening of the market, which should follow the approval of the Competition Delegated Decree, outlining a structure whereby, under the scope of the free market, existing offers defined by sellers are supplemented by these offers with contractual conditions fixed by the Authority, except for economic conditions, whose levels are freely defined by the parties, albeit in accordance with a pre-defined structure of fees that effectively leaves the parties free to determine the prices associated with the supply of the commodity and its marketing.
Placet offers must be included on the menu of each free market operator, amongst the commercial offers proposed by them to all low voltage customers (domestic and other) for the electricity sector and to end customers (domestic and non-domestic) owning redelivery points with annual consumption of less than 200,000 Smc for the gas sector.
The Authority also proposes the application of Placet offers to Similar Protection customers that do not make a specific choice between the options available to them at expiry of the contract.

Hydrocarbons

Rates and market

Distribution tariffs: by Resolution 145/2017/R/gas of March 16, 2017, the definitive 2016 reference tariff components were published for the distribution and metering services, redefined by subsequent resolution 288/17/R/gas of April 28, 2017. The provisional reference tariffs for 2017 were determined by resolution 220/17/R/gas of April 6, 2017.

Gas balancing - Implementation of EU Regulation no. 312/2014 - Gas market regulation: the new GME M-Gas Regulation, approved by the Authority by resolution 98/2017/I/gas of March 3, 2017, envisages the participation of Edison Stoccaggio in the storage gas market (MGS) session to be held at the end of the gas day, as part of the M-gas, starting October 1, 2017. During the half-year, activities continued on the definition of the agreement between the company and the GME to regulate information flows functional to the correct execution of market sessions.

Transport tariffs: on April 6, 2017 the European Transmission Tariffs Code (Regulation EU 2017/460 - TAR NC) came into force, prescribing common rules to be applied by all Member States in determining the gas transmission tariffs. The Code becomes an integral part of Regulation 715/2009, part of the "Third Energy Package" and is directly applicable in Italy. The objective of the TAR NC is to guarantee on the one hand a greater standardization of transmission tariffs in Europe, through the application of common determination criteria, and on the other to guarantee greater transparency for users regarding information relative to the calculation of tariffs and underlying costs, as well as a greater predictability of such.

Gas tenders - Simplifications of procedures for VIR-RAB discrepancies: by resolution 344/17/R/gas of May 18, 2017, the Authority defined provisions for the simplification of the procedure for analyzing the VIR-RAB discrepancies regulated by resolution 310/14 for cases where municipalities certify the full application of the Guidelines published by the Ministry of Economic Development on April 7, 2014. The simplification applies in cases where the aggregated scope VIR-RAB discrepancy does not exceed a pre-determined threshold from 6% to 8%. Where these conditions are met, an exception is envisaged with respect to the obligation to report VIR-RAB discrepancies that exceed 10% on the level of an individual municipality to the Authority, given that the local entity is called to make its considerations available at the request of the Authority in any case.
The simplifications do not apply to the municipalities of the scope with the greatest number of Redelivery Points (PDRs) and in the other municipalities of the scope with more than 100,000 inhabitants and more than 10,000 PDRs.

Infrastructures

Storage auctions for thermal year 2017-2018: by Ministerial Decree of February 14, 2017, the Ministry of Economic Development regulated the storage capacity for thermal year 2017-2018. Thereafter, by Resolution 76/2017/R/gas of February 16, 2017, the Authority defined the provisions for the organization of the procedures for the conferral of said capacity (auctions), also defining the criteria to be applied in calculating the reserve price.
The formula applied to calculate this reserve price was delivered by the Authority to the storage businesses with reserved provision (for Edison Stoccaggio by Resolution 83/2017/R/gas).
This year's regulatory framework has remained basically unchanged with respect to that of last year, hence the criteria for the conferral of storage capacity have been confirmed for thermal year 2017-2018 with some exceptions, namely the elimination from the reserve price of the costs associated with transport prices to the entry/exit points of the grid interconnected with the storage and a different formulation of the reserve price growth function according to the quantities offered.

Issues affecting multiple business segments

Extension Decree and definition of terms - Milleproroghe: Decree Law no. 244 of December 30, 2016, coordinated with the conversion law no. 19 of February 27, 2017, and published in the Official Journal on February 28, 2017, came into force on March 1, 2017. Amongst other things, the provision contains some clauses on the general costs of the electrical system, in particular:

- the extension through to January 1, 2018 of the adjustment of the structure of tariff components relative to the general system costs for non-domestic clients;
- the application of the variable parts of the general system costs on electricity collected from the public grids with obligation to third party connection rather than on electricity consumed;
- the elimination for internal user networks (RIU) and for efficient user systems (SEU) of the application of 5% of the prices for the variable parts of general system costs on electricity consumed and not taken from the grid;
- the recalculation, on the basis of electricity collected rather than electricity consumed of expenses for the territorial compensation measures.

ECONOMIC & FINANCIAL RESULTS AT JUNE 30, 2017

Sales Revenues and EBITDA of the Group and by Business Segment

2016 full year	(millions of euros)	**First half 2017**	First half 2016	Change	% Change
	Electric power operations				
5,682	Sales revenues	2,544	2,650	(106)	*(4.0%)*
386	Reported *EBITDA*	142	189	(47)	*(24.9%)*
242	Adjusted EBITDA(1)	131	122	9	*7.4%*
	Hydrocarbons operations				
6,031	Sales revenues	2,821	3,111	(290)	*(9.3%)*
361	Reported *EBITDA*	336	193	143	*74.1%*
505	Adjusted EBITDA(1)	347	260	87	*33.5%*
	Corporate Activities and Other Segments(2)				
51	Sales revenues	24	25	(1)	*(4.0%)*
(94)	EBITDA	(52)	(42)	(10)	*(23.8%)*
	Eliminations				
(730)	Sales revenues	(421)	(318)	(103)	*(32.4%)*
	Edison Group				
11,034	**Sales revenues**	**4,968**	**5,468**	**(500)**	***(9.1%)***
653	**EBITDA**	**426**	**340**	**86**	***25.3%***
5.9%	***% of sales revenues***	***8.6%***	***6.2%***	***-***	***-***

(1) Adjusted EBITDA reflect the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. This reclassification is being made to allow a better operational presentation of the Group's industrial results. Adjusted EBITDA are not verified by the Independent Auditors.

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

In the first half of 2017, Group sales revenues stood at 4,968 million euros, down 9.1% on the previous year.

EBITDA came to 426 million euros (340 million euros in the first half of 2016) and recorded an increase of 86 million euros (+25.3%).

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

Electric Power Operations

Sources

2016 full year	GWh (*)	First half 2017	First half 2016	% change
20,358	**Edison Production:**	**9,998**	**9,079**	***10.1%***
16,765	*- thermoelectric*	*8,415*	*7,260*	*15.9%*
2,490	*- hydroelectric*	*1,041*	*1,174*	*(11.4%)*
1,103	*- wind and other renewable*	*542*	*645*	*(15.9%)*
70,836	**Other purchases (wholesalers, IPEX, etc.)(1)**	**28,683**	**36,122**	***(20.6%)***
91,194	**Total sources**	**38,681**	**45,201**	***(14.4%)***

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

Uses

2016 full year	GWh (*)	First half 2017	First half 2016	% change
11,582	**End customers (1)**	**5,160**	**5,922**	***(12.9%)***
79,612	**Other sales (wholesalers, IPEX, etc.)(2)**	**33,521**	**39,279**	***(14.7%)***
91,194	**Total uses**	**38,681**	**45,201**	***(14.4%)***

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

The Group cooperates in accordance with a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales to the end-user market (business and retail), proprietary trading activities and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the abovementioned portfolios and at maximizing their profitability through their optimization.
Under the scope of this model, Edison production in Italy comes in at 9,998 GWh, up 10.1% on the first half of 2016; more specifically, thermoelectric production increases by 15.9%, reflecting the national trend for gas-fired power plants, despite the sale of Termica Milazzo on August 1, 2016 and of Gever Spa as from March 2017.
As for hydroelectric production, the first half of 2017 records a reduction of 11.4% due to the lesser hydraulics of the period offset only partly by the contribution made by the Cellina Energy and IDREG Piemonte plants acquired at the end of May 2016. Furthermore, a decline is also recorded in wind power and other renewable productions of 15.9%, due to the lesser wind levels in the period.
Sales to end customers dropped by 12.9%, mainly due to the smaller volumes sold to the Business segment.
In the first half of 2017, other purchases and sales are down on the values of the same period of 2016; however, it is worth mentioning that this category includes, in addition to transactions on the wholesale market, purchases and sales on the IPEX, which are characterized by lower unit margins as they are related to production from facilities operating in bidding mode, the balancing of portfolios and make-or-buy activity.

Energy Services

2016 full year [1]	(GWh) (*)	**First half 2017**	First half 2016[1]	% change
797	**Production of electric power by cogeneration and trigeneration systems and other smaller facilities**	**537**	**278**	***n.m.***

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

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

Income Statement Data

2016 full year	(millions of euros)	**First half 2017**	First half 2016	% change
5,682	Sales revenues	2,544	2,650	*(4.0%)*
242	Adjusted EBITDA [1]	131	122	*7.4%*

(1) See note on page 19.

Sales revenues in the first half of 2017 come to 2,544 million euros and, despite the presence of sales revenues of Fenice for 184 million euros (94 million euros in the first half of 2016), are slightly down on the first half of 2016, due to a reduction in volumes sold as a result of a different portfolio optimization that more than offset the increase of average prices of sale driven by the reference scenario.
Adjusted EBITDA for the period totaled 131 million euros, up 7.4%. This increase is due to higher margins of thermoelectric generation partly offset by a lower contribution made by the hydroelectric sector, as well as by non-recurring phenomenon such as the contribution made by Fenice for the entire half-year of 2017 (38 million euros in the first half of 2017, as compared with 18 million euros in the same period of 2016) and, in 2016, the net income of 33 million euros deriving from the swap of equity stake held by Edison in Hydros and Sel Edison with the equity stake of Alperia in Cellina Energy.

Hydrocarbons Operations

Sources of Natural Gas

2016 full year	(millions of m^3 of natural gas)	**First half 2017**	First half 2016	% change
521	Production [1]	227	241	*(5.6%)*
14,615	Imports (Pipeline + LNG)	7,545	7,309	*3.2%*
6,745	Other purchases	2,868	2,914	*(1.6%)*
0	Change in stored gas inventory [2]	11	74	*(84.7%)*
21,881	**Total sources**	**10,651**	**10,538**	***1.1%***
1,403	**Production outside Italy [3]**	**786**	**758**	***3.8%***

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

Uses of Natural Gas

2016 full year	(millions of m³ of natural gas)	First half 2017	First half 2016	% change
2,562	Residential use	1,379	1,503	*(8.2%)*
3,970	Industrial use	2,209	1,983	*11.4%*
7,320	Thermoelectric fuel use	3,654	3,066	*19.2%*
8,029	Other sales	3,409	3,986	*(14.5%)*
21,881	**Total uses**	**10,651**	**10,538**	***1.1%***
1,403	**Sales of production outside Italy (1)**	**786**	**758**	***3.8%***

(1) Counting volumes withheld as production tax.

Production of natural gas, adding Italy and abroad together, came to 1,014 million cubic meters, in line with the first half of last year. More specifically, production marketed in Italy was down 5.6% due to the natural decline of the production curves and lesser imports from Croatia, partly offset by the contribution made by the Clara North West field, which started production in April 2016. Vice versa, foreign productions are up 3.8%, mainly thanks to the commissioning of two new wells at the Egyptian concession of Abu Qir in April and May 2017.
Total gas imports are up 3.2% to satisfy the slight increase in period sales, whilst Other Purchases, mainly in the spot market, remain stable.
Gas volumes sold (10,651 million cubic meters) are, in fact, substantially in line with the first half of 2016, supported by sales for thermoelectric uses (+19.2%, thanks to the greater gas consumption by the Group and third party thermoelectric plants) and sales for industrial uses (+11.4%).

Crude Oil Production

2016 full year	(thousands of barrels)	First half 2017	First half 2016	% change
2,163	Production in Italy	948	1,125	*(15.7%)*
1,980	Production outside Italy (1)	1,148	1,100	*4.3%*
4,143	**Total production**	**2,096**	**2,225**	***(5.8%)***

(1) Counting volumes withheld as production tax.

Crude oil production was down 5.8% overall in the first half of the year due to the lesser Italian production (-177 thousand barrels), only partly offset by higher foreign production (+48 thousand barrels) thanks to the contribution made by the two new wells at the Egyptian concession of Abu Qir, which entered production in April and May 2017.

Income Statement Data

2016 full year	(millions of euros)	First half 2017	First half 2016	% change
6,031	Sales revenues	2,821	3,111	*(9.3%)*
505	Adjusted EBITDA(1)	347	260	*33.5%*
323	*- amount from gas activities*	*204*	*180*	*13.3%*
182	*- amount from Exploration & Production*	*143*	*80*	*78.8%*

(1) See note on page 19.

Sales revenues amounted to 2,821 million euros, down 9.3% compared with the first half of 2016. This decline, despite the slight increase in volumes sold, was due to the reduction in the income from derivative contracts to manage the risk of fluctuation in the cost of natural gas and in the sale of gas, taking into account the indexing formulas and the inherent risk factors; it should be noted that in a similar way, a reduction has occurred in derivative contracts realized in the related cost item.

Adjusted EBITDA for the first half of 2017 came to 347 million euros, up 87 million on the same period of 2016. This change is mainly due to the larger margin realized from Exploration & Production, thanks to the greater margin achieved following the recovery of the oil scenario, as well as an insurance reimbursement and some reductions in fixed costs.

Corporate Activities and Other Segments

Income Statement Data

2016 full year	(millions of euros)	**First half 2017**	First half 2016	% change
51	Sales revenues	24	25	*(4.0%)*
(94)	EBITDA	(52)	(42)	*(23.8%)*

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

Sales revenues for the first half of 2017 are virtually unchanged on those of the same period 2016, whilst EBITDA dropped by 10 million euros due to the combined effect of non-recurring charges booked in the first half of 2017 and non-recurring income recorded in the first half of 2016.

Other Components of the Group's Income Statement

2016 full year	(millions of euros)	**First half 2017**	First half 2016	% change
653	**EBITDA**	**426**	**340**	***25.3%***
(166)	Net change in fair value of derivatives (commodities and foreign exchange)	(161)	(77)	*n.m.*
(734)	Depreciation, amortization and writedowns	(240)	(241)	*0.4%*
(13)	Other income (expense), net	(6)	(1)	*n.m.*
(260)	**EBIT**	**19**	**21**	***(9.5%)***
(94)	Financial income (expense), net	(33)	(60)	*45.0%*
7	Income from (Expense on) equity investments	(43)	3	*n.m.*
(25)	Income taxes	(77)	(20)	*n.m.*
(372)	**Profit (Loss) from continuing operations**	**(134)**	**(56)**	*n.m.*
(389)	**Profit (Loss) attributable to Parent Company shareholders**	**(140)**	**(67)**	***n.m.***

Positive EBIT of 19 million euros are after depreciation, amortization and writedowns totaling 240 million euros, a negative net change in the fair value of derivatives hedging commodity and foreign exchange transactions amounting to 161 million euros (negative by 77 million euros in the first half of 2016) and net other expense of 6 million euros.

The value of period depreciation, amortization and writedowns, although unchanged on the first half of 2016, includes greater net amortization and depreciation related to the abovementioned changes in scope for around 14 million euros, offset by lesser amortization and depreciation as a consequence of the writedown of assets booked in 2016.

Net financial expense, of 33 million euros, is a significant improvement on the first half of 2016, which included 20 million euros as breakage costs, for the early repayment of the long-term loan to EDF IG Sa.

Net equity investment expenses include a writedown for alignment with the estimated realizable value of certain assets reclassified as assets and liabilities held for sale. Such classification was made as a result of an ongoing negotiation, during June 2017, for the sale of 100% of Infrastrutture Trasporto Gas Spa (ITG), a stake that holds the Cavarzere-Minerbio gas line that connects the Terminale LNG Adriatico to the national grid, and 7.3% of the equity investment held by Terminale LNG Adriatico Srl, which holds the LNG regasification terminal. This negotiation was finalized with an agreement on July 25, 2017.
The first evaluation of writedown amounts to 41 million euros plus 14 million euros concerning the goodwill allocated pursuant to IAS 36, section 86. For further information please refer to the "Disclosure pursuant to IFRS 5" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.
Period income taxes include regional taxes (IRAP), foreign taxes and some provisions made for risks relating to tax disputes.

Net Financial Debt and Cash Flows

At June 30, 2017, net financial debt amounted to 780 million euros, for a decrease of 282 million euros compared with the 1,062 million euros owed at the end of December 2016.
More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Condensed Consolidated Semiannual Financial Statements.

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

2016 full year	(millions of euros)	**First half 2017**	First half 2016
(1,147)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD**	**(1,062)**	**(1,147)**
653	EBITDA	426	340
(76)	Elimination of non-cash items included in EBITDA	23	(47)
(55)	Net financial expense paid	(12)	(44)
(196)	Net income taxes paid (-)	(43)	(221)
12	Dividends collected	3	11
(15)	Other items from operating activities	(10)	(39)
323	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**387**	**0**
649	Change in operating working capital	170	495
(177)	Change in non-operating working capital	(76)	(27)
(555)	Net investments (-)	(190)	(382)
240	**C. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL**	**291**	**86**
(77)	Dividends paid (-)	(29)	(32)
(78)	Other items	20	26
85	**D. NET CASH FLOW FOR THE PERIOD**	**282**	**80**
(1,062)	**E. NET FINANCIAL (DEBT) AT END OF PERIOD**	**(780)**	**(1,067)**

The main period cash flow derives from EBITDA, as commented on previously, as well as from net investments, which include capital expenditures and investments in exploration (-195 million euros) and portfolio readjustment operations and focusing on energy services and services addressed to end customers (+5 million euros).
More specifically, **capital expenditures and exploration** include:

- investments in Exploration & Production for 119 million euros, mainly abroad: the Egyptian Abu Qir concession for the completion of construction works of the platform NAQ PIII (37 million euros) and drilling and completion of a new well of the NAQ PI platform (16 million euros); the development of the Algerian concession of Reggane (25 million euros), the activities in Norway (18 million euros), mainly for the Zidane concession and the development of the Polarled pipeline that will connect Zidane to land;
- investments in exploration for approximately 42 million euros, mainly in Egypt (35 million euros) for exploration activities in the East Med areas and onshore of the Nile.

The portfolio readjustment operations (net positive effect of 5 million euros) particularly saw: in the electricity generation sector, the divestment of the equity stake in Gever Spa, in the energy services sector the acquisition of Comat Energia Srl and in the end market services sector, the acquisition of Assistenza Casa Spa.

Outlook and Expected Year-end Results

Edison upgrades its EBITDA guidance for 2017 to about 700 million euros.

Edison Spa
Financial Highlights

2016 full year	(millions of euros)	**First half 2017**	First half 2016	% change
6,154	Sales revenues	2,763	3,125	*(11.6%)*
27	EBITDA	62	63	*(1.6%)*
0.4%	*as a % of sales revenues*	*2.2%*	2.0%	-
(438)	EBIT	(178)	(52)	*n.m.*
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	-
(250)	Net profit (loss) from continuing operations	(145)	(20)	*n.m.*
-	Net profit (loss) from discontinued operations	-	-	-
(250)	Net profit (loss)	(145)	(20)	*n.m.*
94	Capital expenditures	21	69	*(69.6%)*
5,155	Net invested capital	4,705	4,767	*(8.7%)*
66	Net financial debt	(244)	(297)	*n.m.*
5,089	Shareholders' equity	4,949	5,064	*(2.8%)*
0.01	Debt/Equity ratio	n.a.	n.a.	-
1,419	Number of employees	1,416	1,473	*(0.2%)*

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the schedules below provide a reconciliation of the Group interest in net profit (loss) for the period and the shareholders' equity attributable to the shareholders of the controlling company at June 30, 2017 to the corresponding data for Edison Spa, the Group's Parent Company:

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

(millions of euros)	**First half 2017**	First half 2016
Net result of Edison Spa	**(145)**	**(20)**
Intra-Group dividends eliminated in the consolidated financial statements	(91)	(48)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	122	69
Valuation of investments in associates measured by the equity method	(9)	4
Other consolidation adjustments	(17)	(72)
Group interest in net result	**(140)**	**(67)**

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

(millions of euros)	**06.30.2017**	12.31.2016
Shareholders' equity of Edison Spa	**4,949**	**5,089**
Carrying value of investments in associates eliminated against the corresponding interests in the shareholders' equities of the investees		
- Elimination of the carrying values of the consolidated investments in associates	(1,137)	(1,202)
- Recognition of the shareholders' equities of consolidated companies	2,066	2,086
Valuation of investments in associates measured by the equity method	35	48
Other consolidation adjustments	(96)	(66)
Equity attributable to the shareholders of the controlling company	**5,817**	**5,955**

Risks and Uncertainties

Risk management at the Edison Group

Edison developed an integrated business risk management model based on the international principles of Enterprise Risk Management (ERM), the COSO Frameworks specifically, the main purpose of which is the adoption of a systematic approach in mapping the Company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to mitigate them.
To this end, Edison has defined a risk mapping and risk scoring method and an Enterprise Risk Management process described in the Paragraph entitled "Risk management at the Edison Group" of the Report on Operations as at December 31, 2016, to which reference is made for more detail.
An analysis of the overall results of the process for the half-year just ended is provided in the "Risk Factors" section that follows, while the "Financial Risks" section lists the main factors related to the commodity price, exchange rate, credit, liquidity and interest rate risks, for which specific safeguards were adopted over the years to manage and minimize their impact on the Group's economic and financial equilibrium. For additional details about these risks see the information provided for IFRS 7 purposes in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2017 entitled "Group Financial Risk Management."

Risk Factors

1. Risks Related to the External Environment

Legislative and Regulatory Risk

A potential source of uncertainty for Edison is the constant evolution occurring in the reference legislative and regulatory framework, which affects market activity, rate plans, required levels of service quality and technical and operational compliance requirements.
In this regard, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialog with national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.
Among the main changes in the evolving legislative framework, which are described in the "Legislative and Regulatory Framework" section of this Report, the most significant risk factors include the following:

- the provisions governing the renewal of large-scale hydroelectric concessions, which were substantially amended by Article 37 of Decree Law No. 83 of June 22, 2012, setting forth "Urgent Measures for the Country's Development" (converted into Law No. 134/2012). At the moment, the Ministry of Economic Development is conducting an in-depth review aimed at revising the reference regulatory framework, closing the infraction procedure in progress and completing regulations (detailed and general) concerning the procedures for the renewal of hydroelectric concessions;
- the new system for the remuneration of production capacity, revised in 2016 with some consultation documents of Terna and the Authority. The new system is expected to start operating after conclusion of the notification process with the European Commission, envisaged for the next few months.

Market and Competitive Environment

In recent years, the energy markets in which the Group operates have been faced with a condition of excess supply and high competitive pressure that have exerted significant pressure on volumes and sales margins.

On the Italian electricity market, demand remains limited; in the early months of 2017, gas-fired thermoelectric production, which accounts for a considerable portion of the Group's production mix, benefited from the reduction of imports from France (in turn linked to the unavailability of some nuclear power plants), particularly harsh temperatures recorded in January and high temperatures in June, and lesser hydraulic levels. This factor has instead had the opposite effect on hydroelectric production. This latter, with specific reference to the major derivation hydroelectric concessions available to the Group, is also exposed to the above-mentioned risk of a revision of the reference legislative context and the outcome of the calls for tenders for the renewal of expired or expiring concessions. Moreover, technological changes in the electric power sector could make some technologies/services more competitive than those that are part of the Company's business. In order to mitigate this risk, Edison monitors and assesses on an ongoing basis the development of new technologies, which are discussed in greater detail in the "Innovation, Research and Development" section of this Report on Operations at June 30, 2017.

On the natural gas market, demand remained limited but did record a slight increase in the first half of 2017 as compared with the previous year, particularly as concerns the thermoelectric and residential sectors. The clauses for the renegotiation of prices of long-term gas procurement contracts offer important tools by which to mitigate the effects of changes in the energy scenario and market conditions, as monitored constantly by the Group.

Country Risk

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

- In Greece, political and financial stability are heavily dependent on the assistance provided by European and international institutions, the disbursement of which is conditional on the implementation of a program of reforms by the government. Insofar as the energy sector is concerned, following the April 30 expiry of the temporary remuneration mechanism of production capacity for certain types of electric power generating facilities (including the gas-fired, combined-cycle power plants operated by Elpedison Sa, for an installed capacity of 800 MW), we are now awaiting the introduction of a second transitional mechanism before definition of a similar permanent system. In this context the Company monitors on an ongoing basis Greece's political and economic environment. The table below details Group's exposure to this country at June 30, 2017:

	Millions of euros
Loan receivable from the affiliate	70
Guarantees provided	25
Equity investments	5
Total	**100**

- In Egypt, the political and economic situation remains unstable, due to the expansion of the Islamic State in strategic areas of the region and the occurrence of protests and unrest. Financial aid from the International Monetary Fund, the World Bank and the African Development Bank (AfDB), together with the release of the exchange rate of local currency, the issue of the eurobond and the finalization of some internal reforms, are all important positive signs for the recovery of economic growth and to restore the faith of foreign investors, at the same time guiding the matter relating to the lack of a strong currency. The Group monitors the political and economic environment on an ongoing basis, with regard to which the main uncertainties include the commercial exposure with the government owned Egyptian General Petroleum Corporation (EGPC) for approximately 260 million USD at June 30, 2017, the volatility of the exchange rate (even though the amount of liquid assets held in the local currency was extremely small) and the security conditions under which the Company operates and implements the most appropriate risk mitigation.

Additionally, with reference to the long-term gas procurement contracts, the Company is exposed to the geographical-political context of the countries from which it gains its supplies (i.e. Qatar, Libya, Algeria and Russia) and, therefore, constantly monitors the situation. Following the recent decision by some Arab countries to suspend diplomatic and economic relations with Qatar, at present, there are no significant critical issues relating to the supply of natural gas by this region.

2. Operational Risks

Processes, structures and Business Management Systems

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

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

Additional information about the management of environmental and occupational safety risks is provided in the section of this Report on Operations as at June 30, 2017 entitled "Health, Safety and the Environment".

Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risks issues exist with regard to the adequacy of these systems and the availability, integrity and confidentiality of data and information. With regard to the first of these issues, a Digital Transformation program was launched in 2016 for the Gas & Power Market Division, with the aim of providing tools that are increasingly aligned with customer needs. This program, divided into several project streams, will run for about two years; during the first half of 2017, the first step was completed, with the release to production of new sales and after-sales sites, also including the new payment methods, apps for after-sales services and systems for the supply of services of added value. Additionally, during the first few months of 2017, important projects were launched, including the implementation of a new IT application to manage the gas logistics and the "Energy Services Division ICT Project" aimed at defining the architecture to be implemented in order to support the business activities and the organizational structure functional to managing the infrastructure, systems and applications.

With regard to the risk of unavailability caused by a system fault, Edison adopted a high reliability hardware and software configurations for those applications that support critical activities. These configurations, together with a new disaster recovery solution, were tested in technological and application terms (vertical tests) during the complex migration project

of the company information system from the Settimo Milanese data center to that of EDF, which was finalized in June 2017; an integrated, global test will be performed by year end.
Lastly, the risk relating to the integrity/confidentiality of company data and information and their availability in the event of cyberattacks that are increasingly frequent and sophisticated, is mitigated with the adoption of strict security standards and solutions; the Security Operation Center (SOC), operative since January 1, 2016, aims to prevent and manage new forms of cyberattacks and was redefined during the early months of 2017 with a view to extending the monitoring services to cover all systems migrated to the new data center.

3. Strategic Risks

The development of the core businesses of the Edison Group must be supported with investments, acquisitions and selected divestments, implemented as part of a strategy to streamline the overall portfolio and constantly responding to the competitive environment: the Group's ability to strengthen its core businesses in the markets where it operates is predicated on the effective deployment of these initiatives.
More specifically, insofar as direct investments are concerned, they typically entail a risk related to potential overruns in operational and investment costs, as well as possible delays in the start of commercial service, due in part to uncertainties in the permit issuing process, with a resulting impact on the profitability of these initiatives.
As for the strategy of growth through acquisitions, its success is predicated on the availability in the market of opportunities that could help the growth of the Group's core businesses at an acceptable cost and on the Company's ability to identify those opportunities on a timely basis and effectively integrate the acquired assets into the Group's activities.
In order to mitigate these risks, the Company adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to the use of appropriate written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorization processes, project risk assessment activities and project management and project control activities.

Financial risks

Commodity Price Risk

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, which affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in a foreign currency, the Group is also exposed to the resulting foreign exchange rate risk.
The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly used in the market for the purpose of containing the risk exposure within preset limits.
Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special trading portfolios. Trading portfolios are monitored by means of strict risk limits and compliance with these limits is verified by an organizational unit independent of those who execute the transactions.

Foreign Exchange Risk

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

The Company adopts a centralized management model through which the parent company safeguards on an ongoing basis the Group's economic and financial equilibrium by constantly monitoring exposures and the implementation of suitable hedging and funding strategies aimed at mitigating this risk.

Credit Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Provisions for risks and charges

In addition to the risk management and mitigation activities described above, when faced with present obligations deriving from past events, which can be of a legal or contractual nature or result from statements or conduct of the Company such as to engender in third parties a valid expectation that the Company is responsible or assumes responsibility for fulfilling an obligation, the Edison Group recognized over the years adequate accruals to special provisions for risks and charges listed among the liabilities in the financial statements (see also the accompanying Notes to the Condensed Consolidated Semiannual Financial Statements). More specifically, the companies of the Group are parties to judicial proceedings and some tax disputes a description of which is provided in the section entitled "Risks and contingent liabilities associated with legal and tax disputes" in the "Commitments, Risks and Contingent Assets" chapter of the Condensed Consolidated Semiannual Financial Statements at June 30, 2017.

OTHER RESULTS FROM OPERATIONS

Innovation, Research and Development

During the first half of 2017, the Research, Development & Innovation (RD&I) Department continued and expanded upon its study and research activities to deal with a change in the electricity and gas markets, with a special sensitivity focused on environmental sustainability.

The RD&I Department collaborated actively with the other Edison Departments to develop solutions to support the business. More specifically, together with the Gas & Power Market Division, the new Edison World service platform was developed, presented to the market in the spring.

Edison World has three objectives: a smart home, a safe, protected home and a home with transparent costs and powered by environmentally-friendly energy.

At the Trofarello Research Center, in the Edison laboratory called "Domus", an average home has been set up with all the most commonly-used household appliances, to analyze their energy consumption. Here, the RD&I Department has tested, studied and approved Internet of Things (IoT) solutions for the smart home, aiming to reduce costs and control consumption in the residential and industrial market, making a concrete contribution towards a new approach of the energy market.

The competencies of the RD&I Department also continue to be enhanced by the exchange and collaborations with Italian and foreign industrial and academic partners.

Finally, the strong bond with the EDF Group R&D structure is increasingly relevant; recently, the International EDF R&D Seminar was held, which, once a year, brings together the representatives of the EDF research centers across the globe. On this occasion, common interests were stressed and the potential deriving from international collaboration and exchanges; the RD&I Department successfully saw the opportunity to lay the basis for new projects to be developed together with colleagues of the EDF research centers throughout Europe and worldwide.

Health, Safety and the Environment

The main achievements of the first half of 2017 and projects under development are reviewed below.

Safety performance trend

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

On the basis of this approach, the first half of 2017 closed with a combined Injury Incidence Rate for activities in Italy and abroad that came in at 1.3, an improvement both on that of the first half of 2016 (1.8) and the figure of end 2016 (1.96). More specifically, the Injury Incidence Rate was 1.6 for Company employees and 0.8 for employees of contractor companies.

The combined Lost Workday Incidence Rate was 0.11 at the end of the first half of 2017, slightly below that of the first half of 2016 (0.14) and the figure of end 2016 (0.14).

Activities concerning health, safety and the environment

The main activities carried out in the first half of 2017 in this area are reviewed below.

- The requirements of the applicable regulations concerning health, safety and the environment were satisfied and verified also with special audits to test legislative compliance, specifically with regard to updating risk assessments and holding periodic safety meetings, during which the implementation progress of training programs and the macro results of the employee health monitoring were presented. In addition, the timing and qualitative requirements of the deadlines of national environmental laws, which fall for the most part in the first half of the year, were complied with.
- All of the required inspections and/or renewal visits for the management systems certified in accordance with the UNI EN 14001 environmental standard, the BSI OHSAS 18001 health and safety standard, the UNI EN ISO 9001 quality standard and the UNI EN ISO 50001 energy standard were completed. In addition, when applicable, scheduled audits for maintaining the EMAS environmental registrations were also performed.

  All audits were successful, confirming the quality, environment and safety certificates in place, guaranteeing the validity of our management and control systems and compliance with legal worker health and safety requirements, health surveillance, training, business coordination and compliance with environmental protection laws implemented by the corporate organizations.
- In February, the comprehensive corporate review was carried out of the safety and environmental management systems, also in line with the Organizational Model and the specific protocols pursuant to Italian Legislative Decree no. 231/2001; on that occasion, the targets for 2017 were defined and communicated, as was the internal auditing plan and cross-functional training activities for the Environmental Protection, Safety and Quality (PASQ) professional family.
- The constant commitment continues to the dissemination of the culture of safety with the sensitization, information, training and involvement of staff through the weekly dissemination of safety messages, the participation in training sessions, the identification, analysis, sharing and resolution of dangerous situations or events noted in the various production units and in order to prevent potential injuries.
- There were no accidents with an impact on the environmental matrices (soil, subsoil, surface waters and biodiversity) during the first half of the year. It is noted that in a precautionary manner, a communication procedure has been launched of potential pollution, consequent to the discovery of metals when characterizing soil during the expansion of a wind farm owned by the company E2i, which concluded with disposal of part of the land concerned.
- Site characterization, safety assurance and environmental remediation work continued. Most of these activities involved highly significant industrial sites potentially polluted by activities carried out in the past by businesses that

were part of the former Montedison Group sold a long time ago and/or closed. Under this scope, please note that during the first half of 2017, construction began on table water wells and the related treatment plant at the ex Montedison area of Melegnano (Province of Milan) and the supplementary surveys on the site of national interest of Bussi (Province of Pescara). Remediation works have been completed on lands at the ex Montedison site of Massa, for which the related certification is awaited from the Ministry for the Environment.
- The process of collecting and analyzing the environmental and health and safety data needed to prepare and publish the Sustainability Reports of Edison and the EDF Group was carried out and completed within the timeframes and with the modalities required by the reference standards.

Human resources and industrial relations

Human resources

On June 30, 2017, the Edison Group had a total of 5,017 employees compared with 4,949 employees at December 31, 2016, for an overall increase of 68 employees. This increase primarily reflects the significant changes in scope of consolidation that occurred during the half-year, including:
- the acquisition of Assistenza Casa Spa as of March 9, 2017 (55 employees);
- the acquisition of Comat Energia Srl as of March 1, 2017 (7 employees);
- the disposal of Gever Spa as of March 2, 2017 (16 employees).

Industrial relations

During the first half of 2017, important agreements were reached for the Edison Group both in connection with the renewal of the main Italian collective national employment contracts ("CCNL") applied in the energy sector and as regards general matters involving all staff. More specifically:
- The CCNL for the electrical sector were renewed (approximately 1,600 employees), for the hydrocarbons sector (approximately 300 employees) and for the gas distribution sector (approximately 130 employees). The renewals are based, for the economic part, on an inflation rate envisaged for the duration of the CCNL from January 2016 to December 2018 of 2.72% (IPCA index, net of the price trends of energy assets imported, processed by ISTAT). All the CCNL mentioned, according to a now consolidated trend, also envisaged the allocation of economic resources to existing welfare systems, with specific reference to complementary welfare and supplementary healthcare.
- As regards supplementary healthcare, by the agreement of April 4, stipulated between Edison and the National Trade Union Secretariats, the FOPEN Fund was chosen as the reference pension fund for the companies of the Edison group involved in the application of the electricity, energy and gas, water CCNL, with the sole exception being the company ITG, which is subject to unbundling and the terms and conditions were also defined for worker adhesion. This choice had become necessary in view of the launch of the liquidation procedure of the FIPREM fund and the consequent need to choose a new reference pension fund for the whole of the Edison group. The agreement also defines the method by which employees can choose the destination of their individual position accrued in FIPREM. To provide as full and complete a disclosure as possible, an information campaign has also been launched through written communication, videos prepared specifically and two dedicated meetings also attended by representatives of FOPEN and MEFOP Spa (company for the development of the Pension Funds Market, controlled by the Minister for the Economy and Finance and in which approximately 90 pension funds have a stake, as shareholders), which supports Edison in matters relating to pension funds.
- On May 3, 2017, the agreement was stipulated with the National Trade Union Representatives Coordination and the National Trade Union Secretariats, allowing for the conversion of the Results Premium into welfare services and provisions. On the basis of this agreement, each employee will have the faculty to receive 60% of its Results

Premium in welfare services (this percentage can rise up to 100% if the premium is allocated to the Business Complementary Welfare Funds). If the Results Premium is converted into welfare, the employee will benefit not only from an absence of contribution tax withholdings at his expense but also an additional contribution paid entirely by the company equal to 18% of the amount converted. In order to make workers aware of the opportunities offered up by the conversion of the results premium into welfare, a dedicated information campaign has been launched, under the scope of which two meetings have been organized, open to all employees of the Milan offices.
In April, a specific understanding was also stipulated for the companies of the Fenice group in Italy, which allowed for the conversion of the balance of the 2016 results premium into welfare services and provisions, in addition to that envisaged on the renewal of the CCNL of the metal-mechanics sector.

- On June 13, 2017, an agreement was stipulated with the Trade Union Representative of Edison's Milan offices, that will enable the launch of the Smart Working experiment in some corporate areas and for a total of around 300 employees potentially involved.
  The agreement regulated the methods for the use of computer tools, worker health and safety aspects and also regulated the method by which work is carried out in Smart Working mode, with specific reference to times and workplaces. The experiment began on July 1, 2017 after completing a specific training module, and runs for 6 months, after which the parties will examine the results and assess how to continue and potentially expand to include other corporate areas. The same trial has also been launched for the companies of the Fenice scope in Italy.
- On April 21, 2017, the joint examination was completed with the reference Trade Unions in connection with the disposal, with effect as from June 1, 2017, of the business unit of Fenice Spa, dedicated to environmental services, to a newly-established company called Sersys Ambiente Srl. Sersys Ambiente Srl, a full subsidiary of Fenice Spa and other companies that together with Sersys make up the new Environmental Services Business Unit of the Energy Services Market Division, will therefore head all activities of the Group environmental services field.

Organization and employee services

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

- Under the scope of the Energy Services Market Division, in addition to establishing the new company Sersys and the Environmental Services Business Unit, the structure and level one and two responsibilities of the Division has also been redefined, as well as the main areas of operation of the Organizational Units; moreover, as part of the energy and environmental services development strategy, Edison, through the company Edison Energy Solution, entered the sector of district heating through the acquisition of the majority of the shares in the company Comat Energia Srl.
- The structure and responsibilities of the External Relations & Communication Department has been redefined, whose manager has joined the Edison Executive Committee (COMEX);
- Within the Power Asset & Engineering Division, the structure and responsibilities of the Hydroelectric Department has been redefined with the reorganization of two of the three hydroelectric poles and related plants. Moreover, the organizational model and responsibilities of the company E2i Energie Speciali Srl, have also been redefined, in order to strengthen the managerial and operative structure of the Company and to provide a suitable monitoring of the development activities consequent to the plan to strengthen production capacity deriving from the award of the auctions at end 2016.
- Under the scope of the Gas and Power Market Division and in line with the service development strategies intended for the Division's retail customers, through the company Edison Energia Spa, Edison has entered the home services sector, acquiring 51% of the capital share of Assistenza Casa Spa, a company of the HomeServe Group.

As regards employee services, the company's commitment continued in the corporate welfare program "Edison per Te", which continues to receive positive assessments from the employees, as shown by the results of the 2016 annual MyEdf survey.

Moreover, with the introduction of flexible benefits, as already mentioned, it was made possible to convert the results premium into welfare services and provisions, for all employees who, in 2016, accrued said premium and had income from employment that did not exceed 80,000 euros. With this initiative, the services and contributions that employees can benefit from with the "Edison per te" program, have remained unchanged and, indeed, there is now the added possibility for employees to use a further welfare credit, deriving from the conversion of results premiums to satisfy further needs to conciliate private and professional life, and to contribute to their own supplementary pension fund.

Training and development

Towards the end of the first half, approximately 43,000 hours of training were provided/planned for the whole of the Edison Group, for a total of approximately 1,952 participants.

During the first half of 2017, training and development activities saw the implementation of some institutional training paths for new graduates and professionals, including:

- The closure of the third edition of an Energy Business and Utilities specialization course developed by Edison in cooperation with MIP Politecnico in Milan, designed for a group of 28 Edison young professionals that, by emphasizing professional competencies and focusing on end customers and innovation, provides an integrated vision of the Company and the markets in which it operates;
- The Hacker game training program, dedicated to IT security, a new course in gaming mode that tests knowledge about the subject and gives useful information and suggestions by which to protect on-line and corporate security of Edison.
- Events hinged around different matters, such as Data Management, Capacity Market, Fundamentals of non-life class insurance, lasting two days, Cyber security & data processing (Edison day 4 Master Safe held in Rome, lasting half a day) and, finally, the Edison Energy Camp week-long initiative on today's energy sector and the related prospects dedicated to a group of young undergraduates in universities of central-south Italy and young recent graduates already operating in the company.

A new Digital Training platform called MyLA-My Learning Area, has been launched as an integrated environment with the Edison intranet that enables, in a quick and easy manner, the access to all e-learning contents developed by the company on matters of safety and work, compliance and corporate training and which will include the development of the new digital education program, to be launched during the second half of the year.

Moreover, management training continues to see the professional update of managers and consolidation of the Ecampusmanagers management training platform specifically focusing on the economic scenario and innovation content.

Collaboration with the Group's Corporate University, active in all leadership and management programs, continued and, in particular this half-year of 2017, focused on the issues of innovation and digital transformation. January also saw completion of the first leadership initiative that began in 2016, dedicated to a group of female managers.

Insofar as professional family competencies are concerned, in addition to the structural activity of the Market Academy, some specialized training programs continued, including the Nautilus program on geosciences and the strata below ground, which involves at the international level professionals in the Exploration& Production and Research and Development areas.

During the half-year, like in the past, the specific training program continued, intended for the young community.

With specific reference to the Energy Service Market Division in Italy, a continuous training plan has been defined with managerial paths already launched in the past, seeking suitable synergies with the initiatives developed by the Edisongroup and using financed training (Fondimpresa/Fondirigenti).

The training program essentially concentrates on the matters of safety, on-the-job training and the enhancing of technical and managerial skills, by means of projects set to develop throughout 2017.

More specifically, the following activities have been planned and launched:

- courses dedicated to corporate certification (ISO 50001 and refrigeration licenses) and matters concerning digitization and company computerization, with a project that envisages the introduction of new palmtops that allow for a better management of some plant functions;
- on-the-job training for young graduates in energy/mechanical engineering, of which the main innovations include the "Prepare Me!" program comprising a series of meetings aimed at introducing young talent to the world of management;
- management training, which includes both traditional courses like effective communication, stress management and courses for linguistic certification, and real projects hinged on leadership matters (Managerial conversations, Team coaching, Role effectiveness);
- e-learning training with the introduction of the Myla platform in preparation for the launch of the Digital Education project.

OTHER INFORMATION

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

- At June 30, 2017, it did not hold treasury shares or shares of its parent company, either directly or indirectly through nominees or other third parties. No transactions involving treasury shares or shares of the parent company were executed during the year, either directly or indirectly through nominees or other third parties.
- In first half of 2017, the Group executed transactions with related parties. A description of the most significant transactions is provided in the section of the consolidated financial statements entitled "Intercompany and Related-Party Transactions."
- No secondary registered offices have been established.

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

CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

AT JUNE 30, 2017

Consolidated Income Statement

(in millions of euros)	See Note	1st half 2017	of which related parties	1st half 2016	of which related parties
Sales revenues	1	4,968	147	5,468	314
Other revenues and income	2	65	7	96	1
Total net revenues		**5,033**	**154**	**5,564**	**315**
Raw materials and services used (-)	3	(4,450)	(102)	(5,089)	(242)
Labor costs (-)	4	(157)		(135)	
EBITDA	5	**426**		**340**	
Net change in fair value of commodity derivatives	6	(161)		(77)	
Depreciation, amortization and writedowns (-)	7	(240)		(241)	
Other income (expense), net	8	(6)		(1)	
EBIT		**19**		**21**	
Net financial income (expense)	9	(33)	(4)	(60)	(7)
Income from (Expense on) equity investments	10	(43)	2	3	(2)
Profit (Loss) before taxes		**(57)**		**(36)**	
Income taxes	11	(77)		(20)	
Profit (Loss) from continuing operations		**(134)**		**(56)**	
Profit (Loss) from discontinued operations		-		-	
Profit (Loss)		**(134)**		**(56)**	
Broken down as follows:					
Minority interest in profit (loss)		6		11	
Group interest in profit (loss)		**(140)**		**(67)**	
Earnings (Loss) per share (in euros)	12				
Basic earnings (loss) per common share		(0.0272)		(0.0132)	
Basic earnings per savings share		0.0250		0.0250	
Diluted earnings (loss) per common share		(0.0272)		(0.0132)	
Diluted earnings per savings share		0.0250		0.0250	

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	1st half 2017	1st half 2016
Profit (Loss)		**(134)**	**(56)**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	24	**12**	**287**
- Gains (Losses) arising during the period		17	424
- Income taxes		(5)	(137)
B) Change in reserve for available-for-sale investments	24	**-**	**-**
- Gains (Losses) not realized		-	-
- Income taxes		-	-
C) Differences on the translation of assets in foreign currencies		**(10)**	**11**
- Gains (Losses) not realized		(14)	10
- Income taxes		4	1
D) Pro rata interest in other components of comprehensive income of investee companies		-	-
E) Actuarial gains (losses) (*)		**(1)**	**(2)**
- Actuarial gains (losses)		(1)	(2)
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**1**	**296**
Total comprehensive profit (loss)		**(133)**	**240**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		6	11
Group interest in comprehensive profit (loss)		**(139)**	**229**

(*) Items not reclassificable in Income Statement.

Consolidated Balance Sheet

(in millions of euros)	See Note	06.30.2017	of which related parties	12.31.2016 (*)	of which related parties
ASSETS					
Property, plant and equipment	*13*	3,799		3,937	
Investment property	*14*	5		5	
Goodwill	*15*	2,343		2,357	
Hydrocarbon concessions	*16*	374		396	
Other intangible assets	*17*	134		128	
Investments in associates	*18*	103	103	104	104
Available-for-sale investments	*18*	1		158	
Other financial assets	*19*	82	69	94	77
Deferred-tax assets	*20*	484		498	
Other assets	*21*	258		310	
Total non-current assets		**7,583**		**7,987**	
Inventories		227		180	
Trade receivables (*)		1,259	34	1,877	34
Current-tax assets		8		8	
Other receivables (*)		983	115	1,390	89
Current financial assets		27	5	22	5
Cash and cash equivalents		286	174	206	74
Total current assets	*22*	**2,790**		**3,683**	
Assets held for sale	*23*	**220**		**-**	
Total assets		**10,593**		**11,670**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,377	
Reserves and retained earnings (loss carryforward)		600		988	
Reserve for other components of comprehensive income		(20)		(21)	
Group interest in profit (loss)		(140)		(389)	
Total shareholders' equity attributable to Parent Company shareholders		**5,817**		**5,955**	
Shareholders' equity attributable to minority shareholders		287		310	
Total shareholders' equity	*24*	**6,104**		**6,265**	
Provision for employee severance indemnities and provisions for pensions	*25*	43		44	
Provision for deferred taxes	*26*	52		52	
Provisions for risks and charges	*27*	1,197		1,142	
Bonds		-		-	
Long-term financial debt and other financial liabilities	*28*	203	70	215	70
Other liabilities	*29*	44		74	
Total non-current liabilities		**1,539**		**1,527**	
Bonds		620		615	
Short-term financial debt		270	112	460	279
Trade payables (*)		1,304	26	1,695	49
Current taxes payable		9		7	
Other liabilities (*)		741	106	1,101	74
Total current liabilities	*30*	**2,944**		**3,878**	
Liabilities held for sale	*31*	**6**		**-**	
Total liabilities and shareholders' equity		**10,593**		**11,670**	

(*) Since January 1, 2017, for a better representation of the operating working capital, the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects are respectively included in trade receivables and trade payables, instead of in other receivables and other liabilities.
For the purposes of consistent comparison the amounts at December 31, 2016, receivables for 47 million euros and payables for 88 million of euros, were reclassified in coherence with the 2017 data.

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in first half of 2017. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

(in millions of euros)		1st half 2017		1st half 2016	
	See Note		of which related parties		of which related parties
Profit (Loss) before taxes		**(57)**		**(36)**	
Depreciation, amortization and writedowns	7	240		241	
Writedowns of activities held for sale	10	55		-	
Net additions to provisions for risks		6		(37)	
Interest in the result of companies valued by the equity method (-)		(2)	(2)	2	2
Dividends received from companies valued by the equity method		-	-	7	7
(Gains) Losses on the sale of non-current assets		1		(32)	
Change in the provision for employee severance indemnities and provisions for pensions	25	-		(2)	
Change in fair value recorded in EBIT		161		77	
Change in operating working capital		170	(23)	495	10
Change in non-operating working capital		(76)	5	(27)	-
Change in other operating assets and liabilities		14	-	19	(1)
Net financial (income) expense	9	33	4	60	7
Net financial income (expense) paid		(12)	(4)	(44)	(2)
Net income taxes paid		(43)	-	(221)	(171)
A. Cash flow from continuing operations		**490**		**502**	
Additions to intangibles and property, plant and equipment (-)	13-17	(195)		(187)	
Additions to non-current financial assets (-)		-		-	
Net price paid on business combinations		(9)		(4)	
Cash and cash equivalents from contribution in kind		-		52	
Proceeds from the sale of intangibles and property, plant and equipment		11		-	
Proceeds from the sale of non-current financial assets		11		2	
Repayment of capital contribution by non-current financial assets		2		2	
Change in other current financial assets		(5)	-	(7)	(1)
B. Cash used in investing activities from continuing operations		**(185)**		**(142)**	
Receipt of new medium-term and long-term loans	28, 30	-	-	101	100
Redemption of medium-term and long-term loans (-)	28, 30	(162)	(150)	(582)	(570)
Other net change in financial debt		(35)	(15)	72	66
Capital and reserves contributions (+)		1		-	
Dividends and reserves paid to controlling companies or minority shareholders (-)		(29)	(1)	(32)	(4)
C. Cash used in financing activities from continuing operations		**(225)**		**(441)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the period from continuing operations (A+B+C+D)		**80**		**(81)**	
F. Net cash flow for the period from discontinued operations		**-**		**-**	
G. Net cash flow for the period (continuing and discontinued operations) (E+F)		**80**		**(81)**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**206**	**74**	**279**	
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**-**	
L. Cash and cash equivalents at the end of the period (continuing and discontinued operations) (G+H+I)		**286**	**174**	**198**	14
M. Cash and cash equivalents at the end of the period from discontinued operations		**-**		**-**	
N. Reclassification to Assets held for sale		**-**		**-**	
O. Cash and cash equivalents at the end of the period from continuing operations (L-M+N)		**286**	**174**	**198**	14

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income					Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
			Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)				
Balance at December 31, 2015	**5,292**	**1,790**	**(677)**	**-**	**15**	**-**	**(1)**	**(980)**	**5,439**	**437**	**5,876**
Appropriation of the previous year's profit (loss)	-	(980)	-	-	-	-	-	980	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	-	**-**	(35)	**(35)**
Increase of share capital and reserves	85	162	-	-	-	-	-	-	**247**	-	**247**
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	**-**	(66)	**(66)**
Other changes	-	7	-	-	-	-	-	-	**7**	1	**8**
Total comprehensive profit (loss)	-	-	287	-	11	-	(2)	(67)	**229**	11	**240**
of which:											
- Change in comprehensive income	-	-	287	-	11	-	(2)	-	**296**	-	**296**
- Profit (Loss) from 01.01.2016 to 06.30.2016	-	-	-	-	-	-	-	(67)	**(67)**	11	**(56)**
Balance at June 30, 2016	**5,377**	**979**	**(390)**	**-**	**26**	**-**	**(3)**	**(67)**	**5,922**	**348**	**6,270**
Dividends and reserves distributed	-		-	-	-	-	-	-	**-**	(42)	**(42)**
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	**-**	(1)	**(1)**
Other changes	-	9	-	-	-	-	-	-	**9**	(1)	**8**
Total comprehensive profit (loss)	-	-	333	-	13	-	-	(322)	**24**	6	**30**
of which:									**-**		
- Change in comprehensive income	-	-	333	-	13	-	-	-	**346**	-	**346**
- Profit (Loss) from 07.01.2016 to 12.31.2016	-	-	-	-	-	-	-	(322)	**(322)**	6	**(316)**
Balance at December 31, 2016	**5,377**	**988**	**(57)**	**-**	**39**	**-**	**(3)**	**(389)**	**5,955**	**310**	**6,265**
Appropriation of the previous year's profit (loss)	-	(389)	-	-	-	-	-	389	**-**	-	**-**
Dividends and reserves distributed	-	-	-	-	-	-	-	-	**-**	(29)	**(29)**
Increase of share capital and reserves	-	-	-	-	-	-	-	-	**-**	1	**1**
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	**-**	-	**-**
Other changes	-	1	-	-	-	-	-	-	**1**	(1)	**-**
Total comprehensive profit (loss)	-	-	12	-	(10)	-	(1)	(140)	**(139)**	6	**(133)**
of which:											
- Change in comprehensive income	-	-	12	-	(10)	-	(1)	-	**1**	-	**1**
- Profit (Loss) from 01.01.2017 to 06.30.2017	-	-	-	-	-	-	-	(140)	**(140)**	6	**(134)**
Balance at June 30, 2017	**5,377**	**600**	**(45)**	**-**	**29**	**-**	**(4)**	**(140)**	**5,817**	**287**	**6,104**

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2017

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2017 was prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures provided are consistent with the provisions of IAS 34 - Interim Financial Reporting. The abovementioned report is consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied to the Preparation of the Financial Statements

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

As from January 1, 2018, two new accounting standards will apply:

- The **IFRS 15 "Revenue from Contracts with Customers"** implementation project is still in progress. Following the analyses conducted the subjects identified so far that may have an impact on Edison sales revenues once this standard will be applied are mainly relating to the agent versus principal analysis; IFRS 15 sets out the conditions in which an entity operates as principal or agent, which differ from those in IAS 18.
  Currently Edison is qualified as "principal" on the concerned contracts. Qualifying Edison as an agent on some specific contracts would lead to a decrease in sales revenues, with a corresponding reduction of raw materials and services used i.e. with no impact on EBITDA.
- **IFRS 9 "Financial instruments"** provides a single model for the classification and valuation of financial instruments that are attributable only to three categories (i.e. amortized cost, fair value through the income statement and fair value through Other Components of the Comprehensive Income Statement). According to this model, classification and measurement of receivables will depend on the business model and the contractual characteristics of the instruments. The new standard introduces a single prospective model based on expected losses (i.e. the probability that the counterparty will default in a given time horizon). This model is based on more forward looking information than that of IAS 39, inducing a more variable amount of expected credit losses. In reference to the hedge accounting model under IFRS 9 is to better reflect risk management, especially by expanding the eligible hedging instruments and eliminating some overly prescriptive rules. It introduces new aspects, in particular: (i) it allows to hedge the individual components of the commodity price formulas, as long as these components are separately identifiable and reliably able to be measured; (ii) prohibits the deliberate discontinuations in hedge accounting; (iii) it requires to separate the time value for the option and for the forward contracts; (iv) it requires to perform the basis adjustment. On initial application of IFRS 9, the Group may choose either to apply the new hedge accounting rules or to maintain the hedge accounting principles under IAS 39 until the new macro hedging standard comes into force. The way of first application and implementation of the new standard is currently still in progress.

The Board of Directors, meeting on July 26, 2017, authorized the publication of the Condensed Consolidated Semiannual Financial Statements at June 30, 2017, which were the subject of a limited audit by Deloitte & Touche Spa in accordance with an assignment awarded by Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to the Legislative Decree No. 39 of January 27, 2010.

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

Use of Estimated Values

The preparation of Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2017 and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates. The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. Generally the use of estimates is particularly significant for valuation of derivatives, provision for risks and some sales revenues as well as the impairment test.

For a more detailed description of the valuation processes with a more significant impact on the Group, unchanged compared to previous year, please consult the section of the 2016 Consolidated Financial Statements entitled "Use of Estimated Values".

Significant assumptions in determining control in accordance with IFRS 12

With regard to the definition of control set forth in IFRS 10, please note that the Edison Group consolidates line by line two companies even though it does not hold a majority equity stake; more specifically, Dolomiti Edison Energy Srl, owned at 49%, in the hydroelectric area and E2i Energie Speciali Srl owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl in the renewable energy area. A more detailed description of these issues is provided in the 2016 Consolidated Financial Statements.

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

Electric Power Operations

- In March, the company **Edison Energy Solutions** acquired 51% of the company **Comat Energia**, company of the Comat Group active in more than 50 mountain communities and operating in the urban biomass district heating sector; the company is consolidated line by line.
- In March, the company **Edison Energia** acquired 51% of the company **Assistenza Casa**, Italian company of the international HomeServe Group, operating in home services market; the company is consolidated line by line.
- In March, the sale of the 51% stake held in the company **Gever**, previously consolidated line by line, was completed with a positive effect lower than 1 million euros on profit and loss.

Information pursuant to IFRS 3 revised

The first half of 2017 was characterized by some business combination's transactions related to:

- Comat Energia;
- Assistenza Casa.

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

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

1) Comat Energia Acquisition

On March 1, 2017, Edison Energy Solutions Spa (a 100% subsidiary of Edison Energia Spa) acquired a 51% stake in the share capital of Comat Energia Srl from Comat Spa, for a price of 3 million euros. Comat Energia Srl develops and manages heating and urban district heating systems using woody biomass, with customers mainly situated in Piedmont.

The values of Purchase Price Allocation are the following:

(in millions of euros)	Fair value of acquired assets and liabilities
Non-current assets	
Property, plant and equipment	7
Non-current assets	**7**
Current assets	-
Total assets	**7**
Non-current liabilities	
Provision for Deferred Taxes	1
Non-current liabilities	**1**
Current liabilities	-
Total liabilities	**1**
Fair value of net acquired assets and liabilities	**6**
- % attributable to Edison (51%)	**3**
Total acquisition cost	**3**

2) Assistenza Casa Acquisition

On March 9, 2017, the transfer was completed to Edison Energia Spa by HomeServe International Limited, of a 51% equity stakes of the company Assistenza Casa Spa for an amount of 6 million euros subject to a price adjustment.
Furthermore an amount of about 1 million euros was recognized to Assistenza Casa related to the customers base.
Edison Energia, through this transaction, increases its range of services offering to its customers electrical, gas and plumbing repairs, boiler and air conditioner installation and maintenance and Internet of Things device installation.
The values of Purchase Price Allocation were the following:

(in millions of euros)	Fair Value of acquired assets and liabilities
Non-current assets	
Other Intangible Assets	4
Non-current assets	**4**
Current assets	
Trade receivables	22
Other receivables	1
Cash and cash equivalents	7
Current assets	**30**
Total assets	**34**
Non-current liabilities	
Provision for Deferred Taxes	1
Provision for Risks and Charges	3
Non-current liabilities	**4**
Current liabilities	
Trade payables	14
Other liabilities	4
Current liabilities	**18**
Total libilities	**22**
Fair Value of net acquired assets and liabilities	**12**
- % attributable to Edison (51%)	**6**
Total acquisition cost	**6**

Information pursuant to IFRS 5
Disposal Group

At June 30, 2017, Edison was negotiating the sale of 100% of Infrastrutture Trasporto Gas Spa (ITG), a stake that holds the Cavarzere-Minerbio gas line that connects the Terminale GNL Adriatico to the national grid, and of 7.3% of the equity investment held in Terminale GNL Adriatico Srl, which holds a single asset - the LNG regasification terminal.

For the disposal, because the two assets are strictly interrelated and inter-dependent from an industrial point of view, Edison was negotiating with a potential counterparty from which it received a binding offer for both assets; from the accounting standpoint the transaction was indeed considered as forming one single unit of account.

The amounts of activities and liabilities held for sale were adjusted to reflect the presumed realizable value in accordance with the price of the binding offer recording at profit and loss a writedown of 41 million euros plus 14 million euros as first evaluation of the allocated goodwill carried out pursuant to IAS 36 par 86.

The table below shows the amounts recorded in activities and liabilities held for sale.

(in millions of euros)	*See Note*	**06.30.2017**
Non-current assets		214
Current assets		6
Assets held for sale	23	**220**
Non-current liabilities		1
Current liabilities		5
Liabilities held for sale	31	**6**

Please note that on July 25, 2017 Edison subscribed an agreement of disposal with Snam; for further details please refers to "Significant Events Occurring After June 30, 2017".

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Held for sale		EDISON GROUP	
(in millions of euros)	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
Sales Revenues	**2,544**	**2,650**	**2,821**	**3,111**	**24**	**25**	**(421)**	**(318)**	**-**	**-**	**4,968**	**5,468**
- third parties sales revenues	2,536	2,634	2,429	2,831	3	3	-	-	-	-	4,968	5,468
- Intra-Group sales revenues	8	16	392	280	21	22	(421)	(318)	-	-	-	-
EBITDA Reported	**142**	**189**	**336**	**193**	**(52)**	**(42)**	**-**	**-**	**-**	**-**	**426**	**340**
as a % of sales revenues	*5.6%*	*7.1%*	*11.9%*	*6.2%*	*n.m.*	*n.m.*					*8.6%*	*6.2%*
Net change in Fair Value of Commodity derivatives	5	-	(166)	(77)	-	-	-	-	-	-	(161)	(77)
Depreciation, amortization and writedowns	(113)	(102)	(124)	(135)	(3)	(4)	-	-	-	-	(240)	(241)
Othet income (expense),net	-	-	-	-	(6)	(1)	-	-	-	-	(6)	(1)
EBIT	**34**	**87**	**46**	**(19)**	**(61)**	**(47)**	**-**	**-**	**-**	**-**	**19**	**21**
as a % of sales revenues	*1.3%*	*3.3%*	*1.6%*	*(0.6%)*	*n.m.*	*n.m.*					*0.4%*	*0.4%*

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Held for sale		EDISON GROUP	
(in millions of euros)	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Total assets	5,789	6,243	4,201	5,242	3,820	3,970	(3,437)	(3,785)	220	-	10,593	11,670
Total liabilities	1,557	1,851	3,292	3,879	2,068	2,346	(2,434)	(2,671)	6	-	4,489	5,405
Net Financial Debt											780	1,062
Number of employees	3,007	2,949	1,352	1,379	631	621	-	-	27	-	5,017	4,949

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Held for sale		EDISON GROUP	
(in millions of euros)	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
Capital expenditures	30	24	110	105	-	2	-	-	-	-	**140**	**131**
Investments in exploration	-	-	42	41	-	-	-	-	-	-	**42**	**41**
Investments in intangibles	2	1	9	13	2	1	-	-	-	-	**13**	**15**
Total capital investments	**32**	**25**	**161**	**159**	**2**	**3**	**-**	**-**	**-**	**-**	**195**	**187**

The Group does not view **geographic area** segment information as meaningful. It should be noted although that, at June 30, 2017, the net non-current assets of its foreign operations, referred to the Hydrocarbons Operations, totaled 1,124 million euros (for about 16.3% of net invested capital); among these the Exploration & Production operations located in Egypt have significant relevance.

The contribution of the Exploration & Production business, as reported above, in the first half of 2017 is distinctly improving compared with the same period of previous year also thanks to a favorable scenario effect.

(in millions of euros)	**1st half 2017**	1st half 2016	Change	% change
Sales revenues	**234**	**199**	35	17.6%
EBITDA reported	**143**	**83**	60	72.3%
as % of sales revenues	*61.1%*	*41.7%*		
EBIT	**38**	**(40)**	78	n.m.
as % of sales revenues	*16.2%*	*(20.1%)*		

Major customers as defined by IFRS 8

The Group's sales are generally not concentrated. In the Electric Power Operations there is one major customer with sales revenues totaling about 654 million euros in the period, equal to 25.7% of the total sales revenues of the Electric Power Operations and to 13.2% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

The first half of 2017 closed with signs of a recovery compared to the same period of 2016, both in terms of energy commodity scenario and in national demand.
On world markets, the Brent average price was significantly higher than the previous year even if still far below the historical data of last years and showing a downward trend in the second quarter.
The Italian electricity market was mainly characterized by:

- the strong reduction, in the first months of the year, of French electric power imports (following the temporary shutdown of some nuclear power plants for security reasons);
- a strong decrease of power production from hydroelectric sources caused by the lower water availability recorded in the period.

The combined effects of the two phenomena – even if the domestic demand for electric power was basically in line compared to the 2016 (+1.4%) - boosted the national electric power price (PUN) and the thermoelectric production to offset the reduced contribution of imports and hydroelectric generation.
The natural gas demand in Italy increased compared to the first half of 2016 as a consequence of the increase of consumption for power generation and, to a lesser extent, for industrial uses.

In this scenario, Group **EBITDA** were positive by 426 million euros (340 million euros in the first half of 2016); more specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations**, amounting to 131 million euros, shows a slight increase compared with the previous year (122 million euros, including the non-recurring positive result generated by the transactions of hydroelectric activities reorganization) as a consequence of the consolidation of Fenice group which contributed for six months against three months in first half 2016 (+20 million euros) and the increase in power generation margins, mainly in the thermoelectric area, which offset the reduction in hydroelectric generation related to the lower level of water availability.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 347 million euros, against 260 million euros in the first half of 2016. The material increase is related to the rise in natural gas domestic consumption (for industrial uses and electricity generation) and to the improvement of hydrocarbons commodity scenario from which the Exploration & Production sector benefited.

The **Group's interest in the net result** was negative by 140 million euros (negative by 67 million euros as at June 30, 2016).
In addition to the industrial margin dynamics discussed above, the main factors affecting the result for the period included:

- a net negative change in the fair value of derivatives amounting to 161 million euros (negative by 77 million euros in first half of 2016);
- net financial expenses of 33 million euros, compared to net financial expenses of 60 million euros in the first half of 2016;
- net expense on equity investments including a first evaluation of writedowns of activities held for sales for 41 million euros plus 14 million euros related to the allocated goodwill;
- taxes for 77 million euros which included IRAP, foreign taxes and some provisions for tax disputes.

[1] Adjusted EBITDA reflect the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains and losses attributable to them (-13 million euros in 2017, -67 million euros in 2016). This reclassification is being made to provide an operational presentation of the industrial results. The Adjusted EBITDA amount was not audited.

1. Sales Revenues - 4,968 million euros

(in millions of euros)	1st half 2017	1st half 2016	Change	% change
Electric power	2,004	2,063	(59)	(2.9%)
Natural gas	2,111	2,046	65	3.2%
Steam	25	30	(5)	(16.7%)
Oil	88	64	24	37.5%
Green certificates	-	5	(5)	(100.0%)
Other sales revenues	2	5	(3)	(60.0%)
Sub-total	**4,230**	**4,213**	**17**	**0.4%**
Transmission revenues	394	489	(95)	(19.4%)
Realized commodity derivatives	119	612	(493)	n.m.
Margin on trading activities	3	3	-	-
Storage services	45	39	6	15.4%
Revenues from services provided	3	4	(1)	(25.0%)
Other revenues from sundry services	174	108	66	61.1%
Total for the Group	**4,968**	**5,468**	**(500)**	**(9.1%)**

Breakdown by Business Segment	1st half 2017	1st half 2016	Change	% change
Electric Power Operations	2,544	2,650	(106)	(4.0%)
Hydrocarbons Operations	2,821	3,111	(290)	(9.3%)
Corporate and Other Segments	24	25	(1)	(4.0%)
Eliminations	(421)	(318)	(103)	32.4%
Total for the Group	**4,968**	**5,468**	**(500)**	**(9.1%)**

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

The sales revenues of the **Electric Power Operations** decreased by 4.0% compared with the first half of previous year mainly as a consequence of a reduction in volume sales due to a different portfolio optimization partially offset by an increase in average selling prices and by the contribution of Fenice group (consolidated since April 1, 2016).

The sales revenues of the **Hydrocarbons Operations** show a decreased of 9.3% mainly due to a reduction of the income from **Realized commodity derivatives** (which should be analyzed together with the corresponding item included in **Raw materials and services used** showing a comparable reduction in value) concerning the foreign exchange and commodities hedge executed to mitigate the risk of fluctuation in the cost of natural gas and that related to its sale, in line with the indexing formulas and the risk factors included.

Instead it is worth of mentioning that the sales revenues of oil and natural gas increased due to a higher Brent and oil commodity scenario compared to the first half of 2016.

The **Other revenues from sundry services** include the energy services of Fenice group (144 million euros in the first half of 2017 and 74 million euros in the period April - June 2016).

Margin on Trading Activities

(in millions of euros)	1st half 2017	1st half 2016	Change	% change
Margin on physical contracts included in trading portfolios				
Sales revenues	692	1,122	(430)	(38.3%)
Raw materials and services used	(697)	(1,113)	416	(37.4%)
Total included in sales revenues	**(5)**	**9**	**(14)**	**n.m.**
Margin on financial contracts included in trading portfolios				
Sales revenues	5	33	(28)	(84.8%)
Raw materials and services used	3	(39)	42	n.m.
Total included in sales revenues	**8**	**(6)**	**14**	**n.m.**
Total margin on trading activities	**3**	**3**	**-**	**-**

A comprehensive review of the effects linked to derivatives is provided in a special disclosure, reported in the Section titled "Group Financial Risk Management".

2. Other Revenues and Income - 65 million euros

(in millions of euros)	1st half 2017	1st half 2016	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	5	11	(6)	(54.5%)
Net reversals in earnings of provisions for risks on receivables and other risks	2	15	(13)	(86.7%)
Gains on disposals	1	33	(32)	(97.0%)
Out of period and sundry items	57	37	20	54.1%
Total for the Group	**65**	**96**	**(31)**	**(32.3%)**

The item **Out of period and sundry items**, in the first half of 2017, includes 14 million euros related to insurance reimbursements attributable to damages occurred in previous years.

3. Raw Materials and Services Used - 4,450 million euros

(in millions of euros)	**1st half 2017**	1st half 2016	Change	% change
Natural gas	1,885	1,570	315	20.1%
Electric power	1,294	1,404	(110)	(7.8%)
CO_2 emissions rights	19	13	6	46.2%
Utilities and other materials	37	38	(1)	(2.6%)
Sub-total	**3,235**	**3,025**	**210**	**6.9%**
Transmission of electric power and natural gas	788	853	(65)	(7.6%)
Maintenance	109	101	8	7.9%
Regasification fee	59	60	(1)	(1.7%)
Professional services	44	45	(1)	(2.2%)
Writedowns of trade and other receivables	25	24	1	4.2%
Realized commodity derivatives	46	799	(753)	n.m.
Additions to provisions for miscellaneous risks	16	13	3	23.1%
Change in inventories	8	37	(29)	(78.4%)
Use of property not owned	46	45	1	2.2%
Sundry items	74	87	(13)	(14.9%)
Total for the Group	**4,450**	**5,089**	**(639)**	**(12.6%)**

Breakdown by Business Segment	**1st half 2017**	1st half 2016	Change	% change
Electric Power Operations	2,349	2,454	(105)	(4.3%)
Hydrocarbons Operations	2,477	2,914	(437)	(15.0%)
Corporate Activities and Other Segments	52	45	7	15.6%
Eliminations	(428)	(324)	(104)	32.1%
Total for the Group	**4,450**	**5,089**	**(639)**	**(12.6%)**

4. Labor Costs - 157 million euros

The increase of 22 million euros compared with the same period of previous year is mainly due to Fenice group (49 million euros in the first half of 2017 and 24 million euros in the period April-June 2016).

5. EBITDA – 426 million euros

(in millions of euros)	**1st half 2017**	**as a % of sales revenues**	1st half 2016	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	142	5.6%	189	7.1%
Hydrocarbons Operations	336	11.9%	193	6.2%
Corporate Activities and Other Segments	(52)	n.m.	(42)	n.m.
Total for the Group	**426**	**8.6%**	**340**	**6.2%**
Adjusted EBITDA (*)				
Electric Power Operations	131	5.1%	122	4.6%
Hydrocarbons Operations	347	12.3%	260	8.4%
Corporate Activities and Other Segments	(52)	n.m.	(42)	n.m.
Total for the Group	**426**	**8.6%**	**340**	**6.2%**

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

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

- the adjusted EBITDA of the **Electric Power Operations** show the positive contribution from Fenice Group (38 million euros in the first half 2017, 18 million euros in the period April – June 2016) and the improvement of power generation margins offsetting the reduction of electricity produced from renewable sources in consequence of lower water and wind availability compared with the first half of 2016;
- the positive performance of the adjusted EBITDA related to **Hydrocarbons Operations** is due to the rise in oil products price scenario (natural gas and oil) which had a relevant impact in particular on the Exploration & Production performances.

6. Net Change in Fair Value of Commodity Derivatives – (161) million euros

(in millions of euros)	1st half 2017	1st half 2016	Change	% change
Change in fair value in hedging the price risk on energy products:	**(186)**	**78**	**(264)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(3)	24	(27)	n.m.
- definable as hedges pursuant to IAS 39 (FVH)	(52)	117	(169)	n.m.
- not definable as hedges pursuant to IAS 39	(131)	(63)	(68)	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**(79)**	**(46)**	**(33)**	**71.7%**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(3)	(10)	7	(70.0%)
- definable as hedges pursuant to IAS 39 (FVH)	(55)	(10)	(45)	n.m.
- not definable as hedges pursuant to IAS 39	(21)	(26)	5	(19.2%)
Change in fair value in physical contracts (FVH)	**104**	**(109)**	**213**	**n.m.**
Total for the Group	**(161)**	**(77)**	**(84)**	**n.m.**

(*) Referred to the ineffective portion.

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

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

Specifically the change of the period is mainly due to the realization of derivatives whose fair value, significantly positive in the previous years as a result of economic hedging strategies to protect margins and of the significant commodities prices fluctuations, was here recorded.

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

7. Depreciation, Amortization and Writedowns – 240 million euros

(in millions of euros)	1st half 2017	1st half 2016	Change	% change
Depreciation and amortization of:				
- property, plant and equipment	168	166	2	1.2%
- exploration costs	42	41	1	2.4%
- hydrocarbon concessions	21	26	(5)	(19.2%)
- other intangible assets	9	8	1	12.5%
Total for the Group	**240**	**241**	**(1)**	**(0.4%)**

Breakdown by Business Segment	1st half 2017	1st half 2016	Change	% change
Electric Power Operations	113	102	11	10.8%
Hydrocarbons Operations	124	135	(11)	(8.1%)
Corporate Activities and Other Segments	3	4	(1)	(25.0%)
Total for the Group	**240**	**241**	**(1)**	**(0.4%)**

The Fenice group contributed for 27 million euros in the first half of 2017 against 16 million euros in the period April-June 2016.

8. Other Income (Expense), Net - (6) million euros

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

More detailed information is provided in Note 27 "Provision for Risk and Charges" and in the section entitled "Commitments, Risks and Contingent Assets" provided in 2016 Consolidated Financial Statements and in the related update later in these notes.

9. Net Financial Income (Expense) - (33) million euros

(in millions of euros)	1st half 2017	1st half 2016	Change
Financial income			
Financial income from financial derivatives	5	6	(1)
Interest earned on bank and postal accounts	-	2	(2)
Interest earned on trade receivables	1	4	(3)
Other financial income	4	7	(3)
Total financial income	**10**	**19**	**(9)**
Financial expense			
Interest accrued on bond issues	(12)	(12)	-
Fair Value Hedge adjustment on bonds	7	6	1
Financial expense from financial derivatives	(4)	(4)	-
Interest accrued to banks	(1)	(1)	-
Fees	(5)	(7)	2
Financial expense on decommissioning projects and provisions for risks	(14)	(15)	1
Interest accrued to other lenders	(2)	(33)	31
Other financial expense	(1)	(1)	-
Total financial expense	**(32)**	**(67)**	**35**
Net foreign exchange translation gains (losses)	**(11)**	**(12)**	**1**
Net financial income (expense) for the Group	**(33)**	**(60)**	**27**

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

10. Income from (Expense on) Equity Investments – (43) million euros

(in millions of euros)	1st half 2017	1st half 2016	Change
Income from Equity Investments			
Dividends	2	5	(3)
Revaluations of trading securities	1	-	1
Revaluations and valuations of investments by the equity method	2	4	(2)
Capital gain from investments disposal	7	-	7
Total income from equity investments	**12**	**9**	**3**
Expenses on Equity Investments			
Writedowns and valuations of investments by the equity method	-	(6)	6
Writedowns of activities held for sale	(55)	-	(55)
Total expense on equity investments	**(55)**	**(6)**	**(49)**
Total Group income from (expense on) equity investments	**(43)**	**3**	**(46)**

The **capital gain from investments disposal** is referred to the disposal, in February 2017, of the investment in Istituto Europeo di Oncologia. The **writedowns of activities held for sale** reflect the adjustment to the presumed realizable value (41 million euros plus 14 million euros as first estimate of allocated goodwill) related to the activities reported in the paragraph "IFRS 5 – Disposal Group" to which reference should be made for further information.

11. Income Taxes - 77 million euros

(in millions of euros)	1st half 2017	1st half 2016	Change
Current taxes	43	23	20
Net deferred-tax liabilities (assets)	1	(11)	12
Income taxes attributable to previous years and other taxes	33	8	25
Total for the Group	**77**	**20**	**57**

The item **income taxes attributable to previous years and other taxes** also includes some provisions for fiscal risk.

12. Earnings (Loss) per Share

	1st half 2017		1st half 2016	
(in millions of euros)	Common shares	Savings shares (1)	Common shares	Savings shares (1)
Group interest in profit (loss)	(140)	(140)	(67)	(67)
Profit (Loss) attributable to the different classes of shares (A)	(143)	3	(70)	3
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5.266.845.824	110.154.847	5.266.845.824	110.154.847
- diluted (C) (2)	5.266.845.824	110.154.847	5.266.845.824	110.154.847
Earnings (Loss) per share (in euros)				
- basic (A/B)	(0,0272)	0,0250	(0,0132)	0,0250
- diluted (A/C) (2)	(0,0272)	0,0250	(0,0132)	0,0250

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

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

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment - 3,799 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases (*)	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2016 (A)	**434**	**2,778**	**138**	**3**	**3**	**7**	**574**	**3,937**
Changes in the period:								
- Additions	3	67	1	-	-	-	69	140
- Additions (IFRS 3 revised)	-	6	-	1	-	-	-	7
- Disposals (-)	(3)	(1)	-	-	-	-	-	(4)
- Depreciation (-)	(7)	(151)	(8)	-	(1)	(1)	-	(168)
- Changes in scope of consolidation	-	(3)	-	-	-	-	-	(3)
- Reclassification in held for sales	-	(100)	-	-	-	-	-	(100)
- Other changes	8	126	4	-	-	-	(148)	(10)
Total changes (B)	**1**	**(56)**	**(3)**	**1**	**(1)**	**(1)**	**(79)**	**(138)**
Balance at 06.30.2017 (A+B)	**435**	**2,722**	**135**	**4**	**2**	**6**	**495**	**3,799**

(*) Recorded as required by IAS 17 revised; the relative financial debt is exposed in "Long-term financial debt and other financial liabilities" (about 3 million euros) and in "Short-term financial debt" (less than 1 million euros).

Breakdown of the additions by Business Segment	**1st half 2017**	1st half 2016
Electric Power Operations	**30**	**24**
broken down as follows:		
- Thermoelectric area	10	7
- Hydroelectric area	7	8
- Renewable sources area	2	3
- Energy services area	11	6
Hydrocarbons Operations	**110**	**105**
broken down as follows:		
- Hydrocarbon fields in Italy	6	20
- Hydrocarbon fields outside Italy	102	81
- Transmission and storage infrastructures	2	4
Corporate Activities and Other Segments	**-**	**2**
Total for the Group	**140**	**131**

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

- replacement and maintenance of components at some thermoelectric and hydroelectric power plants;
- activities related to energy services, in particular in Fenice group.

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

- in Italy, the development of Ibleo projects continues;
- abroad mainly due to the development of Reggane project in Algeria and to the platform NAQ PIII in Egypt.

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

The item **additions (IFRS 3 revised)** is referred to the acquisition of Comat Energia, for additional information please refer to the paragraph "Information pursuant to IFRS 3 revised"; moreover the item **changes in scope of consolidation** is referred to the disposals of the company Gever.

Please note that assets valued at 16 million euros are encumbered as collateral for loans provided by financial institutions.

14. Investment Property - 5 million euros

The Group's investment property, which consists of land and buildings that are not used for production purposes, was unchanged compared with December 31, 2016.

15. Goodwill - 2,343 million euros

(in millions of euros)	**06.30.2017**	**12.31.2016**
Electric Power Operations	1,654	1,654
Hydrocarbons Operations	689	703
Total	**2,343**	**2,357**

The reduction of the Hydrocarbons Operations' goodwill, for 14 million euros, is related to a first evaluation of allocation, carried out pursuant to the IAS 36 par. 86, related to the activities reported in the paragraph "IFRS 5 – Disposal Group" to which reference should be made for further information.

The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year (note 17).

16. Hydrocarbon Concessions - 374 million euros

The hydrocarbon concessions decreased, compared with December 31, 2016, by 22 million euros mainly due to the amortization for the period.

17. Other Intangible Assets - 134 million euros

(in millions of euros)	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2016 (A)	**91**	**-**	**28**	**9**	**128**
Changes in the period:					
- Additions	2	42	1	10	55
- Additions (IFRS 3 revised)	-	-	4	-	4
- Disposals (-)	-	-	-	-	-
- Amortization (-)	(5)	(42)	(4)	-	(51)
- Other changes	-	-	(1)	(1)	(2)
Total changes (B)	**(3)**	**-**	**-**	**9**	**6**
Balance at 06.30.2017 (A+B)	**88**	**-**	**28**	**18**	**134**

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

Exploration costs for the period, which were amortized in full when incurred, totaled 42 million euros (41 million euros in the same period of 2016) and refer mainly to exploration activities in Egypt.
The item **additions (IFRS 3 revised)** is referred to acquisition of the company Assistenza Casa; for additional information please refer to the paragraph "Information pursuant to IFRS 3 revised".

Impairment Test in Accordance with IAS 36

As required by IAS 36, in the first half of 2017 the Group performed an update of impairment test analysis of the individual Cash Generation Units (CGUs) which did not show any trigger affecting the recoverable amounts.
Specifically with regard to the goodwill, waiting for the Group to draw up a new industrial medium-term plan, the short-term economic and scenario variables were analyzed. Considering the positive market context described above, these variables do not present, also with regard to the 2017 budget, any trigger pointing to perform an impairment test at June 30, 2017.

18. Investments in Associates and Available-for-sale Investments – 104 million euros

(in millions of euros)	Investments in associates	Available-for-sale investments	**Total**
Balance at 12.31.2016 (A)	**104**	**158**	**262**
Changes in the period:			
- Disposals (-)	-	(4)	(4)
- Changes in shareholders' equity reserves	-	(2)	(2)
- Valuations at equity	2	-	2
- Dividends (-)	(1)	-	(1)
- Reclassification to assets held for sale	-	(151)	(151)
- Other changes (+/-)	(2)	-	(2)
Total changes (B)	**(1)**	**(157)**	**(158)**
Balance at 06.30.2017 (A+B)	**103**	**1**	**104**

The total includes 103 million euros in investments in unconsolidated subsidiaries, joint ventures and affiliated companies and 1 million euros in available-for-sale investments. **Disposals** refer to the sale of the investment in Istituto Europeo di Oncologia. **Changes in shareholders' equity reserves** refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl. The **Reclassification to assets held for sale** is related to the activities reported in the paragraph "IFRS 5 – Disposal Group" to which reference should be made for further information.

19. Other Financial Assets - 82 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Escrow bank deposits	1	6	(5)
Sundry items	81	88	(7)
Total other financial assets	**82**	**94**	**(12)**

Other financial assets consist of financial receivables due in more than one year; for 67 million euros are related to the noncurrent portion of the loans receivable from Elpedison which in September 2016 was renewed until September 2018. The capital reimbursements and the interest payments due in the period were made regularly; Edison constantly monitors the situation.

20. Deferred-tax Assets - 484 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Deferred-tax assets:			
Tax loss carryforward	57	54	3
Taxed provisions for risks	90	62	28
Adoption of IAS 39 to value financial instruments with impact:			
- on shareholders' equity	18	23	(5)
Valuation differences of property, plant and equipment and intangibles	305	351	(46)
Other	14	8	6
Deferred-tax assets	**484**	**498**	**(14)**

Deferred-tax assets were valued, in particular with reference to the tax loss carryforward, based on assumptions that they would probably be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies. Gever disposal decreased deferred tax assets for "Valuation differences of property, plant and equipment and intangibles" by 6 million euros.

21. Other Assets - 258 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Fair value on industrial portfolio (*)	37	201	(164)
Tax refunds receivable	192	91	101
Security deposits / others	29	18	11
Total Other assets	**258**	**310**	**(52)**

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

The increase in tax refunds receivable is mainly related to VAT receivables requested as reimbursement.

22. Current Assets - 2,790 million euros

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Inventories	227	180	47
Trade receivables (*)	1,259	1,877	(618)
Current-tax assets	8	8	-
Other receivables (*)	983	1,390	(407)
Current financial assets	27	22	5
Cash and cash equivalents	286	206	80
Total current assets	**2,790**	**3,683**	**(893)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.

- The table that follows shows a breakdown of **inventories** by business segment:

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	CO_2 emission rights	Other	**Total at 06.30.2017**	Total at 12.31.2016	Change
Electric Power Operations	7	-	-	60	12	79	21	58
Hydrocarbons Operations	31	102	15	-		148	159	(11)
Total for the Group	**38**	**102**	**15**	**60**	**12**	**227**	**180**	**47**

The net increase for the period refers mainly to inventory increase of CO2 emission rights related to the trading activity and to the decrease of fuels. The inventories included, for about 44 million euros, stored natural gas the use of which is restricted either as a strategic reserve or to secure performance under the balancing system.

- A breakdown of **trade receivables** by business segment is provided in the table below:

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Electric Power Operations	613	892	(279)
Hydrocarbons Operations	654	998	(344)
Corporate Activities and Other Segments and Eliminations	(8)	(13)	5
Total trade receivables	**1,259**	**1,877**	**(618)**
Of which Allowance for doubtful Accounts	**(264)**	**(251)**	**(13)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.

Specifically, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions. The decrease, compared with December 31, 2016, mainly reflects the relevant collection recorded in the period in Egypt as well as the effects of seasonality.

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

(in millions of euros)	12.31.2016	Additions	Utilizations	06.30.2017
Allowance for doubtful accounts (*)	**(251)**	(25)	12	**(264)**

(*) Included default interests.

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

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

- **Current-tax assets** of 8 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa.
- A breakdown of **other receivables** is provided in the table below:

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Fair Value on industrial portfolio and trading activities (**)	335	758	(423)
Advances to suppliers	62	35	27
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	93	59	34
VAT credit	105	188	(83)
Sundry items	388	350	38
Total other receivables	**983**	**1,390**	**(407)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.
(**) A comprehensive review is provided in the Section "Group Financial Risk Management".

- A breakdown of **current financial assets**, which are included in the computation of the Group's net financial debt, is as follows:

(in millions of euros)	06.30.2017	12.31.2016	Change
Loans receivable	5	5	-
Derivatives	19	15	4
Equity investments held for trading	3	2	1
Total current financial assets	**27**	**22**	**5**

- **Cash and cash equivalents** of 286 million euros (206 million euros at December 31, 2016) consist of short-term deposits in bank and postal accounts and other short-term investments. This item also includes the current account established with EDF Sa with a positive balance for 173 million euros (73 million euros at December 31, 2016).

23. Assets held for sale - 220 million euros

The item has 220 million euros balance and refers to the assets of company Infrastrutture Trasporto Gas and to the equity investment held in Terminale GNL Adriatico reported in the paragraph "IFRS 5 – Disposal Group" to which reference should be made for further information.

Liabilities and Shareholders' Equity

24. Shareholders' Equity Attributable to Parent Company Shareholders - 5,817 million euros - and Shareholders' Equity Attributable to Minority Shareholders - 287 million euros

The shareholders' equity attributable to Parent Company shareholders was 138 million euros lower than at December 31, 2016 (5,955 million euros) mainly due to the loss for the period (140 million euros).

The shareholders' equity attributable to minority shareholders decreased by 23 million euros compared with December 31, 2016 (310 million euros); the net decrease mainly reflects the profit for the period (6 million euros) and the reserves and dividends' distribution to minority shareholders (29 million euros).

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

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

Share class	Number of shares	Millions of euros
Common shares	5,266,845,824	5,267
Savings shares	110,154,847	110
Total	**5,377,000,671**	**5,377**

Shareholder's Equity per share Attributable to Parent Company Shareholders	06.30.2017	12.31.2016
Shareholder's Equity Attributable to Parent Company Shareholders (in millions of euros)	5,817	5,955
Shareholder's Equity per share Attributable to Parent Company Shareholders (in euros)	1.082	1.107

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

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2016	(80)	23	(57)
Changes in the period	17	(5)	12
Reserve at June 30, 2017	**(63)**	**18**	**(45)**

25. Provision for Employee Severance Indemnities and Provisions for Pensions - 43 million euros

The item decreased for 1 million euros compared with December 31, 2016. The amount reflects the accrued severance indemnities and other benefits owed to employees at the end of the period. The actuarial (gains) losses are recorded in equity. The valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

26. Provision for Deferred Taxes - 52 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Deferred-tax liabilities:			
Valuation differences of property, plant and equipment and intangibles	66	68	(2)
Other deferred-tax liabilities	44	39	5
Deferred-tax liabilities total (A)	**110**	**107**	**3**
Deferred-tax assets usable for offset purposes:			
Taxed provisions for risks	-	20	(20)
Valuation differences of property, plant and equipment and intangibles	23	6	17
Other deferred-tax assets	35	29	6
Deferred tax assets total (B)	**58**	**55**	**3**
Total provision for deferred taxes (A-B)	**52**	**52**	**-**

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

It is worth of mentioning that provision for deferred taxes were recognized for 2 million euros as result of business combination occurred in first half of 2017; a more detailed analysis of additions (IFRS 3 revised) is provided in the paragraph "Information pursuant to IFRS 3 revised".

For additional details, please refers to Note 11 "Income Taxes" and Note 20 "Deferred-tax Assets".

27. Provisions for Risks and Charges - 1,197 million euros

(in millions of euros)	12.31.2016	Additions	Utilizations	IFRS 3 revised	Other changes	06.30.2017
Risks for disputes, litigation and contracts	131	1	(1)	-	-	131
Charges for contractual guarantees on sale of equity investments	79	-	-	-	-	79
Environmental risks	56	1	(2)	-	-	55
Other risks and charges	10	-	-	-	-	10
Disputed tax items	78	27	(4)	-	-	101
Total for legal and tax disputes	**354**	**29**	**(7)**	**-**	**-**	**376**
Provisions for decommissioning and remediation of industrial site	667	11	(2)	-	(4)	672
Provision for CO2 emission rights	-	-	-	-	15	15
Other risks and charges	121	13	(2)	3	(1)	134
Total for the Group	**1,142**	**53**	**(11)**	**3**	**10**	**1,197**

The **Provisions for legal and tax disputes**, 376 million euros, recorded a net increase of 22 million euros mainly due to risks related to tax disputes.

More detailed information about the issues that resulted in the current composition of these provisions is provided in the paragraph as entitled "Risks and contingent liabilities associated with legal and tax disputes" of 2016 Consolidated Financial Statements and in the corresponding updates provided later in these notes.

The **Provisions for decommissioning and remediation of industrial sites**, 672 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities.

The change qualified as "**IFRS 3 revised**" is related to the acquisition of the company Assistenza Casa: for further information please refer to the paragraph "Information pursuant to IFRS 3 revised".

28. Long-term Financial Debt and Other Financial Liabilities - 203 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Due to banks	129	141	(12)
Due to other lenders	74	74	-
Total for the Group	**203**	**215**	**(12)**

29. Other Liabilities - 44 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Fair Value on industrial portfolio (*)	44	74	(30)
Other liabilities	-	-	-
Total other liabilities	**44**	**74**	**(30)**

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

30. Current Liabilities - 2,944 million euros

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Bonds	620	615	5
Short-term financial debt	270	460	(190)
Trade payables (*)	1,304	1,695	(391)
Current taxes payable	9	7	2
Other liabilities (*)	741	1,101	(360)
Total current liabilities	**2,944**	**3,878**	**(934)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.

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

(in millions of euros)	06.30.2017	12.31.2016	Change
Debt due to banks	57	62	(5)
Debt due to EDF companies	-	151	(151)
Debt due to unconsolidated Edison Group companies	15	16	(1)
Debt due to other lenders	198	231	(33)
Total Short-term financial debt	**270**	**460**	**(190)**

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

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Electric Power Operations	661	922	(261)
Hydrocarbons Operations	629	761	(132)
Corporate Activities and Other Segments and Eliminations	14	12	2
Total trade payables	**1,304**	**1,695**	**(391)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. The decrease, compared with December 31, 2016, mainly reflects the effects of seasonality.

- **Current taxes payable** of 9 million euros represent the income taxes liability which are paid directly by the companies upon which they are levied.
- A breakdown of **other liabilities** is as follows:

(in millions of euros)	06.30.2017	12.31.2016 (*)	Change
Fair Value on industrial portfolio and trading activities (**)	319	730	(411)
Amount owed to the controlling company in connection with the filing of a consolidated tax return	103	68	35
Payables owed to Tax Administration (other than current tax payables)	117	52	65
Amount owed to employees	31	32	(1)
Payables owed to social security institutions	22	22	-
Sundry items	149	197	(48)
Total other liabilities	**741**	**1,101**	**(360)**

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.

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

31. Liabilities held for sale - 6 million euros

The item has 6 million euros balance and refers to the liabilities of the company Infrastrutture Trasporto Gas, reported in the paragraph "IFRS 5 – Disposal Group" to which reference should be made for further information.

NET FINANCIAL DEBT

At June 30, 2017, net financial debt totaled 780 million euros, or 282 million euros less than the 1,062 million euros owed at December 31, 2016.

Consistent with the practice followed at the end of 2016, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	*See note*	**06.30.2017**	12.31.2016	Change
Non-current bank loans	*28*	129	141	(12)
Amounts due to other lenders - non-current portion	*28*	74	74	-
Non-current financial debt		**203**	**215**	**(12)**
Bonds - current portion	*30*	620	615	5
Short-term financial debt	*30*	270	460	(190)
Current financial assets	*22*	(27)	(22)	(5)
Cash and cash equivalents	*22*	(286)	(206)	(80)
Current net financial debt		**577**	**847**	**(270)**
Net financial debt		**780**	**1,062**	**(282)**

The **non-current financial debt** includes, as at December 31, 2016, for 70 million euros, the utilization of the medium-long term credit line (total face value of 200 million euros), provided by EDF Sa to Edison Spa in December 2015 in connection with investment projects and related to a credit line provided by the EIB to EDF Sa.

Bonds, amounting to 620 million euros, including the total accrued interest at June 30, 2017, are related to a bond issue with maturity date at November 10, 2017.

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

The table below shows the term of the bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Current portion	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	620	623

The **short-term financial debt** includes the current account with Transalpina di Energia for 97 million euros (112 million euros at December 31, 2016); the reduction, compared with December 31, 2016, is also due for 150 million euros to the reimbursement of the amount drawn down on the credit line provided by EDF Sa (total nominal amount of 600 million euros) which expired in April 2017.

The **cash and cash equivalents** includes the current account with EDF Sa for 173 million euros (73 million euros at December 31, 2016)

It should be noted that, in the overall refinancing plan already announced in 2016 Consolidation Financial Statements aimed to provide both the coverage for the expected financial needs and the necessary cash flexibility, in April 2017 Edison Spa subscribed two revolving credit lines with maturity within 2 years:

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

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments - 1,502 million euros

(in millions of euros)	06.30.2017	12.31.2016	Change
Guarantees provided	1,284	1,432	(148)
Collateral provided	54	75	(21)
Other commitments and risks	164	118	46
Total for the Group	**1,502**	**1,625**	**(123)**

Guarantees provided (1,284 million euros) were determined based on the undiscounted amount of contingent commitments on the balance sheet date. They consist mainly of guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They include 54 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for the offsetting of VAT credits and those provided in connection with the intra-Group assignment of tax credits. The commitments related to the Public Tender Offer on the Alerion Clean Power Spa shares (promoted by Eolo Energia) expired in the period for about 66 million euros.

Collateral provided (54 million euros) reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing provided by financial institutions (16 million euros).

Other commitments and risks (164 million euros) reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (129 million euros).

With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that no commitments were recorded at June 30, 2017 as at December 31, 2016.

Unrecognized Commitments and Risks

There were no significant changes regarding the main risks and commitments not included in the amounts above in the period compared with disclosures in the 2016 Consolidated Financial Statements, which should be consulted for more complete and comprehensive information. In particular, the Hydrocarbons Operations entered into long term contracts for the importation of natural gas from Algeria, Libya, Qatar and Russia.

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

		within 1 year	from 2 to 5 years	over 5 years	**Total**
Natural Gas	Billions of m^3	13.6	45.0	102.0	**160.6**

The economic data are based on prospective pricing formulas.

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the developments affecting the main legal and tax disputes that occurred in the first half of 2017 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, with a further differentiation between:

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

Please see the disclosure provided in the 2016 Consolidated Financial Statements for a comprehensive review of these issues.

Probable liabilities associated with legal disputes

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont ***Edison is a party to these proceedings as universal successor to Montedison Spa***		
Mantua – Administrative proceedings		
2012 – 2017 Lombardy Regional Administrative Court – Brescia Section	With reference to the injunctions issued pursuant to Article 244 of Legislative Decree No. 152/2006 (so-called "Environmental Code") and notified to Edison between 2012 and 2015 by the Province of Mantua concerning the remediation of various areas inside and outside the petrochemical facility formerly operated in Mantua by Montedison and currently operated by the Eni Group (areas called "Versalis, former chlorine sodium production facility," "Mercury mud landfill area L," "Intake canal for the Versalis plant and the Formigosa fornix," "Basso Mincio," "Sisma Canal," "N," "B+I" and "R1") were challenged all by the Company, two orders were added in 2017 related to "R1" and "R2" areas. The Company has brought separate complaints also against these proceedings before the Regional Administrative Court of Lombardy – Brescia Section.	For all pending proceedings the Court has yet to schedule a hearing for oral arguments.

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

There were no developments compared with the disclosure provided in the 2016 Consolidated Financial Statements.

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Bracco Imaging – Syndial – civil proceedings ex-ACNA area		
1999-2017 Court of Milan / Milan Court of Appeals / Court of Cassation	On July 6, 2017 the judgment of the Court of Cassation was published whom the same Court overturned the decision by the Milan Court of Appeals, which ordered Edison to repair the damages caused to Bracco Imaging for the sale to the latter of ex-ACNA lands, later resulted contaminated and not fit for the use hypothesized by the purchaser. The damages were estimated at about 7.5 million euros. The Supreme Court ascertained the following law principle: the contamination of a plot of land subject to a sale and purchase agreement constitutes a redhibitory defect under the meaning of art. 1490 civ.c. and the relevant action is submitted to the forfeiture term (8 days from the discovery) and the statute of limitations period (one year) set by art. 1495 civ.c..	As per the description of the dispute.

D) **Liabilities for which a provision for other legal risks was recognized in the balance sheet**:
There were no developments compared with the disclosure provided in the 2016 Consolidated Financial Statements.

* * * * *

Contingent Liabilities Associated with Legal Disputes

There were no developments compared with the disclosure provided in the 2016 Consolidated Financial Statements.

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Probable Liabilities Associated with Tax Disputes

Others Group Companies

Date started / Assessing office	Description of dispute	Status of proceedings
Edison International Spa – General audit by the Tax Authority for 2010-2013 years		
Formal Report of Findings concluded in October 2015 by the Regional Tax Directorate of Lombardy - Consequent notices of assessment for 2010 and 2011 years	Following the 2015 audit conducted by the Regional Tax Directorate of Lombardy - Major Taxpayers' Office, for 2010-2013 years on the company Edison International Spa, the latter, in consideration of the relevance of the dispute, both in terms of value and the financial years involved, and technical complexity relative to the taxation of the Norwegian credit, established some negotiations with the Tax Authority in order to assess a possible settlement of the findings for all years concerned (2010-2014). Before the end of the year, the agreement should be finalized with the definition of the disputes pending or potential. With reference to the estimated expense, a specific provision for risks has been set aside.	Pending before the Provincial Tax Commission.

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Contingent liabilities associated with tax disputes

There were no developments compared with the disclosure provided in the 2016 Consolidated Financial Statements.

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Contingent assets

There were no developments compared with the disclosure provided in the 2016 Consolidated Financial Statements.

GROUP FINANCIAL RISK MANAGEMENT

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

A more complete description is provided in the notes to the 2016 Consolidated Financial Statements.

In accordance with IFRS 7, consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

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

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

For hedging derivatives of the Industrial Portfolio, a simulation is carried out to measure the potential impact of market price oscillations on the fair value of the derivatives in place, in accordance with IFRS 7. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2020.

The following table shows the maximum expected negative variance in the fair value of the outstanding hedging derivatives by the end of 2017 compared with the fair value determined at June 30, 2017.

Variance in the fair value (in millions of euros)	**06.30.2017**	**06.30.2016**
Maximum negative variance in the fair value (*)	185.8	464.7

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

In other words, compared with the fair value determined for hedging derivatives outstanding June 30, 2017 the probability of a negative variance greater than 185.8 million euros by the end of 2017 is limited to 2.5% of the scenarios. The decrease compared with the level measured at June 30, 2016 is mainly attributable to lower net volumes related to EUR/USD foreign exchanges and to the oil market, and to a reduction in the volatility of prices.

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

Industrial portfolio	**1st half 2017**		**1st half 2016**	
Economic Capital absorbed	**without derivatives**	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved limit of Economic Capital	71%	46%	115%	43%
Maximum absorption	105% - Jan '17	83% - Jan. '17	264% - Jan. '16	87% - Jan. '16

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit.

Value at Risk (VaR) (*)	**06.30.2017**	**06.30.2016**
Daily VaR Limit (**)	1.5 million euros	2.3 million euros
Stop Loss Limit	8 million euros	12 million euros
Utilized VaR limit at the end of the period	8%	12%
Average utilized VaR limit in the period	10%	14%

(*) Value at Risk: is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval.

(**) With a level of probability of 95%.

As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for potentially illiquid positions.

Trading Portfolios Economic Capital absorbed	**1st half 2017**	**1st half 2016**
Economic Capital's limit	24 million euros	35.7 million euros
Utilization at the end of the period	8%	16%
Average utilization	13%	17%

2. Foreign Exchange Risk

The types of foreign exchange risk and the guidelines related to the governance and to the risk mitigation strategies are unchanged compared with December 31, 2016.

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. Consequently, it values on a regular basis its exposure to the risk of fluctuations in interest rates, which it mainly manages with the negotiation of the loans; except for the hedging derivatives related to the bond issue, qualify for hedge accounting under IAS 39 (Fair Value Hedges).

Gross Financial Debt	**06.30.2017**			**12.31.2016**		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with deriv.	without derivatives	with derivatives	% with deriv.
- fixed rate portion (included structures with CAP)	620	20	2%	611	11	1%
- variable rate portion	473	1,073	98%	679	1,279	99%
Total gross financial debt	**1,093**	**1,093**	**100%**	**1,290**	**1,290**	**100%**

The Edison group has negotiated loans at variable tax rates (mainly the Euribor rate). Even the fixed rate bond loan of 600 million euros expiring on November 10, 2017 is converted to variable rate by means of the Interest Rate Swap, based on the 6 months Euribor rate. Edison currently benefits from the lower cost of the variable rate with respect to the fixed rate cost, with a significant saving of financial charges.

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 2017 and provides a comparison with the 2016.

Sensitivity analysis (in millions of euros)	**1st half 2017 Impact on financial expense (P&L)**			1st half 2016 Impact on financial expense (P&L)		
	+50 bps	**base**	**-50 bps**	+50 bps	base	-50 bps
Edison Group	**6**	**5**	**4**	12	11	10

4. Credit Risk

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

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during the first half of 2017 totaled 2,299 million euros (2,430 million euros in the first half of 2016). At June 30, 2017, these receivables were not exposed to the risk of recourse.

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

(in millions of euros)	**06.30.2017**	12.31.2016 (*)
Gross trade receivables	1,523	2,128
Allowance for doubtful accounts (-)	(264)	(251)
Trade receivables	**1,259**	**1,877**
Guarantees held (**)	399	457
Receivables less than 6 in arrears	103	156
Receivables 6 to 12 months in arrears	101	93
Receivables more than 12 months in arrears	337	404

(*) The 2016 data were reclassified due to the new presentation of the receivables and payable owed to/by partners and associates in hydrocarbon exploration projects.
(**) Including 68 million euros to hedge receivables outstanding at June 30, 2017.

The ongoing credit management approach, differentiated for the three market segments (Retail, Business and Public Administration) with the aim, with structural actions, to prevent the accumulation of new receivables and quickly reduce current receivables and receivables in arrears, continues in 2017.
With regard to foreign activities, it is worth of mentioning that in Egypt thanks to the relevant collection recorded in the period the past-due receivables, at June 30, 2017 by the Egyptian General Petroleum Corporation (EGPC) (202 million euros) decreased by 105 million euros compared with December 31, 2016, (307 million euros). Edison constantly monitors the situation.
The amount of the allowance for doubtful accounts is determined conservatively based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables.

5. Liquidity Risk

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

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

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

Worst-case scenario (in millions of euros)	**06.30.2017**			12.31.2016		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	-	623	-	-	623	-
Financial debt and other financial liabilities	125	6	216	312	7	227
Trade payables	1,245	59	-	1,564	43	-
Total	**1,370**	**688**	**216**	**1,876**	**673**	**227**
Guarantees provided to third parties (*)	**479**	**382**	**423**	**815**	**177**	**440**

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

The **financial debt maturing within one year,** amounting to 754 million euros (942 million euros at December 31, 2016) mainly derives from a bond issue for a nominal amount of 600 million euros, which will be reimbursed on November 10, 2017. The decrease recorded in the period reflects the reimbursement for 150 million euros of a drawdown on the credit line provided by EDF Sa, line expired in April 2017.

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

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

These facilities form the first stage in the refinancing plan, already announced in the 2016 Consolidated Financial Statements and approved by the Edison Board of Directors in the early months of the year; a plan that, moreover, envisages a possible further intervention by the maturity of the bond issue, in the form of a medium-long term loan with

EDF group companies. The value and characteristics of this loan would be better determined following a new final and forecast assessment of the financial needs in the run-up to the above-specified end date.
It is noted that as at June 30, 2017, the Edison group, in addition to the above revolving facilities fully available for a total of 900 million euros, has cash and cash equivalents for 286 million euros, of which 173 million euros held in the treasury current account with EDF Sa.

The **financial debt after one year** (216 million euros) is in line with the previous year (227 million euros) and mainly includes principal and accrued interest related to long term debt, almost all on funds of European Investment Bank (EIB) brokered or direct. More in details, it includes:

- the non-current portion (11 million euros) of the loan provided by Intesa Sanpaolo to Edison Spa (on EIB funds) for an original amount of 120 million euros, subject to depreciation, with maturity date at June 15, 2019;
- a drawdown of 127 million euros on the medium-long term direct line of the EIB destined to finance storage projects;
- a drawdown of 70 million euros on the credit line provided by EDF Sa on EIB funds (total amount of 200 million euros with 10 year maturity) to finance certain Exploration & Production project in Italy.

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).
The following bond issue floated by the Group (Euro Medium Term Note) with a total face value of 600 million euros was outstanding at June 30, 2017:

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 11/2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11.10.2017	600	Fixed annual	3.875%

Outstanding debt obligations of the Group include non-syndicated facilities totaling 825 million euros, the unused portion of which was 600 million euros at June 30, 2017 and Club Deal facility for 300 million euros fully available at June 30, 2017.
There have been no changes to the transactions in place and the related regulations, or indeed to the associated covenants with respect to December 31, 2016, because the new loan contracts stipulated in the first half of 2017 are also in absolute continuity with those previously in force; reference is therefore made to that extensively commented on in the 2016 Consolidated Financial Statements.
At present, the Group is not aware of the existence of any default situation or non-compliance with covenants.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

The Edison Group engages in trading for its own account in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with special Energy Risk Policies. Accordingly, it defined an appropriate risk control structure and the necessary guidelines and specific procedures. The Group views this activity as part of its regular operations and the results derived from it are recognized in the Income Statement and are included in EBIT. Whenever possible, the Group uses hedge accounting, provided the transactions comply with the requirements of IAS 39.

Forward transactions and derivatives can be classified as follows:

1) **Derivatives that qualify as hedges in accordance with IAS 39**. This category includes transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedges - CFH) and those that hedge the fair value of the hedged item (Fair Value Hedge - FVH).
2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IAS 39**. They can be:
   a. Transactions to manage interest rate and foreign exchange and price risk on energy commodities. For all derivatives that comply with internal risk policies and procedures, realized results and expected values are either included in EBIT, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, as at December 31, 2016, the Group hold a category of instruments classified at this level.

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

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in first half 2017

Income Statement

(in millions of euros)	Realized (A)	Change in Fair Value in the period (B)	Amounts recognized in earnings at 06.30.2017 (A+B)	Amounts recognized in earnings at 06.30.2016
Result from price risk and exchange risk hedges for commodities of which:				
Total definables as hedges pursuant to IAS 39 (CFH) (*)	***(22)***	***(6)***	***(28)***	***(64)***
Price risk hedges for energy products	(34)	(3)	(37)	(77)
Exchange risk hedges for commodities	12	(3)	9	13
Total definables as hedges pursuant to IAS 39 (FVH) (***)	***42***	***(3)***	***39***	***17***
Price risk hedges for energy products	29	(52)	(23)	104
Exchange risk hedges for commodities	13	(55)	(42)	22
Fair value physical contracts	-	104	104	(109)
Total not definables as hedges pursuant to IAS 39	***53***	***(152)***	***(99)***	***(217)***
Price risk hedges for energy products	42	(131)	(89)	(230)
Exchange risk hedges for commodities	11	(21)	(10)	13
Total price risk and exchange risk hedges for commodities (A)	**73**	**(161)**	**(88)**	**(264)**
Margin on trading activities of which:		-		
Margin on physical trading activities (**)	(4)	(1)	(5)	9
Margin on financial trading activities	7	1	8	(6)
Total margin on trading activities (B)	**3**	**-**	**3**	**3**
TOTAL INCLUDED IN EBIT (A+B)	**76**	**(161)**	**(85)**	**(261)**
Result from interest rate hedges:				
Definables as hedges pursuant to IAS 39 (FVH)	(4)	5	1	1
Not definables as hedges pursuant to IAS 39	-	-	-	-
Total interest rate hedges (C)	**(4)**	**5**	**1**	**1**
Result from exchange rate hedges:				
Definables as hedges pursuant to IAS 39 (CFH)	(3)	-	(3)	13
Not definables as hedges pursuant to IAS 39	(2)	-	(2)	3
Total exchange rate hedges (D)	**(5)**	**-**	**(5)**	**16**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (C+D)	**(9)**	**5**	**(4)**	**17**

(*) Includes the ineffective portion.
(**) Includes the fair value adjustment of trading inventories, the carrying amount of which was negative for 2 million euros at June 30, 2017
(***) Related to the hedging relationships carried out prospectively from January 1, 2016.

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

(millions of euros)	06.30.2017			12.31.2016		
Broken down as follows:	**Receivables**	**Payables**	**Net**	**Receivables**	**Payables**	**Net**
- Current financial assets / Short-term financial debt	19	-	19	15	-	15
- Other assets / liabilities (non-current portion)	37	(44)	(7)	201	(74)	127
- Other assets / liabilities (current portion)	335	(319)	16	758	(730)	28
Fair Value recognized as assets or liabilities (a)	**391**	**(363)**	**28**	**974**	**(804)**	**170**
of which of (a) related to:						
- Interest Rate Risk Management	19	-	19	15	-	15
- Exchange Rate Risk Management	9	(32)	(23)	135	(12)	123
- Commodity Risk Management	202	(165)	37	496	(355)	141
- Trading Portfolios (physical and financial)	140	(135)	5	290	(285)	5
- Fair value on physical contracts	21	(31)	(10)	38	(152)	(114)
Classification by IFRS 13 and IFRS 7 potential offsetting						
Fair Value recognized as assets or liabilities (a)	**391**	**(363)**	**28**	**974**	**(804)**	**170**
Broken down on fair value hierarchy:						
- Level 1	28	(31)	(3)	70	(72)	(2)
- Level 2	363	(326)	37	904	(729)	175
- Level 3 (*)	0	(6)	(6)	0	(3)	(3)
IFRS 7 potential offsetting (b)	**(189)**	**189**		**(458)**	**458**	
Potential Net Fair Value (a+b)	**202**	**(174)**	**28**	**516**	**(346)**	**170**

(*) The fair value classified at Level 3 is recognized in Sales revenues.

It is worth of mentioning that, as result of the prospective application of the Fair Value Hedge as of January 1, 2016, some hedging relationships have been revoked. The fair value recorded at the date of revocation was maintained in the Cash Flow Hedge Reserve and is reflected in the income statement in line with the effects of the hedged item; at June 30, 2017 this fair value is negative by about 34 million euros.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at June 30, 2017 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	Related Parties pursuant to IAS 24			Total for related parties	Total for financial stat. line item	Impact %
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies			
Balance Sheet transactions:						
Investments in associates	101	-	2	**103**	**103**	**100.0%**
Other financial assets	69	-	-	**69**	**82**	**84.1%**
Trade receivables	-	-	34	**34**	**1,259**	**2.7%**
Other receivables	1	99	15	**115**	**983**	**11.7%**
Current financial assets	5	-	-	**5**	**27**	**18.5%**
Cash and cash equivalents	-	173	1	**174**	**286**	**60.8%**
Long-term financial debt and other financial liabilities	-	70	-	**70**	**203**	**34.5%**
Short-term financial debt	15	97	-	**112**	**270**	**41.5%**
Trade payables	1	3	22	**26**	**1,304**	**2.0%**
Other liabilities	-	106	-	**106**	**741**	**14.3%**
Income Statement transactions:						
Sales revenues	-	1	146	**147**	**4,968**	**3.0%**
Other revenues and income	1	1	5	**7**	**65**	**10.8%**
Raw materials and services used	(7)	(9)	(86)	**(102)**	**(4,450)**	**2.3%**
Financial income	2	-	-	**2**	**10**	**20.0%**
Financial expense	-	(1)	-	**(1)**	**(32)**	**3.1%**
Net foreign exchange translation gains (losses)	-	(5)	-	**(5)**	**(11)**	**n.m.**

A) Transactions with unconsolidated Edison Group companies

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

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for June 30, 2017 showed a credit of 48 million euros.

B) Transactions with controlling companies

Consolidated IRES Return held by Transalpina di Energia Spa

For more details please refers to the disclosures provided in 2016 Consolidated Financial Statements.

Intercompany current account by Transalpina di Energia Spa (TdE)

Please note that current account established by TdE with Edison Spa at June 30, 2017 has a debit balance for 97 million euros (112 million euros at December 31, 2016).

Centralized Cash Management System by EDF Sa

Please note that at June 30, 2017, the current account established by EDF Sa with Edison Spa had a credit balance for 173 million euros (73 million euros at December 31, 2016).

Loans by EDF Sa

In April the credit line granted in 2015 by EDF Sa to Edison Spa (face amount of 600 million euros; two years maturity and utilized for 150 million euros at December 31, 2016), expired and was substituted by a new revolving credit line with maturity of two years for a face amount of 600 million euros. This credit line at June 30, 2017 is fully available.

Please note that, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at June 30, 2017, as at December 31, 2016. For more details please refers to the disclosures provided in the paragraph "Liquidity Risk" in the Section "Group Financial Risk Management" and in 2016 Consolidated Financial Statements.
Moreover, it should be noted that the credit line between Fenice Qualità per l'Ambiente Spa and EDF Sa (face amount of 30 million euros) expired in March 2017.

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to about 9 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized loss for 5 million euros.

C) Transactions with other EDF Group companies

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

(in millions of euros)	EDF Trading Ltd	EDF EN Service Italia	Citelum	EDF Polska	Others	**Total**
Balance Sheet transactions						
Trade receivables	29	-	5	-	-	**34**
Other receivables	14	1	-	-	-	**15**
Trade payables	15	7	-	-	-	**22**
Other liabilities	-	-	-	-	-	**-**
Income Statement transactions						
Sales Revenues	**139**	**-**	**5**	**1**	**1**	**146**
Electric power and natural gas	105	-	5	-	-	110
Realized commodity derivatives	39	-	-	-	-	39
Margin on physical trading activities	(6)	-	-	-	-	(6)
Margin on financial trading activities	1	-	-	-	-	1
Others	-	-	-	1	1	2
Raw materials and services used	**(60)**	**(17)**	**-**	**(7)**	**(2)**	**(86)**
Electric power and natural gas	(72)	-	-	(4)	-	(76)
Realized commodity derivatives	13	-	-	-	-	13
Plant maintenance	-	(17)	-	-	-	(17)
Utilities and others materials	(1)	-	-	(3)	(2)	(6)

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

In accordance with Consob Communication n° DEM/6064293 of 28 July 2006, we note that during the first half of 2017, no significant non-recurring events and transactions are reported.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in the first half of 2017 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

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SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2017

Acquisition of mini-hydroelectric power plants

Edison Spa acquired from IDRORA Srl a business operation consisting of the run-of-the-river water hydroelectric power plant on the river Dora Baltea named “Montestrutto” in the municipality of Tavagnasco (TO), with average nominal concession power of 2,065 kW; this acquisition, for which at June 30, 2017 advances have been paid for 21 million euros, is effective from July 1, 2017. Moreover Edison Spa is acquiring from Bergamo Brescia Energia Srl (BBE) some plants under construction located in the Province of Bergamo and Brescia, on the rivers Brembo and Serio.

Binding agreement for the acquisition from Cryn Finance of majority interest in Frendy Energy

On July 17, 2017, Edison and Cryn Finance signed a binding agreement for the acquisition by Edison of the majority stake of the share capital of Frendy Energy Spa, a company with shares traded on AIM Italia with 15 mini-hydroelectric power plant plants (including 3 in advanced construction) located predominantly on irrigation channels in Piedmont and Lombardy for an annual total production of about 20 GWh.

According to the agreement, Edison will acquire 45.039% of the capital of Frendy Energy Spa from Cryn Finance and from a minority shareholder at an estimated price, liable to eventual reducion, of 0.340 euros per Frendy share. The closing, expected for the month of October 2017, is subordinated to Edison meets, in a single context, also trough purchases of Frendy shares by third parties at the same price, a total share of not less than 50.01% of the Frendy's vote. The agreements related to the further purchases by third parties have to be signed by August 1, 2017.

Following the closing Edison will promote a public tender offer on all Frendy shares at the same price.

Agreement with Snam for the sale of investments held in Infrastrutture Trasporto Gas and in Terminale LNG Adriatico

On July 25, 2017, Edison subscribed a binding agreement with Snam for the sale to the latter, for an amount of 225 million euros and subject to adjustment at the closing, of the entire equity investment held in Infrastrutture Trasporto Gas (ITG), owner of the Cavarzere Minerbio gas pipeline, and of its 7.3% equity investment in Terminale LNG Adriatico (Adriatic LNG), the company that owns the regasification terminal in Rovigo. Edison maintains the use of 80% of the terminal's capacity. In the case where Adriatic LNG signs new contracts for the use of the terminal's capacity, Snam will recognise to Edison a potential additional consideration as earn-out.

The deal, expected to be closed by the end of this year, is subject to the approvals required for this type of transaction and, with regard to the Adriatic LNG equity investment, it is subordinated to non-exercise of the right of pre-emption by the other shareholders.

Disposal of Foro Buonaparte buildings

The Board of Directors of Edison Spa, met on July 26, 2017, approved the transaction of the disposal of the Foro Buonaparte buildings in Milan in which the Company has its headquarters, endorsing the subscription of the related agreement with IDeA Fimit Sgr, the asset management company specialized in real estate funds controlled by De Agostini group. The agreement provides that Edison transfers the ownership of the buildings located in Foro Buonaparte 31 and 35 and simultaneously subscribes an agreement for the rent of the same properties for twelve years and with possibility of rent under the same terms for a further six years. Moreover, the agreement also entitles Edison to repurchase the Milanese properties. The closing is expected in November 2017.

Cooperation Agreement between Edison Trading and EDF Trading and following merge of Edison Trading in Edison Spa

The Board of Directors of Edison Spa, met on July 26, 2017, approved a Cooperation Agreement between Edison Trading Spa, company owned at 100%, and EDF Trading, 100% subsidiary of EDF SA, concerning the activities of proprietary trading and the rules to access to power forward market. This agreement, defined Trading Joint Venture and Market Access Service Agreement, including inter alia some remuneration mechanism in favour of Edison Trading, could be finalized before the end of current July, with effect from September 1, 2017.

The Board of Directors of Edison Spa had than approved the draft term of merger by incorporation of Edison Trading Spa in Edison Spa, to be carried out after the finalization of the above Agreement. This operation is aimed to simplify the corporate organization through the incorporation in Edison Spa of all electric power operations: from gas purchases for power production, to electricity generation and sale on wholesale energy markets.

All events described above are part of Edison's strategy with the aim of achieve market leadership in the retail and services, in renewables and energy efficiency areas financing the related investments plan also through the disposal of non-strategic assets.

Scope of Consolidation at June 30, 2017

SCOPE OF CONSOLIDATION AT JUNE 30, 2017

LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2017	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
A) Investments in companies included in the scope of consolidation									
A.1) Companies consolidated line by line									
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
Assistenza Casa Spa - Attività Energia Elettrica	Milan (IT)	EUR	50,000	51.00	-	51.00	Edison Energia Spa (single shareholder)	S	(i)
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Comat Energia Srl	Milan (IT)	EUR	120,000	51.00	-	51.00	Edison Energy Solutions Spa (single shareholder)	S	(i)
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	S	(i)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Cryoptima Luxembourg Sarl	Luxembourg (L)	EUR	12,500	51.00	51.00	100.00	Modularis Group Srl	S	-
Cryoptima Polska Sp Zoo	Warsaw (PL)	PLZ	50,000	51.00	51.00	100.00	Cryoptima Sas	S	-
Cryoptima Sas	Decines (F)	EUR	100,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	24.99	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
Ecologica Marche Srl	Monsano (AN) (IT)	EUR	20,000	51.00	51.00	51.00	Sersys Ambiente Srl (single shareholder)	S	-
EDF Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Edf Fenice Maroc	Casablanca (MA)	MAD	300,000	100.00	100.00	99.97 0.03	EDF Fenice Iberica Slu Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
EDF Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00	100.00	100.00	EDF Fenice Iberica Slu	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	S	-
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	83.30	83.30	83.30	Edison Spa	S	(i)
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Eolo Energia Srl	Milan (IT)	EUR	10,000	54.73	54.73	49.00 51.00	E2i Energie Speciali Srl Edison Partecipazioni Energie Rinnovabili Srl	S	(i)
Fenice Poland Sp.z.o.o.	Bielsko-Biala (PL)	PLZ	30,000,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Fenice Qualità per l'Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00	100.00	100.00	Edison Spa	S	(i)
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00	100.00	100.00	Fenice Poland Sp.z.o.o.	S	-
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	649,093	90.00	90.00	90.00	EDF Fenice Iberica Slu	S	-
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Modularis Group Srl	Rivoli (TO) (IT)	EUR	10,000	51.00	51.00	51.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Modularis Sas	Decines (F)	EUR	2,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Novaction Energies Sas	Decines (F)	EUR	150,000	51.00	51.00	100.00	Modularis Group Srl	S	-
Ooo Cryoptima Rus ex Ooo Novotek	Moscow (RUS)	RUR	120,000	51.00	51.00	100.00	Novaction Energies Sas	S	-
Pavoni Rossano Srl	Filottrano (AN) (IT)	EUR	100,000	60.00	60.00	60.00	Sersys Ambiente Srl (single shareholder)	S	-
Rendina Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	50,000	100.00	100.00	100.00	Sersys Ambiente Srl (single shareholder)	S	(v)
Sersys Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	1,000,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2017	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Sinergia Srl (single shareholder) (in liquidation)	Rivoli (TO) (IT)	EUR	99,000	100.00	100.00	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	(v)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(i)
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	S	(i)
Assistenza Casa Spa - Attività Idrocarburi	Milan (IT)	EUR	50,000	51.00	-	51.00	Edison Energia Spa (single shareholder)	S	(i)
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00	100.00	1.00	Edison International Holding Nv	S	-
						98.00	Edison International Spa (single shareholder)		
						1.00	Edison Spa		
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Norge As	Stavanger (N)	NOK	2,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Edison North Sea Ltd	London (GB)	GBP	2	100.00	100.00	100.00	Edison E&P UK Ltd	S	-
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
						0.00	Edison Spa		
Infrastrutture Distribuzione Gas Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(i)
Corporate Activities									
Atema Dac ex Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)
Groups held for sale									
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (IT)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	S	-

LIST OF EQUITY INVESTMENTS (continued)

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	Interest held in share capital by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii) (iv)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	-	JV	(iii)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	-	JV	(iii) (iv)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	32.5	JV	(iii)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	33,650,000		50.00	Edison International Holding Nv	5.2	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200		50.00	Edison Spa	0.5	JV	(iii)
Alerion Clean Power Spa	Milano (IT)	EUR	161,242,315		22.90	Eolo Energia Srl	26.5	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
EDF EN Services Italia Srl	Bologna (IT)	EUR	10,000		30.00	Edison Spa	2.0	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	3.0	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	3.5	AC	-
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000		40.00	EDF Fenice Iberica Slu	0.7	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	4.2	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	22.1	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milano (IT)	EUR	37,419,179		23.53	Edison Spa	-	AC	-
Syremont Spa	Rose (CS) (IT)	EUR	1,325,000		22.64	Edison Spa	-	AC	(ii)
Total investments in companies valued by the equity method							**100.2**		

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Elpedison Sa (ex Elpedison Power Sa)	Marousi Attiki (GR)	EUR	99,633,600		75.78	Elpedison Bv	JV	(iii)

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
ICGB AD	Sofia (BG)	BGL	33,053,560		50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iii)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2016	Interest held in share capital % (b)	by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions									
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	AC	-
Interenergoeffect LLC (in liquidation)	Moscow (RUS)	RUR	8,000,000		50.00	Fenice qualità per l'Ambiente Spa (single shareholder)	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions							**2.4**		
D) Investments in other companies valued at fair value									
D.1) Investments held for trading									
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	2.8	NG	-
Amsc-American Superconductor	Devens (MA) (USA)	USD	185,916		0.09	Edison Spa	0.1	NG	-
D.2) Available-for-sale investments									
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (D)	EUR	60,075,000		0.50	Edison Spa	0.7	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,826,285		14.41	Edison Spa	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	NG	-
Total investments in other companies valued at fair value							**4.3**		
Groups held for sale									
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa		NG	-
Total equity investments							**106.9**		

Notes

(a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis, and by jointly controlled companies consolidated by the proportional method.

(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.

(c) S = subsidiary; JO = joint operation; JV = joint venture; AC = affiliated company; NG = non-Group company.

(d) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.

(i) Company subject to the oversight and coordination of Edison Spa.

(ii) On 01/03/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.

(iii) From January 1, 2014, company valuated with equity method according to IFRS 11.

(iv) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreement continue to be consolidated line by line through the separated financial statements of the company.

(v) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente SpA (single shareholder).

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

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

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

AT JUNE 30, 2017

Income statement

FY 2016	(millions of euros)	*Note*	**1st half 2017**	1st half 2016
6,154	Sales revenues	*1*	2,763	3,125
121	Other revenues and income	*2*	33	45
6,275	**Total net revenues**		**2,796**	**3,170**
(6,108)	Raw materials and services used (-)	*3*	(2,666)	(3,039)
(139)	Labor costs (-)	*4*	(68)	(68)
28	**EBITDA**	*5*	**62**	**63**
(88)	Net change in fair value of commodity derivatives	*6*	(161)	(29)
(365)	Depreciation, amortization and writedowns (-)	*7*	(74)	(84)
(13)	Other income (expense), net	*8*	(5)	(2)
(438)	**EBIT**		**(178)**	**(52)**
(16)	Net financial income (expense)	*9*	(9)	(22)
131	Income from (expense on) equity investments	*10*	13	45
(323)	**Profit (Loss) before taxes**		**(174)**	**(29)**
73	Income taxes	*11*	29	9
(250)	**Profit (loss) from continuing operations**		**(145)**	**(20)**
-	Profit (loss) from discontinued operations	*12*	-	-
(250)	**Profit (Loss)**		**(145)**	**(20)**

Other Components of Comprehensive Income Statement

FY 2016	(millions of euros)	*Note*	**1st half 2017**	1st half 2016
(250)	**Profit (Loss)**		**(145)**	**(20)**
474	***A) Change in the Cash Flow Hedge reserve***	*24*	***5***	***219***
685	- Gains (Losses) arising during the year		8	316
(211)	- Income taxes		(3)	(97)
-	***B) Actuarial gains (losses) (*)***	*24*	***-***	***(1)***
-	- Actuarial gains (losses)		-	(1)
474	**Total other components of comprehensive income net of taxes (A+B)**		**5**	**218**
224	**Total comprehensive profit (loss)**		**(140)**	**198**

(*) Items not reclassificable in Income Statement

Balance sheet

06.30.2016 (*)	(millions of euros)	*Note*	**06.30.2017**	12.31.2016 (*)
	ASSETS			
1,953	Property, plant and equipment	*13*	1,676	1,726
5	Investment property	*14*	5	5
1,752	Goodwill	*15*	1,741	1,752
54	Hydrocarbon concessions	*16*	25	26
75	Other intangible assets	*17*	68	72
1,272	Investments in associates	*18*	1,128	1,225
163	Available-for-sale investments	*18*	1	158
11	Other financial assets	*19*	11	11
337	Deferred tax assets	*20*	250	251
225	Other assets	*21*	225	286
5,847	**Total non-current assets**		**5,130**	**5,512**
81	Inventories		81	88
506	Trade receivables (*)		610	1,036
1	Current tax assets		1	1
949	Other receivables (*)		545	852
2,016	Current financial assets (**)		1,661	1,795
22	Cash and cash equivalents (**)		178	97
3,575	**Total current assets**	*22*	**3,076**	**3,869**
-	**Assets held for sale**	*23*	**216**	**-**
9,422	**Total assets**		**8,422**	**9,381**
	LIABILITIES			
5,377	Share capital		5,377	5,377
-	Statutory reserve		-	-
-	Other reserves and retained earnings carried forward		(250)	-
(293)	Reserves for other components of comprehensive income		(33)	(38)
(20)	Profit (Loss) for the period		(145)	(250)
5,064	**Total shareholders' equity**	*24*	**4,949**	**5,089**
22	Provision for employee severance indemnities and provision for pensions	*25*	20	21
-	Provision for deferred tax	*26*	-	-
785	Provisions for risks and charges	*27*	823	788
600	Bonds	*28*	-	-
222	Long-term financial debt and other liabilities	*29*	199	211
148	Other liabilities	*30*	45	74
1,777	**Total non-current liabilities**		**1,087**	**1,094**
34	Bonds		620	615
885	Current financial payables		840	1,132
674	Trade payables (*)		672	850
-	Current tax liabilities		-	-
988	Other payables (*)		253	601
2,581	**Total current liabilities**	*31*	**2,385**	**3,198**
-	**Liabilities held for sale**	*32*	**1**	**-**
9,422	**Total liabilities and shareholders equity**		**8,422**	**9,381**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, receivables and payables towards joint owners of hydrocarbon research, have been included respectively in trade receivables and trade payables.
The reclassified balances amount: as at June 30, 2016 to receivables of 23 million euros and payables of 46 million euros, as at December 31, 2016 to receivables of 16 million euros and payables of 28 million euros.
(**) Reclassification of 73 million euros for a better exposition in cash and cash equivalents with reflection on cash flow statement at December 31, 2016

Cash flow statement

This statement analyzes **cash flow** relative to short-term liquid assets (i.e. due within 3 months), which amounted to 178 thousand euros in the first half of 2017, compared with those of FY 2016 (97 million euros).

FY 2016 (*)		(millions of euros)	Note	1st half 2017	1st half 2016 (*)
(323)	**Profit (Loss) before taxes**			**(174)**	**(20)**
365		Amortization, depreciation, and write-downs	7	74	84
(37)		Net additions to provisions for risks		5	(40)
(53)		(Gains) Losses on sale of non-current assets		(7)	(56)
135		(Revaluations) Write-downs on non-current financial assets	10	100	72
1		Change in provisions for employee severance indemnities and provisions for pensions	25	-	(1)
88		Change in fair value recognised in EBIT		161	29
536		Change in operating working capital (*)		255	873
(212)		Dividends from subsidiaries, affiliated companies and other companies	10	(105)	(60)
212		Dividends collected (including amounts attributable to previous years)		92	54
25		Net Financial income (expense),	9	(1)	25
52		Financial income collected		18	13
(59)		Financial (expense) paid (**)		(8)	(35)
(170)		Income taxes paid (**)		-	(161)
(114)		Change in other operating activities of continuing operations (*) (**)		(165)	(3)
446	**A.**	**Cash from (used in) operating activities of continuing operations**		**245**	**774**
(94)		Additions to intangibles, and property, plant and equipment (-)	13-17	(21)	(69)
(51)		Additions to non-current financial assets (-)	18	-	(3)
2		Proceeds from sale of intangibles, and property, plant and equipment		1	2
8		Proceeds from sale of non-current financial assets		20	-
33		Capital distributions from non-current equity investments	18	2	2
(109)		Change in other current assets (**)		133	(330)
(211)	**B.**	**Cash from (used in) investment activities**		**135**	**(398)**
-		Proceeds from new medium/long-term loans	29,30,32	-	-
(414)		Redemptions of medium-term and long-term loans (-)	29,30,32	(157)	(407)
-		Capital contributions provided by controlling companies or minority shareholders		-	-
-		Dividends paid to controlling companies or minority shareholders (-)		-	-
229		Change in short-term financial debt		(142)	6
(185)	**C.**	**Cash from (used in) financial activities**		**(299)**	**(401)**
(50)	**D.**	**Net change in cash and cash equivalent (A+B+C)**		**81**	**(25)**
47	**E.**	**Cash and cash equivalents at the beginning of period**		**97**	**47**
-	**F.**	**Net cash and cash equivalents from discontinued operations**		**-**	**-**
97	**G.**	**Cash and cash equivalents at the end of period (D+E+F)**		**178**	**22**
97	**H.**	**Total cash and cash equivalents at the end of period (G)**		**178**	**22**
-	**I.**	**(-) Cash and cash equivalents from discontinued operations**		**-**	**-**
97	**L.**	**Cash and cash equivalents from continuing operations (H-I)**		**178**	**22**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, receivables and payables towards joint owners of hydrocarbon research, have been included respectively in trade receivables and trade payables.

The reclassified net balances amount: as at June 30, 2016 to 11 million euros and as at December 31, 2016 to 21 million euros.
(**) Amounts at December 31, 2016 reclassificated for a better exposition

Statement of changes in Shareholders' Equity

(millions of euros)	Share capital	Statutory reserve	Other reserves and retained earnings	Reserve for other components of comprehensive income		Profit (Loss) for the period	Total shareholders equity
				Cash flow hedge	Actuarial gains (losses)		
Balance at December 31, 2015	**5,292**	**132**	**483**	**(511)**	**(1)**	**(776)**	**4,619**
Allocation of FY 2015 result	-	(132)	(645)	-	1	776	**-**
Share capital increase	85	-	162	-	-	-	**247**
Total comprehensive profit (loss) from January 1 to June 30, 2016	**-**	**-**	**-**	**219**	**(1)**	**(20)**	**198**
including: Change in comprehensive income for the period	-	-	-	219	(1)	-	**218**
Profit (Loss) from January 1 to June 30, 2016	-	-	-	-	-	(20)	**(20)**
Balance at June 30, 2016	**5,377**	**-**	**-**	**(292)**	**(1)**	**(20)**	**5,064**
Total comprehensive profit (loss) from July 1 to December 31, 2016	**-**	**-**	**-**	**255**	**-**	**(230)**	**25**
including: Change in comprehensive income for the period	-	-	-	255	-	-	**255**
Profit (Loss) from July 1 to December 31, 2016	-	-	-	-	-	(230)	**(230)**
Balance as at December 31, 2016	**5,377**	**-**	**-**	**(37)**	**(1)**	**(250)**	**5,089**
Allocation of FY 2016 result	-	-	(250)	-	-	250	**-**
Total comprehensive profit (loss) from January 1 to June 30, 2017	**-**	**-**	**-**	**5**	**-**	**(145)**	**(140)**
including: Change of comprehensive profit (loss) for the period	-	-	-	5	-	-	**5**
Profit (loss) from January 1 to June 30, 2017	-	-	-	-	-	(145)	**(145)**
Balance at June 30, 2017	**5,377**	**-**	**(250)**	**(32)**	**(1)**	**(145)**	**4,949**

NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA AT JUNE 30, 2017

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Content and presentation

Dear Shareholders,

the condensed semiannual financial statements of Edison Spa at June 30, 2017 have been prepared in accordance with Art. 154-ter of Italian Legislative Decree no. 58 of February 24, 1998 and subsequent amendments and additions, and in representing the mid-year situation, they conform to the provisions of IAS 34 Interim Financial Reporting. These financial statements were drawn up according to the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB), based on the text published in the Official Gazette of the European Community (G.U.C.E.).

Methods applied to the preparation of the condensed semiannual financial statements

The accounting principles and valuation criteria applied are consistent with those adopted for the preparation of the Separate financial statements as at December 31, 2016, to which we would refer you for more details.

As from January 1, 2018, two new accounting standards will apply:

- The **IFRS 15 "Revenue from Contracts with Customers"** implementation project is still in progress. Following the analyses conducted the subjects identified so far that may have an impact on Edison sales revenues once this standard will be applied are mainly relating to the agent versus principal analysis; IFRS 15 sets out the conditions in which an entity operates as principal or agent, which differ from those in IAS 18.
  Currently Edison is qualified as "principal" on the concerned contracts. Qualifying Edison as an agent on some specific contracts would lead to a decrease in sales revenues, with a corresponding reduction of raw materials and services used i.e. with no impact on EBITDA.
- **IFRS 9 "Financial instruments"** provides a single model for the classification and valuation of financial instruments that are attributable only to three categories (i.e. amortized cost, fair value through the income statement and fair value through Other Components of the Comprehensive Income Statement). According to this model, classification and measurement of receivables will depend on the business model and the contractual characteristics of the instruments. The new standard introduces a single prospective model based on expected losses (i.e. the probability that the counterparty will default in a given time horizon). This model is based on more forward looking information than that of IAS 39, inducing a more variable amount of expected credit losses. In reference to the hedge accounting model under IFRS 9 is to better reflect risk management, especially by expanding the eligible hedging instruments and eliminating some overly prescriptive rules. It introduces new aspects, in particular: (i) it allows to hedge the individual components of the commodity price formulas, as long as these components are separately identifiable and reliably able to be measured; (ii) prohibits the deliberate discontinuations in hedge accounting; (iii) it requires to separate the time value for the option and for the forward contracts; (iv) it requires to perform the basis adjustment. On initial application of IFRS 9, Edison may choose either to apply the new hedge accounting rules or to maintain the hedge accounting principles under IAS 39 until the new macro hedging standard comes into force. The way of first application and implementation of the new standard is currently still in progress.

The Board of Directors that met on July 26, 2017 authorised publication of these condensed semi-annual financial statements for the parent company, which was subjected to limited accounts auditing by the Deloitte & Touche Spa Company, based on the appointment made by the Shareholders Meeting of April 26, 2011, made pursuant to Legislative Decree n° 39 of January 27, 2010 with a duration of nine financial years (2011-2019). Unless indicated otherwise, the values indicated in the Notes to the Condensed Semi-annual Financial Statements are in million euros.

Use of estimated values

The preparation of Condensed semiannual separated financial statements at June 30, 2017 and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates. The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. Generally the use of estimates is particularly significant for valuation of derivatives, provision for risks and some sales revenues as well as the impairment test.

For a more detailed description of the valuation processes with a more significant impact on the company, unchanged compared to previous year, please consult the section of the 2016 Separate Financial Statements entitled "Use of Estimated Values".

Information relative to IFRS 5

At June 30, 2017, Edison was negotiating the sale of 100% of Infrastrutture Trasporto Gas Spa (ITG), a stake that holds the Cavarzere-Minerbio gas line that connects the Terminale GNL Adriatico to the national grid, and of 7.3% of the equity investment held in Terminale GNL Adriatico Srl, which holds a single asset - the LNG regasification terminal.

For the disposal, because the two assets are strictly related and interdependent from an industrial point of view, Edison was negotiating with a potential counterpart from which it received a binding offer for both assets; from the accounting standpoint the transaction was indeed considered as forming one single unit of account.

The amounts of disposal assets and liabilities have been adjusted to reflect the presumed realizable value in accordance with the price of the binding offer recording at profit and loss a write-down of 33 million euros plus 11 million euros as first evaluation of the allocated goodwill carried out pursuant to IAS 36 par 86.

These investments, which are being disposed of, are considered as a "disposal group", in accordance with IFRS 5, hence in specific lines of the balance sheet, only the related assets and liabilities are given, without any reclassification in the income statement.

Below is equity information on the disposal group:

(millions of euros)

BALANCE SHEET	06.30.2017
Total assets on disposals	**216**
Total liabilities on disposals	**1**
Total liabilities and shareholders' equity on disposals	**215**

More specifically, non-current assets include the carrying value of the equity investments in Terminale LNG and ITG.

Please note that on July 25, 2017 Edison subscribed an agreement of disposal with Snam; for further details please refers to "Significant Events Occurring After June 30, 2017".

NOTES TO THE INCOME STATEMENT

Economic trend in the first half of 2017

As at June 30, 2017, the **net result** of Edison Spa was negative for 145 million euros, as compared with the negative 20 million euros realized in the first half of 2016.

During the first half of 2017, **sales revenues** stood at 2,763 million euros, lower for about 12% compared to the same period of the previous year. Raw materials and services used stood at -2,666 million euros showing the same reduction trend (contraction of 12.3% year on year). More specifically, compared to sold volumes substantially unchanged in the hydrocarbons segment and electric production increased in the electric power segment, trends above mentioned reflect the reduction in income and costs from derivative contracts realized to manage the risk of oscillation of indexing formulas in selling prices and purchase costs of commodities sold or raw materials purchased.

It follows an **EBITDA** positive for 62 million euros (positive for 62 million euros and aligned to the first half of 2016. More specifically:

- in the **hydrocarbons operations**, EBITDA stood at 147 million euros, compared to 151 million euros in the first half of 2016;
- in the **electric power operations**, EBITDA is negative for 34 million euros (-47 million euros in the first half of 2016);
- **corporate activities,** which includes the portion of central and transversal operative assets, i.e. those not directly linked to the specific business, the contribution to EBITDA is negative for 51 million euros (-41 million euros in the first half of 2016) influenced by some non-recurring costs.

EBIT is negative for 178 million euros (52 million euros in the first half of 2016) and includes, in addition to the effects described previously, also:

- 161 million euros being the negative impact connected with the **net change in fair value of derivatives on commodities and exchanges** (negative for 29 million euros in the first half of 2016);
- 74 million euros for **depreciation, amortization and writedowns of fixed assets and hydrocarbon concessions** (84 million euros in the first half of 2016);
- 5 million euros the **other net expenses** (2 million euros other net expenses in the first half of 2016) connected with legal expenses not directly related to industrial and financial operations.

In addition to the performance of the industrial margins as described above, the result was affected by:

- -9 million euros in **net financial expense** (-22 million euros in net financial expense in the first half of 2016), increase in particular linked to **net exchange losses** relating to derivative and trade hedges as a result of the performance of currency exchanges;
- 13 million euros in **net income on equity investments** (45 million euros in net income in the first half of 2016), which mainly include dividends from subsidiaries (105 million euros) and write-downs on subsidiaries (-100 million euros) partially linked to some subsidiaries (57 million euros) and for the remaining part to the preliminary estimate of write-down on disposal assets (33 million euros to add about 11 million euros related to goodwill reallocated according to IAS 36 par.86);
- positive **income taxes** for 29 million euros (positive for 9 million euros in the first half of 2016) include, in particular, the income from the tax consolidation for the remuneration of the loss and entry of prepaid tax on assets subject to impairment, as well as taxes related to fiscal disputes.

1. Sales revenues – 2,763 million euros

(millions of euros)	1st half 2017	1st half 2016	Change	% change
-Natural gas	1,949	1,935	14	0.7%
-Electricit power	614	416	198	47.6%
-Oil	35	23	12	52.2%
-Steam	22	20	2	10.0%
-Green certificates and CO2 emissions rights	-	2	(2)	(100.0%)
-Other	3	2	1	50.0%
Revenues from the sale of products	**2,623**	**2,398**	**225**	**9.4%**
-Derivatives on commodities realized	118	699	(581)	n.s.
-Sundry services provided	22	24	(2)	(8.3%)
-Revenues for plant maintenance	-	4	(4)	(100.0%)
Revenue from service activities	**2,763**	**3,125**	**(362)**	**(11.6%)**
of which by segment:				
Hydrocarbons operations	2,114	2,667	(553)	(20.7%)
Electric power operations	638	446	192	43.0%
Corporate activities	11	12	(1)	(8.3%)
Total sales revenues	**2,763**	**3,125**	**(362)**	**(11.6%)**

Please note, in particular, that:in **hydrocarbons operations**, gas sales are substantially unchanged compared to volumes sold in first half of 2016 even characterized by a different mix: increasing however on volumes used for industrial and thermoelectric consumptions (+16%) in face of a decrease related to residential sales and on wholesale market (-13%).

In the exploration & production business, the increase in oil revenues, despite a decline in the volumes produced as a result of the natural decline of fields, relates to the average trend of prices in the reference scenario.

The most significant variation compared to the previous period is therefore mainly attributable to the reduction of derivatives on commodity realized (-581 million euros), however, which, as anticipated, is related to the reduction of the corresponding item in Raw materials and services used (-766 million euro, note 3) and essentially concern the hedge results to mitigate the risk of fluctuating the cost of natural gas as well as the price of commodities sold.

- in **electric power operations**, the 43% increase with respect to the first half of 2016 is linked to the already specified increase in thermoelectric production and the average increase of prices of the reference scenario;
- **in corporate activities** sales revenues refers mainly to the provisions of services on behalf of outsiders and mainly regard the coordination provided by Edison to group companies and engineering services.

Please also note that commodity and exchange rate derivatives realized include income for approximately 39 million euros from EDF Trading Limited (168 million euros in the first half of 2016) and 2 million euros from Edison Trading (79 million euros in the first half of 2016).

For a complete overview of the effects, we would refer you to the specific disclosure in the chapter "Financial risks management of the condensed semiannual consolidated financial statements".

2. Other revenues and income – 33 million euros

(millions of euros)	1st half 2017	1st half 2016	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	3	9	(6)	(66.7%)
Reversals of provisions for risks and other provisions	-	13	(13)	n.s.
Insurance indemnities	11	-	11	n.s.
Recovery of costs, contingent assets and other	19	23	(4)	(17.4%)
Total other revenues and income	**33**	**45**	**(12)**	**(26.7%)**

3. Raw materials and service used – 2,666 million euros

(millions of euros)	H1 2017	H1 2016	Change	% change
- Natural gas	1,875	1,542	333	21.6%
- Electric power	181	120	61	n.s.
- Utilities and other materials	12	13	(1)	(7.7%)
- CO2 emission rights	19	11	8	n.s.
- Oil and fuel	-	5	(5)	n.s.
Total	**2,087**	**1,691**	**396**	**23.4%**
- Trasmission of natural gas	321	299	22	7.4%
- Realized commodities derivatives	50	816	(766)	n.s.
- Regasification fee	59	60	(1)	(1.7%)
- Facilities maintenance	35	44	(9)	(20.5%)
- Professional services	20	25	(5)	(20.0%)
- Change in inventories	7	26	(19)	(73.1%)
- Accruals to provisions for risks	13	7	6	n.s.
- Sundry items	74	71	3	4.2%
Total materials and services used	**2,666**	**3,039**	**(373)**	**(12.3%)**
of which by segment:				
Hydrocarbons operations	2,351	2,790	(439)	(15.7%)
Electric power operations	262	204	58	28.4%
Corporate activities	53	45	8	17.8%
Total	**2,666**	**3,039**	**(373)**	**(12.3%)**

More specifically:

- the increase in purchases of **natural gas** is due to the greater purchases at VEF, in order to satisfy the needs for an increase to thermoelectric production due to the lesser hydraulic levels in the period of the hydroelectric power plants and is also influenced by the increase in prices on the reference scenario;
- the increase in purchases of **electricity** is due to the increased volumes acquired with respect to the first half of 2016 from the contracts for the collection of energy stipulated with outsiders, the counter-entry of which is entered in sales and refers to two contracts stipulated with subsidiaries, with which a mandate to sell has been signed;
- the increase in the cost of **transmission** refers in particular to the change in the tariffs applied in addition to the slight increase in imported volumes;
- expenses from **realized derivatives on commodities** amount to 50 million euros and, as mentioned above in note 1 referring to revenues, reflected hedge results to mitigate the risk of fluctuating the cost of natural gas.The item includes costscosts for 13 million euros regarding EDF Trading Limited;
- **regasification fee** includes is referred to expenses for regasification operation of the liquefied gas from Qatar conducted by the company Terminale GNL Adriatico Srl.

4. Labor cost – 68 million euros

This figure has not changed with respect to the first half of 2016. Please note that at period end, there are 1,416 employees (1,473 as at June 30, 2016). The increase in salaries has been offset by the reduction in the number of employees.

5. EBITDA – 62 million euros

(millions of euros)	1st half 2017	as a % of sales revenues	1st half 2016	as a % of sales revenues	% change
Hydrocarbons operations	147	7.0%	151	5.7%	(2.6%)
Electric power operations	(34)	(5.3%)	(47)	(10.5%)	27.7%
Corporate activities	(51)	n.s.	(41)	n.s.	(24.4%)
Total	**62**	**2.2%**	**63**	**2.0%**	**1.6%**

As regards the analysis of EBITDA in the first half of 2017 compared to the same period in the previous year, resuming and integrating the considerations made so far, it should be noted:

- slight decrease for about 4 million euros in **hydrocarbons operations** attributable to results obtained in natural gas trade and partially offset by earning realized in the Exploration & Production business, which, even if a physiological decrease in productions, has benefited from a more favorable oil scenario and from non-recurring income connected with an insurance reimbursements;
- an increase of 13 million euros in **electric power operations**, attributable tothe increase in thermoelectric generation that has more than offset the lesser hydroelectric generation, as well asthe increase of medium sales prices linked to the reference scenario;
- a reduction of 10 million euros in **corporate activities** due to a combined effect of non-recurring expenses registered in 2017 and non-recurring revenues related to the previous year.

In order to ensure complete information, please note that the EBITDA stated includes the attributions of purchase costs connected with the procurement of gas from the hydrocarbons segment to the electricity segment business, according to volumes consumed.

6. Net change in fair value of commodity derivatives (161) million euros

(millions of euros)	1st half 2017	1st half 2016	Change	% change
Change in fair value of hedging the price risk on energy:	**(187)**	**157**	**(344)**	**n.a.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(4)	(1)	(3)	n.a.
- definable as hedges pursuant to IAS 39 (FVH)	(52)	117	(169)	n.a.
- not definable as hedges pursuant to IAS 39	(131)	41	(172)	n.a.
Change in fair value of hedging the foreign exchange risk on commodities:	**(78)**	**(77)**	**(1)**	**1.3%**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(3)	1	(4)	n.a.
- definable as hedges pursuant to IAS 39 (FVH)	(55)	(10)	(45)	n.a.
- not definable as hedges pursuant to IAS 39	(20)	(68)	48	n.a.
Change in fair value on physical contracts	**104**	**(109)**	**213**	**n.a.**
Total	**(161)**	**(29)**	**(132)**	**n.a.**

(*) Reference is made to the ineffective part.

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

The most significant impact on **Net change in fair value of commodity derivatives** is due to those derivative contracts that, despite aiming to offer economic hedging of the Industrial Portfolio, cannot be defined as hedge in accordance with IAS 39.

Specifically the change of the period is mainly due to the realization of derivatives whose fair value, significantly positive in the previous years as a result of economic hedging strategies to protect margins and of the significant commodities prices fluctuations, was here recorded.

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

7. Depreciation, amortization and write-downs – 74 million euros

(millions of euros)	1st half 2017	1st half 2016	Changes	% changes
Depreciation of property, plant and equipment	67	78	(11)	(14.1%)
Amortization of hydrocarbon concessions	1	1	-	n.a.
Amortization of other intangible assets	6	5	1	20.0%
Total depreciation and amortization	**74**	**84**	**(10)**	**(11.9%)**
of which by segment:				
Electricity	53	56	(3)	(5.4%)
Hydrocarbons	18	24	(6)	(25.0%)
Corporate	3	4	(1)	(25.0%)
Total	**74**	**84**	**(10)**	**(11.9%)**

8. Other net income (expense) – (5) million euros

Net expenses, equal to 5 million, up 3 million on the first half of 2016, are items that are not directly related to the industrial core business management. The balance is particularly linked to legal expenses regarding the former Montedison group.

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

(millions of euros)	1st half 2017	1st half 2016	Change
Financial income			
Financial income from group companies	19	22	(3)
Financial income from financial derivatives	4	5	(1)
Other financial income	2	3	(1)
Total financial income	**25**	**30**	**(5)**
Financial expenses			
Interest paid on bond issues	(12)	(12)	7
Fair value adjustment on bond issues	7	6	(1)
Financial expense on financial derivative	(4)	(4)	-
Financial expense paid to EDF	(1)	(29)	28
Financial expense for decommissioning	(9)	(9)	-
Financial expense to group companies	(1)	(1)	-
Bank fees	(1)	(2)	1
Interest paid to banks	-	(1)	1
Other financial expense	(4)	(3)	(1)
Total financial expense	**(25)**	**(55)**	**30**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains:	**22**	**81**	**(59)**
- amount with EDF	4	59	(55)
- amount with others	18	22	(4)
Exchange losses of which:	**(31)**	**(78)**	**47**
- amount with EDF	(9)	(38)	29
- amount with others	(22)	(40)	18
Total foreign exchange translation gains (losses)	**(9)**	**3**	**(12)**
Total net financial income (expense)	**(9)**	**(22)**	**13**

The item benefits from lesser net financial expense deriving from a lower level of indebtedness and small cost of money due to a different mix of financial resources. The negative change with respect to last year is specifically due to the lesser **net exchange gains** as a result of the reference currency context performance.
Please also note that in first half of 2016 was included 20 million euros as "breakage costs" due to the anticipated reimbursement of financing with EDF.
Other financial expense includes 2 million euros in financial expense for the adjustment of the provisions for risks.

10. Income from (expense on) equity investments – 13 million euros

(millions of euros)	1st half 2017	1st half 2016	Changes
Income from equity investments			
Dividends	105	60	45
Gains on disposal of equity investments	8	57	(49)
Total income from equity investments	**113**	**117**	**(4)**
Expenses on equity investments			
Write-downs of investments	(57)	(72)	15
Write-downs of activities held for sale	(43)	-	(43)
Total expenses on equity investments	**(100)**	**(72)**	**(28)**
Total income from (expense on) equity investments	**13**	**45**	**(32)**

We would hereby point out that:

- **dividends** specifically include those regarding Edison Trading (70 million euros), Ibiritermo (11 million euros) and Edison Stoccaggio (10 million euros);
- **capital gains on disposal** mainly relate to the sale of the 4.3% stake held in Istituto Europeo di Oncologia, realizing a capital gain in excess of 7 million euros, and the sale of the 51% share held in Gever, realizing a capital gain of around 1 million euros;
- **write-downs of investments** reflect the adjustment of the carrying value of some subsidiaries following impairment losses, including, in particular, Edison International Spa, which carries out exploration & production, mainly in Egypt and Croatia. Write-downs of activities held for sale reflect the adjustment to the estimated realizable value (33 million euros plus 11 million euros as first estimate of goodwill reallocated) related to assets commented in the paragraph "IFRS 5 – Disposal Group" to refer for further information.

11. Income taxes – (29) million euros

(thousands of euros)	1st half 2017	1st half 2016	Change
Current taxes	(31)	(12)	(19)
Net deferred tax liabilities (assets)	(2)	3	(5)
Taxes referred to previous year and others	4	-	4
Total	**(29)**	**(9)**	**(20)**

Current taxes consists of the income as a result of the remuneration of the IRES tax losses brought by the company to the national tax consolidation organized by the parent company Transalpina di Energia Spa.
Moreover the item includes provisions referred to fiscal disputes.

12. Profit (loss) from discontinued operations

The balance of this item is zero.

NOTES TO THE BALANCE SHEET

Assets

13. Property, plant and equipment – 1,676 million euros

(millions of euros)	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Fixed assets under construction and advances	**Total**
Starting values as at 12.31.2016 (A)	**344**	**1,274**	**2**	**2**	**104**	**1,726**
Changes at June 30, 2017:						
- additions	1	8	-	-	10	19
- disposals (-)	(2)	-	-	-	-	(2)
- amortization/depreciation (-)	(5)	(61)	(1)	-	-	(67)
- other changes	6	6	-	-	(12)	-
Total changes (B)	**-**	**(47)**	**(1)**	**-**	**(2)**	(50)
Balance at 06.30.2017 (A+B)	**344**	**1,227**	**1**	**2**	**102**	**1,676**

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

The main period changes regard:

- **additions**, equal to 19 million euros, of which:
  - 13 million euros in the **electricity segment** mainly relating to the development of the Pizzighettone hydroelectric power plant and the replacement of parts of some hydroelectric and thermoelectric plants;
  - 6 million euros in the **hydrocarbons segment**, relating to investments in platform development;
- **amortization and depreciation** of 67 million euros were down with respect to the balance of 78 million euros in the first half of 2016. For a more detailed analysis, please refer to note "7. Depreciation, amortization and writedowns";

In June, Edison opened the hydroelectric plant in Pizzighettone (CR), on the Adda River, confirming its view that developing renewables is key to the company's growth. The Pizzighettone plant, with a value of about 13 million euros, is a 4.3 MW mini hydro run-of-the-river plant that can produce sustainable energy that suffices for the needs of 6,000 families, avoiding the emission of approximately 8,000 tons of carbon dioxide into the air.

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

14. Investment property – 5 million euros

The value, which refers to land and buildings that are not instrumental to production, has basically not changed with respect to December 31, 2016.

15. Goodwill – 1,741 million euros

Decreased of 11 million euros compared to December 31, 2016, relating to the first estimate of allocation to assets held for sale, as commented in section "IFRS 5 - Disposal Group" to refer for more information. The residual value represents an intangible asset with an indefinite useful life and therefore not subject to systematic amortization but subject to annual impairment testing.

16. Hydrocarbon concessions – 25 million euros

Concessions for the cultivation of hydrocarbons and the exploitation of hydrocarbon deposits, represented by 58 mining certificates in Italy, record, as compared with December 31, 2016, a reduction of 1 million euros following period amortization.

17. Other intangible fixed assets – 68 million euros

The value mainly includes 59 million euros in the intangible booked in 2014 with reference to the value of the electricity off take contract with a total term of 10 years (7 years remaining) stemming from the establishment of the new renewable energy pole and for the remainder, patents, licenses and similar rights.

Impairment testing in accordance with IAS 36 on the value of goodwill and property, plant and equipment, intangible assets and equity investments

In compliance with IAS 36, as described in the same paragraph of the Condensed semiannual consolidated financial statements, during the first half of 2017, the Group updated the impairment testing analyses of the individual cash generating units (CGUs), that has not shown triggers such as to affect the recoverable value.

As regards goodwill, whilst awaiting a new medium-term business plan, the economic and short-term scenario variables have been analyzed, which did not show any specific triggers, including with respect to the 2017 budget, such as would require a half-yearly test to be carried out.

Please also note that the impairment testing carried out on some subsidiaries, for whose valuation of the equity investment consideration was taken of the booked shareholders' equity and result, revealed a loss of value totaling 57 million euros.

18. Equity investments and Equity investments available for sale – 1,129 million euros

(millions of euros)	Equity investments	Equity investments available for sale	Total
Opening figures as at 12.31.2016 (A)	**1,225**	**158**	**1,383**
Changes at June 30, 2017:			
- Disposals (-)	(8)	(4)	(12)
- capital distributions and reserves	-	(2)	(2)
- rev. (+) / write-down (-) on income statement	(57)	-	(57)
- reclassification of assets held for sale	(32)	(151)	(183)
Total changes (B)	**(97)**	**(157)**	**(254)**
Balance as at 06.30.2017 (A+B)	**1,128**	**1**	**1,129**

More specifically:

- **equity investments** are represented for 1,108 million euros by those from subsidiaries and 20 million euros from associates and joint ventures;
- **equity investments available for sale** refer to minor equity investments.

The main changes include:

- **disposals** include the disposal of Gever, resulting in a capital gain of 1 million euros and the disposal of Istituto Europeo di Oncologia, realizing a capital gain of approximately 7 million euros;
- **redemption of share capital and reserves** refers to those made by Terminale GNL Adriatico Srl (2 million euros);
- **write-downs on the income statement** reflect the adjustment of the carrying value of some subsidiaries; as already commented on previously in the note on impairment testing of the valuation of the equity investment, consideration is taken of the booked shareholders' equity and result of the subsidiary. We would point out in particular the write-down for impairment of the subsidiary Edison International Holding NV, which, through its subsidiaries, has E&P assets in the UK and the subsidiary Edison International Spa, which directly owns E&P assets in Egypt and Croatia and indirectly, through a subsidiary, in Norway.

- **reclassification of assets held for sale** is referred to assets previously commented in the paragraph "IFRS 5 – Disposal Group" to refer for more information.

19. Other financial assets – 11 million euros

The value has not changed with respect to December 31, 2016 and includes sundry financial receivables due beyond 12 months.

20. Deferred tax assets – 250 million euros

(millions of euros)	06.30.2017	12.31.2016	Changes
Deferred tax assets:			
- Tax assets tax losses	33	26	7
- Taxed provisions for risks	36	30	6
- Application of the standard on financial instruments (IAS 39), of which:			
- on income statement	-	-	-
- on shareholders' equity	12	15	(3)
- Difference in value of property, plant and equipment	184	197	(13)
- Other prepaid tax	2	1	1
Total deferred tax assets (A)	**267**	**269**	**(2)**
Deferred tax provisions used for offsetting:			
- Adoption of the standard on financial leasing (IAS 17)	17	17	-
- Other deferred taxes	-	1	(1)
Total provisions for deferred taxes (B)	**17**	**18**	**(1)**
Total net deferred tax assets (A-B)	**250**	**251**	**(1)**

The table shows the breakdown according to the nature of the temporary differences, considering that where the requirements are met as envisaged by IAS 12, this item has been offset against the provision for deferred taxes. It has been valued in the hypothesis of probable realization and tax recovery, considering the realization time frame.

21. Other assets – 225 million euros

(millions of euros)	06.30.2017	12.31.2016	Changes
Fair value on the industrial portfolio and trading activities of which			
- Outsiders	32	156	(124)
- EDF Trading	5	45	(40)
Total fair value of derivatives on industrial portfolio and trading activities	37	201	(164)
Tax receivables requested as reimbursement	172	71	101
Security deposits	4	3	1
Other receivables	12	11	-
Total other assets	**225**	**286**	**(62)**

The increase in tax receivables is mainly related to VAT receivables requested as reimbursement.

22. Current assets – 3,076 million euros

(millions of euros)	06.30.2017	12.31.2016 (*) (**)	Changes
Inventories	81	88	(7)
Trade receivables (*)	610	1,036	(426)
Current tax assets	1	1	-
Other receivables (*)	545	852	(307)
Current financial assets (**)	1,661	1,795	(134)
Cash and cash equivalents (**)	178	97	81
Total current assets	**3,076**	**3,869**	**(793)**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, receivables from joint owners of hydrocarbon research, have been included in trade receivables and are worth 16 million euros.

(**) Reclassification of 73 million euros for a better exposition in cash and cash equivalents.

More specifically:

- **Inventories**, aligned, where necessary, to the presumed net realization value, consist of hydrocarbon inventories for 65 million euros (71 million euros at end 2016) and materials and equipment used for the maintenance and operation of operating plants for 17 million euros (16 million euros at end 2016). Inventories also include 10 million euros (32 million euros at end 2016) in quantities of natural gas stored subject to restricted use, both as a strategic reserve and as a guarantee of the balancing regime.

- **Trade receivables** specifically refer to electricity and steam supply contracts and natural gas supply contracts; the table below shows the breakdown by segment:

(millions of euros)	**06.30.2017**	**12.31.2016(*)**	Changes
Hydrocarbons	450	798	(348)
Electric power	160	235	(75)
Corporate	-	3	(3)
Total trade receivables	**610**	**1,036**	**(426)**
of which:			
- outsiders	271	367	*(96)*
- subsidiaries and associates	339	669	*(330)*
Total trade receivables	**610**	**1,036**	**(426)**
of which allowance for doubtful accounts	**(36)**	**(35)**	**(1)**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, receivables from joint owners of hydrocarbon research, have been included in trade receivables and are worth 16 million euros.

Provisions made for doubtful debt derive from the valuation, in application of the Edison Group policy, of various credit statuses considering the customer segment, the related past-due amounts and aging. It should also be recalled that Edison Spa regularly disposes of without recourse receivables in a definitive manner on a monthly and quarterly revolving basis and spot basis. For more details, please refer to the specific disclosure given in the chapter on "Financial risks management".

- **Current tax assets** refer to the amount due from the tax authority for IRES.

- **Other receivables** are detailed in the table below:

(millions of euros)	**06.30.2017**	**12.31.2016 (*)**	Changes
Fair value on the industrial portfolio and trading assets of which:			
- outsiders	114	379	(265)
- subsidiaries	2	11	(9)
- EDF Trading	81	90	(9)
Total fair value on the industrial portfolio and trading assets	197	480	(283)
Receivables due from Transalpina di Energia - tax consolidation	78	46	32
Provisions of technical, administrative and financial services to Group companies	49	59	(10)
Due from the tax authorities for VAT	91	168	(77)
VAT pool receivables	9	8	1
Advance account receivables	47	7	40
Sundry items	74	84	(10)
Total other receivables	**545**	**852**	**(307)**
of which:			
- outsiders	476	763	(287)
- subsidiaries and associates	69	89	(20)
Total other receivables	**545**	**852**	**(307)**
of which allowance for other doubtful accounts	**(5)**	**(5)**	**-**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, receivables from joint owners of hydrocarbon research, have been included in trade receivables and are worth 16 million euros.

The period change in **current receivables deriving from the fair value measurement of derivative contracts** stipulated to hedge the industrial portfolio should be analyzed together with the related debt item included in current liabilities (reduced from 446 million euros to 184 million euros - note 31). These items are reflected both on the income statement under the item "Net change in fair value of derivatives" (ref. Note 6) and shareholders' equity under the item "Cash flow hedge reserve".
For a complete overview of the effects, we would refer you to the specific disclosure in the chapter "Financial risks management by the parent company".
Other receivables include 7 million euros referring to derivative contracts realized, including exposure in place as a result of the mandate contract stipulated with Edison Trading, whereby Edison Spa operates on behalf of the subsidiary with reference to gas trading operations.

- Details of **current financial assets** are given in the table below:

(millions of euros)	06.30.2017	12.31.2016 (*)	Changes
Financial receivables:			
- Subsidiaries	1,635	1,773	(138)
- EDF Sa (*)	-	-	-
- Joint ventures and associates	4	4	-
Derivatives	19	15	4
Equity investments held for trading	3	3	-
Total current financial assets	**1,661**	**1,795**	**(134)**

(*) Reclassification of 73 million euros for a better exposition of cash and cash equivalent

More specifically:
- **financial receivables** refer to financial transactions with subsidiaries and associates and represent the balances of infra-group current accounts;
- **derivatives** refer entirely to the fair value valuation of derivatives in place and relating to the hedging of the interest rate risk and exchange rate;
- **equity investments held for trading** refer to listed companies whose values are adjusted to stock exchange prices at period end.

- **Cash and cash equivalents** are worth 178 million euros (97 million euros at December 31, 2016) and consist of short-term bank and post office deposits; they include 173 million euros of funds held in the current account with EDF Sa (73 million euros at December 31, 2016).

23. Assets held for sale
These primarily consist of the carrying values of the equity investments in Infrastrutture Trasporto Gas and Terminale LNG Adriatico Srl. For more details on the transaction, please refer to the paragraph on "Information relative to IFRS 5".

Liabilities and Shareholders' Equity

24. Shareholders' equity – 4,949 million euros

Edison's shareholders' equity is down 140 million euros on the 5,089 million euros recorded at December 31, 2016. The **breakdown and changes to shareholders' equity** are shown in the "Statement of changes in Shareholders' Equity", whose main changes include, in addition to the hedging of previous year's losses, resolved by the shareholders' meeting of March 30, 2017, also:

- 5 million euros from the positive change, net of tax, to the cash flow hedge reserve;
- 145 million euros from the period loss.

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

Type	Share capital		
	Amounts in millions of euros	No. shares	N.V. Unit. Euro
Ordinary Shares (regular enjoyment)	5,267	5,266,845,824	1.00
Non-convertible savings shares (enjoyment January 1, 2014)	110	110,154,847	1.00
Total	**5,377**	**5,377,000,671**	**1.00**

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

Reserve for Cash Flow Hedge operations

(millions of euros)	Gross reserve	Deferred taxes	Net reserve
Balance at 12.31.2016	(53)	15	(38)
- Changes in the period	8	(3)	5
Balance at 30.06.2017	**(45)**	**12**	**(33)**

Please note that the **reserve for actuarial gains and losses (IAS 19)** remains substantially unchanged with respect to December 31, 2016.

25. Provision for employees severance indemnities and provisions for pensions – 20 million euros

The value, which is down 1 million euros on December 31, 2016, reflects the severance indemnities and other benefits accrued at year end in favor of employees. The actuarial gains and losses entered directly as Shareholders' equity total around 1 million euros. The actuarial variation envisaged by IAS 19 is only applied for the liabilities relative to severance indemnity accrued and remaining with the company, for the valuation of which, the following parameters are used:

	06.30.2017	12.31.2016
- Theoretical annual discounting rate	1.90%	1.90%
- Annual rate of inflation	1.00%	1.00%

26. Provision for deferred taxes

Where the requirements are met as laid down by IAS 12, the item has been offset against prepaid tax, to which reference is made for the related comments.

27. Provisions for risks and charges – 823 million euros

(millions of euros)	12.31.2016	Additions	Uses	Other changes	06.30.2017
- Risks for disputes, litigations and contracts	131	1	(1)	-	131
- Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
- Environmental risks	52	-	(1)	-	51
- Other legal risks	10	-	-	-	10
- Tax dispute	67	8	(3)	-	72
Total for legal and tax-realted disputes	**335**	**9**	**(5)**	**-**	**339**
- Provision for site decommissioning and remediation	425	9	(2)	-	432
- Other risks and charges	28	10	-	14	52
Total	**788**	**28**	**(7)**	**14**	**823**

For more information on the contents that led to the current formation of these funds, reference is made to the comments given in the paragraph "Risks and potential liabilities linked to legal and tax disputes" reported in the separate financial statements as at December 31, 2016 and the related update given in the condensed semiannual consolidated financial statements as at June 30, 2017.

Please note that the **provisions for the decommissioning and restoration of sites** include the valuation, updated as at the reporting date, of the decommissioning costs expected to be incurred with reference to industrial sites and mining extraction structures.

The increase in **tax dispute** is substantially referred to disputes on previous periods, while for **other provisions and risks** is due to potential operative expenses.

28. Bonds

Please remember that at end 2016, the debenture loan worth a nominal figure of 600 million euros due on November 10, 2017 had been reclassified to "current liabilities".

29. Long-term financial debt and other financial liabilities – 199 million euros

(millions of euros)	06.30.2017	12.31.2016	Changes
Banks	129	141	(12)
EDF Sa	70	70	-
Total	**199**	**211**	**(12)**

Relating to **amounts due to banks** please refer to the chapter "Management of financial risks", paragraph "Liquidity risk" for further details.

30. Other liabilities – 45 million euros

(millions of euros)	06.30.2017	12.31.2016	Changes
Fair value on the industrial portfolio and trading assets of which:			
- Outsiders	40	25	15
- EDF Trading	5	49	(44)
Other liabilities	**45**	**74**	**(29)**

31. Current liabilities – 2,385 million euros

(millions of euros)	06.30.2017	12.31.2016 (*)	Changes
Bonds	620	615	5
Current financial payables	840	1,132	(292)
Trade payables (*)	672	850	(178)
Other payables (*)	253	602	(349)
Total current liabilities	**2,385**	**3,199**	**(814)**

(*) As from January 1, 2017, in order to provide a best representation of the operative working capital, amounts payable to joint owners of hydrocarbon research, have been included in trade payables and are worth 28 million euros.

More specifically:

- the value of **bonds** includes the debenture loan shown in the table below:

(millions of euros)	List price	Currency	NV in issue	Coupon	Rate	Due	Current portion	*Fair value*
Edison Spa	Luxembourg stock exchange	Euro	600	Annual in arrears	3.875%	11.10.2017	620	623

  This bond issue, which has been hedged with derivatives against the risk of changes in fair value caused by interest rate fluctuation, was adjusted in accordance with hedge accounting rules to reflect the change in the hedged risk.

- **current financial payables**, the table below provides a breakdown by counterparty:

(millions of euros)	06.30.2017	12.31.2016	Changes
Subsidiaries and associates	667	793	(126)
Banks	43	21	22
EDF Group	-	151	(151)
Transalpina di Energia Spa	97	112	(15)
Factoring companies	33	55	(22)
Total current financial payables	**840**	**1,132**	**(292)**

  The reduction with respect to December 31, 2016 of current financial payables due to the EDF group refers to the reimbursement of the credit facility in place with EDF Sa (total nominal value of 600 million euros maturing in April 2017), which as at June 30, 2017 is fully available.

- **trade payables** mainly referring to natural gas purchases deriving from long-term contracts, show the following breakdown by segment:

(millions of euros)	06.30.2017	12.31.2016 (*)	Changes
Hydrocarbons	509	667	(158)
Electricity	141	155	(14)
Corporate	22	28	(6)
Total trade payables	**672**	**850**	**(178)**
of which:			
- outsiders	635	815	(180)
- subsidiaries and associates	37	35	2
Total trade payables	**672**	**850**	**(178)**

  (*) As from January 1, 2017, in order to provide a best representation of the operative working capital, amounts payable to joint owners of hydrocarbon research, have been included in trade payables and are worth 28 million euros.

- **current tax liabilities** are unchanged on December 31, 2016;

- **other liabilities** are detailed in the table below:

(millions of euros)	06.30.2017	12.31.2016 (*)	Changes
Fair value on the industrial portfolio and trading assets of which:			
- outsiders	146	398	(252)
- subsidiaries	5	2	3
- EDF Trading	33	46	(13)
Total fair value on the industrial portfolio and trading assets	184	446	(262)
Employees	22	24	(2)
Social security and welfare institutions	17	17	-
Pool VAT for subsidiaries	-	1	(1)
Other	30	114	(84)
Total sundry payables	**253**	**602**	**(349)**
of which:			
- outsiders	246	598	(352)
- subsidiaries and associates	7	4	3
Total	**253**	**602**	**(349)**

  (*) As from January 1, 2017, in order to provide a best representation of the operative working capital, amounts payable to joint owners of hydrocarbon research, have been included in trade payables and are worth 28 million euros.

The period change in **payables deriving from the fair value measurement of derivative contracts** stipulated to hedge the industrial portfolio should be analyzed together with the related debt item included in **current assets** (reduced from 480 million euros to 197 million euros) (note 22). As mentioned above, these items are reflected both on the income statement under the item "Net change in fair value of derivatives" (ref. Note 6) and shareholders' equity under the item "Cash flow hedge reserve".

Other payables include 4 million euros referring to derivative contracts realized, including exposure in place as a result of the mandate contract stipulated with Edison Trading, whereby Edison Spa operates on behalf of the subsidiary with reference to gas trading operations.

32. Liabilities held for sale

These include financial and trade payables due to the companies Infrastrutture Trasporto Gas. For more details on the transaction, please refer to the paragraph on "Information relative to IFRS 5".

NET FINANCIAL DEBT

(millions of euros)	Note	**06.30.2017**	**12.31.2016 (*)**	Changes
Amounts due to other lenders - non-current	29	70	70	-
Non-current bank loans	29	129	141	(12)
Net non-current financial debt		**199**	**211**	**(12)**
Bonds - current portion	31	620	615	5
Current loan payables	31	840	1,132	(292)
Current financial assets	22	(1,661)	(1,795)	134
Cash and cash equivalents	22	(178)	(97)	(81)
Net current financial debt		**(379)**	**(145)**	**(234)**
Financial assets for disposal	31	(65)	-	(65)
Financial liabilities for disposal	22	1	-	1
Total net financial debt		**(244)**	**66**	**(310)**

(*) Includes a reclassification of 73 million euros as result of better exposure in cash and cash equivalents

The net financial position as at June 30, 2017 is 244 million euros, as compared with net financial debt of 66 million euros as at December 31, 2016.

The total change can be specifically traced to the dynamics of current assets. The effects are also included as deriving from the outlays connected with net investments made in property, plant and equipment, intangible assets and equity investments (21 million euros), partly offset by net financial income received (10 million euros) and collection of dividends (92 million euros), the disposal of equity investments (20 million euros) and capital distributions from Group companies (2 million euros).

Net financial debt includes:

- 103 million euros in **net receivables due from EDF Group companies**, of which the following are booked:
  - 70 million euros in amounts due to other lenders - non-current (unchanged compared to December 31, 2016);
  - 173 million euros in cash and cash equivalents (73 million euros at December 31, 2016);
- 97 million euros in **amounts due to the parent company Transalpina di Energia**, booked as current financial payables (112 million euros at December 31, 2016).

Financial assets and liabilities for disposal are totally referred to ITG Spa.

These figures can also be seen in the specific table under the paragraph on "Intercompany and Related party transactions".
Lastly, in the overall refinancing plan, already announced in the Separate Financial Statements 2016, aimed at ensuring both the coverage of the required financial requirements and the required cash flexibility, in April 2017, Edison Spa signed two revolving credit facilities , fully available on June 30, 2017, with a maturity of two years:

- with EDF Sa for a nominal value of 600 million euros, replacing the above mentioned line at maturity;
- with a pool of banks with a nominal value of 300 million euros, replacing a similar line (nominal value 500 million euros) expired in November 2016.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments – 1,272 million euros

(millions of euros)	06.30.2017	12.31.2016	Change
Guarantees provided	1,203	1,354	(151)
Collateral provided	5	5	-
Other commitments and risks	64	73	(9)
Total	**1,272**	**1,432**	**(160)**

Guarantees provided are determined on the basis of the potential amount of the commitment not discounted as at the reporting date. Personal guarantees given include:

- the guarantees given for 54 million euros, in the favor of the Milan Tax Authority, in the interests of subsidiaries, to offset the VAT receivable and for the infra-group transfer of tax receivables;
- the remainder is mainly guarantees given by the company or banks counter-guaranteed by it in its own interests, for subsidiaries and associates for contractual requirements.

Collateral provided, which represents the value as at the reporting date of the asset or right given as guarantee, essentially represents the pledges existing on Ibiritermo shares and the subordinated loan granted to the associate.

Other commitments and risks include those accepted to complete the investments in progress for 32 million euros. The update of the risk profiles and economic recoverability are checked periodically throughout the year.

With reference to the long-term natural gas import contracts, for which the take or pay clauses envisage the obligation for the buyer to pay the quantity not collected with respect to a pre-fixed threshold, in a similar fashion to last year, no commitments had been stipulated as at December 31, 2016, as described in the next paragraph.

No further changes are noted with respect to that commented in the separate financial statements as at December 31, 2016, to which reference is made for a fuller, more complete disclosure.

Unrecognised commitments and risks

As regards the main commitments and risks not reflected in the financial statements, no specific changes have been reported during the first half of 2017 as compared with the separate financial statements as at December 31, 2016. In particular, please note that long-term contracts are in place for the import of hydrocarbons from Russia, Libya, Algeria and Qatar for a total maximum nominal supply of 14.4 billion m3/year. These contracts last for between 3 and 18 years old. The table below provides details of the time frame of the supplies of natural gas according to minimum contractual collections:

	U.M.	within 1 year	from 2 to 5 years	beyond 5 years	Total
Natural gas (*)	Billions of m3	13.6	45.0	102.0	160.6

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

Risks and potential liabilities linked to legal and tax disputes

For comments on the main legal and tax disputes in progress, reference is made to the comments given in the paragraph "Risks and potential liabilities linked to legal and tax disputes" reported in the separate financial statements as at December 31, 2016 and the related update given in the condensed semiannual consolidated financial statements as at June 30, 2017.

FINANCIAL RISKS MANAGEMENT

In accordance with IFRS 7, the following paragraphs include information on the nature of the risks relating to the parent company Edison Spa; as regards the **policies and procedures for managing said risks** as well as the **method used for the fair value measurement** of derivatives, reference is made to the notes in the corresponding paragraphs of the "Separate financial statements as at December 31, 2016".

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

The table below shows the maximum negative difference expected on fair value of the financial derivatives in place, over the time frame of the period in progress, with a probability of 97.5% with respect to the fair value determined as at June 30, 2017. In other words, with respect to the fair value determined as at June 30, 2017 on the hedging derivative contracts in place, the probability of a negative difference of more than 186.2 million euros by the end of FY 2017 is limited to 97.5% of scenarios.

Profit at Risk (PaR) (millions of euros)	06.30.2017	06.30.2017
Maximum negative difference expected on fair value (*)	186.2	473.8

(*) Estimated with a probability level of 97.5%

The reduction with respect to the level measured as at June 30, 2016 is mainly due to the lesser net volume of financial contracts linked to the EUR/USD exchange rate and the oil market as well as to a reduction in price volatility.

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 commodity price risk profile of the Industrial Portfolio within the limit of the approved economic capital in terms of economic capital absorption, is as follows:

Industrial portfolio	**H1 2017**		**H1 2016**	
Absorption of economic capital	**without derivatives**	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved limit of economic capital	71%	46%	115%	43%
Maximum absorption	105% - Jan. 17	83% - Jan. 17	264% - Jan. 16	87% - Jan. 16

2. Foreign exchange risk

The guidelines relative to governance and foreign exchange risk mitigation strategies are unchanged as compared with December 31, 2016.

3. Interest rate risk

Because it is exposed to fluctuations in interest rates with regard to the measurement of financial expense, the company assesses on a regular basis its exposure to the risk of changes in interest rates, which it manages mainly by negotiating loans. Hedging financial instruments are the exception, classified as such in accordance with IAS 39 (Fair Value Hedge), associated with the bond issue.

Gross financial debt	**06.30.2017**			**12.31.2016**		
Breakdown of fixed rate and variable rate: (millions of euros)	without derivatives	With derivatives	% with derivatives	without derivatives	With derivatives	% with derivatives
- at fixed rate (including structures with CAP)	600	-	0%	600	-	0%
- at variable rate	1,058	1,658	100%	1,358	1,958	100%
Total gross financial debt	**1,658**	**1,658**	**100%**	**1,958**	**1,958**	**100%**

The company has negotiated variable rate loan agreements in place (mainly at the Euribor rate). The 600 million euro debenture loan at fixed rate maturing on November 10, 2017 is converted to variable rate through the interest rate swap, parameterized to the Euribor rate at 6 months. At present, the company benefits from the lesser cost of the variable rate with respect to the cost of the fixed rate, saving consistently on financial expense. Below is a sensitivity analysis that shows the effects on the income statement from a hypothetical translation of the curves by +50 or -50 basis points with respect to the rates effectively applied during 2017, compared with the corresponding comparative data of 2016:

Sensitivity analysis	**H1 2017**			**H1 2016**		
(millions of euros)	**effects on financial expense (I.S.)**			**effects on financial expense (I.S.)**		
	+50 bps	**base**	**-50 bps**	**+50 bps**	**base**	**-50 bps**
Edison Spa	5	5	4	12	10	9

4. Credit risk

Credit risk is the exposure of the company to potential losses deriving from the failure by commercial or financial counterparties to fulfill the obligations accepted.

In order to control this risk, the company has implemented procedures and actions to assess customer credit standing including through suitable scoring grids through which to monitor the related forecast cash flows and any collection actions. The company is currently disposing of trade receivables without recourse on a monthly revolving basis and through the transfer without recourse of the credit risk. These transactions were carried out for a total value of 443 million euros (540 million euros as at June 30, 2016). As at June 30, 2017, no receivables were subject to the risk of recourse. In choosing the counterparties to manage temporary surpluses of financial resources and in stipulating financial hedges (derivatives), the company only uses interlocutors of high credit standing. In this regard, please note that as at June 30, 2017 there is no significant exposure to risks connected with a potential deterioration of the comprehensive financial context nor significant levels of concentration with individual non-institutional counterparties. Below is a summary table of gross trade receivables, the related provision for doubtful debt and the guarantees in the portfolio relating to them.

(millions of euros)	06.30.2017	12.31.2016
Gross trade receivables	297	384
Provision for doubtful debt from trade (-)	(36)	(35)
Trade receivables	**261**	**349**
Guarantees in portfolio (*)	134	174
Past-due receivables:		
- within 6 months	3	7
- from 6 to 12 months	1	1
- beyond 12 months	32	33

(*) Of which to hedge receivables in place as at June 30, 2017 for 10 million euros (37 million euros as at December 31, 2016).

The sizing of the provision for doubtful debt from trade is determined prudently according to the different underlying credit statuses, considering the aging of the outstanding amount.

5. Liquidity risk

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

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

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

Worst case scenario (millions of euros)	06.30.2017			12.31.2016		
	from 1 to 3 months	beyond 3 months and up to 1 year	beyond 1 year	from 1 to 3 months	beyond 3 months and up to 1 year	beyond 1 year
Bonds	-	623	-	-	623	-
Financial payables and other liabilities	117	4	212	265	4	223
Trade payables	585	88	-	779	43	-
Total	**702**	**715**	**212**	**1,044**	**670**	**223**
Personal guarantees issued to outsiders (*)	**479**	**406**	**387**	**817**	**213**	**403**

(*) These guarantees, which are essentially commercial in nature connected with the core business, have been indicated according to residual contractual term. For a detailed analysis of these guarantees, please refer to the chapter on "Commitments, risks and contingent assets".

Financial debt due within the year amounts to 744 million euros (892 million euros at December 31, 2016) mainly consists of the bond issue for a nominal 600 million euros and related interest to be repaid on November 10, 2017.

The decrease recorded in the period reflects the reimbursement for 150 million euros of a drawdown on the credit line provided by EDF Sa, line expired in April 2017.
In addition to the availability on current account with EDF Sa (199 million euros) to assure financial flexibility and ensure the coverage of the financial needs over coming months, contribute two revolving credit lines with maturity within 2 years subscribed in the period and fully available at June 30, 2017:

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

These facilities form the first stage in the refinancing plan, already announced in the 2016 Separate Financial Statements and approved by the Edison Board of Directors in the early months of the year; a plan that, moreover, envisages a possible further intervention by the maturity of the bond issue, in the form of a medium-long term loan with EDF group companies. The value and characteristics of this loan would be better determined following a new final and forecast assessment of the financial needs in the run-up to the above-specified end date.

It is noted that as at June 30, 2017, Edison, in addition to the above revolving facilities fully available for a total of 900 million euros, has liquid funds for 178 million euros, of which 173 million euros held in the treasury current account with EDF Sa.
The financial payable due beyond the year (212 million euros) aligned to the previous year (223 million of euros) and mainly includes principal and accrued interest related to long term debt, almost all on funds of European Investment Bank (EIB) brokered or direct. More in details, it includes:

- the non-current portion (11 million euros) of the loan provided by Intesa Sanpaolo to Edison Spa (on EIB funds) for an original amount of 120 million euros, subject to depreciation, with maturity date at June 15, 2019;
- a drawdown of 127 million euros on the medium-long term direct line of the EIB destined to finance storage projects;
- a drawdown of 70 million euros on the credit line provided by EDF Sa on EIB funds (total amount of 200 million euros with 10 year maturity) to finance certain Exploration & Production project in Italy.

6. Default Risk and Debt Covenants

The risk in question relates to the possibility that the loan contracts or regulations of the debenture loans contain provisions that entitle the counterparties, whether banks or bond-holders, to ask the debtor, where certain events occur, for immediate repayment of the amounts lent, thereby generating a liquidity risk (see also the paragraph above, entitled "Liquidity risk").
As at June 30, 2017, Edison spa has the following debenture loan in place (Euro Medium Term Notes) for a total nominal figure of 600 million euros.

Description	Issuer	Listing market	ISIN code	Term (years)	Due	Nominal value (millions of euros)	Coupon	Current rate
EMTN 11/2010	Edison Spa	Luxembourg stock exchange	XS0557897203	7	11.10. 2017	600	Fixed, annual	3.875%

Moreover, Edison Spa has non-syndicated loan contracts in place for a total of 823 million euros, of which 600 million euros are not used as at June 30, 2017 and syndicated loans for 300 million euros, fully available as at June 30, 2017.
There have been no changes to the transactions in place and the related regulations, or indeed to the associated covenants with respect to December 31, 2016, because the new loan contracts stipulated in the first half of 2017 are also in absolute continuity with those previously in force; reference is therefore made to that extensively commented on in the 2016 Separate Financial Statements.
At present, the company is not aware of the existence of any default situation nor of the violation of any of the covenants.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Below is a summary, in line with the related company policies, of the economic, equity and financial transactions in place as at June 30, 2017, with related parties, in accordance with the disclosure required by IAS 24. These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market practice.

For more details and an analysis, reference is made to the information given in the "Notes to the condensed semiannual consolidated financial statements" and in particular the paragraph entitled "Intercompany and Related party transactions".

The table below sets out related party transactions:

(millions of euros)	***Related parties in accordance with IAS 24***				**Total item**	**% incidence**
	Edison group companies	*parent companies*	*other EDF group companies*	**Total related parties**		
Equity transactions						
Equity investments	1,128	-	-	1,128	1,128	100.0%
Other assets	-	-	4	4	225	1.8%
Trade receivables	331	-	8	339	610	55.6%
Sundry receivables	56	84	10	150	545	27.5%
Current financial assets	1,638	-	-	1,638	1,661	98.6%
Cash and cash equivalents	-	173	-	173	178	97.2%
Financial payables and other liabilities	-	70	-	70	199	35.2%
Other liabilities	-	4	-	4	45	8.9%
Current financial payables	667	96	-	763	840	90.8%
Trade payables	28	3	10	41	672	6.1%
Sundry payables	5	4	-	9	253	3.6%
Economic transactions						
Sales revenues	1,407	1	57	1,465	2,763	53.0%
Other revenues and income	9	1	-	10	33	30.3%
Consumptions of materials and services	37	14	24	75	2,666	2.8%
Financial income	19	-	-	19	25	76.0%
Financial expense	1	1	-	2	25	8.0%
Exchange gains (losses)	-	(5)	-	(5)	(9)	n.s.
Income from equity investments	104	-	-	104	105	99.0%
Expense on equity investments	57	-	-	57	57	100.0%

OTHER INFORMATION

Non-recurring Events and Material Transactions

In accordance with Consob Communication no. DEM/6064293 of July 28, 2006, during the first half of 2017, no significant non-recurring events and transactions are reported.

Transactions resulting from atypical and/or unusual activities

Please note that during the first half of 2017, Edison Spa did not implement any atypical and/or unusual transactions as defined by Consob Communication no. DEM/6064293 of July 28, 2006.

SIGNIFICANT EVENTS OCCURRING AFTER June 30, 2017

Acquisition of mini-hydroelectric power plants

Edison Spa acquired from IDRORA Srl a business operation consisting of the run-of-the-river water hydroelectric power plant on the river Dora Baltea named “Montestrutto” in the municipality of Tavagnasco (TO), with average nominal concession power of 2,065 kW; this acquisition, for which at June 30, 2017 advances have been paid for 21 million euros, is effective from July 1, 2017. Moreover Edison Spa is acquiring from Bergamo Brescia Energia Srl (BBE) some plants under construction located in the Province of Bergamo and Brescia, on the rivers Brembo and Serio.

Binding agreement for the acquisition from Cryn Finance of majority interest in Frendy Energy

On July 17, 2017, Edison and Cryn Finance signed a binding agreement for the acquisition by Edison of the majority stake of the share capital of Frendy Energy Spa, a company with shares traded on AIM Italia with 15 mini-hydroelectric power plant plants (including 3 in advanced construction) located predominantly on irrigation channels in Piedmont and Lombardy for an annual total production of about 20 GWh.

According to the agreement, Edison will acquire 45.039% of the capital of Frendy Energy Spa from Cryn Finance and from a minority shareholder at an estimated price, liable to eventual reduction, of 0.340 euros per Frendy share. The closing, expected for the month of October 2017, is subordinated to Edison meets, in a single context, also trough purchases of Frendy shares by third parties at the same price, a total share of not less than 50.01% of the Frendy's vote. The agreements related to the further purchases by third parties have to be signed by August 1, 2017.

Following the closing Edison will promote a public tender offer on all Frendy shares at the same price.

Agreement for the sale of investments held in Infrastrutture Trasporto Gas and in Terminale GNL Adriatico

On July 25, 2017, Edison subscribed a binding agreement with Snam for the sale to the latter, for an amount of 225 million euros and subject to adjustment at the closing, of the entire equity investment held in Infrastrutture Trasporto Gas (ITG), owner of the Cavarzere Minerbio gas pipeline, and of its 7.3% equity investment in Terminale LNG Adriatico (Adriatic LNG), the company that owns the regasification terminal in Rovigo. Edison maintains the use of 80% of the terminal's capacity. In the case where Adriatic LNG signs new contracts for the use of the terminal's capacity, Snam will recognise to Edison a potential additional consideration as earn-out.

The deal, expected to be closed by the end of this year, is subject to the approvals required for this type of transaction and, with regard to the Adriatic LNG equity investment, it is subordinated to non-exercise of the right of pre-emption by the other shareholders.

Disposal of Foro Buonaparte buildings

The Board of Directors of Edison Spa, met on July 26, 2017, approved the transaction of the disposal of the Foro Buonaparte buildings in Milan in which the Company has its headquarters, endorsing the subscription of the related agreement with IDeA Fimit Sgr, the asset management company specialized in real estate funds controlled by De Agostini group. The agreement provides that Edison transfers the ownership of the buildings located in Foro Buonaparte 31 and 35 and simultaneously subscribes an agreement for the rent of the same properties for twelve years and with possibility of rent under the same terms for a further six years. Moreover, the agreement also entitles Edison to repurchase the Milanese properties. The closing is expected in November 2017.

Cooperation Agreement between Edison Trading and EDF Trading and following merge of Edison Trading in Edison Spa

The Board of Directors of Edison Spa, met on July 26, 2017, approved a Cooperation Agreement between Edison Trading Spa, company owned at 100%, and EDF Trading, 100% subsidiary of EDF SA, concerning the activities of proprietary trading and the rules to access to power forward market. This agreement, defined Trading Joint Venture

and Market Access Service Agreement, including inter alia some remuneration mechanism in favour of Edison Trading, could be finalized before the end of current July, with effect from September 1, 2017.
The Board of Directors of Edison Spa had than approved the draft term of merger by incorporation of Edison Trading Spa in Edison Spa, to be carried out after the finalization of the above Agreement. This operation is aimed to simplify the corporate organization through the incorporation in Edison Spa of all electric power operations: from gas purchases for power production, to electricity generation and sale on wholesale energy markets.

All events described above are part of Edison's strategy with the aim of achieve market leadership in the retail and services, in renewables and energy efficiency areas financing the related investments plan also through the disposal of non-strategic assets.

Milan, July 26, 2017

For the Board of Directors
The Chief Executive Officer
Marc Benayoun

Certification of the condensed semiannual financial statements, in accordance with Art. 81-ter of Consob Regulation no. 11971 dated May 14, 1999 as amended

1. The undersigned Marc Benayoun, as "Chief Executive Officer", Didier Calvez and Roberto Buccelli, as "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 administrative and accounting procedures for the preparation of the condensed semiannual financial statements for the period January 1 - June 30, 2017.

2. It is also certified that:

2.1. the condensed semiannual financial statements (condensed semiannual consolidated financial statements and condensed semiannual financial statements of the parent company Edison Spa):

   a) were prepared in accordance with the applicable international accounting standards recognized in the European Community under the terms of Regulation (EC) no. 1606/2002 of the European Parliament and Council of July 19, 2002;
   b) are consistent with the figures in the accounting books and documents;
   c) are appropriate to providing a true and fair view of assets and liabilities, results and financial position of the issuer and of the companies included in the consolidation;

2.2 the semiannual report on operations includes a reliable analysis of the reference made to the important events that took place during the first six months of the year, and their incidence on the condensed semiannual financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The semiannual report on operations also includes a reliable analysis of information provided on relevant related party transactions.

Milan, July 26, 2017

The Chief Executive Officer

Marc Benayoun

"Dirigenti Preposti alla redazione
dei documenti contabili societari"

Didier Calvez
Roberto Buccelli

Reports of the Independent Auditors

Deloitte.

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REPORT ON REVIEW OF THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

To the Shareholders of
Edison S.p.A.

Introduction

We have reviewed the accompanying condensed consolidated semiannual financial statements of Edison S.p.A. and subsidiaries (the "Edison Group"), which comprise the balance sheet as of June 30, 2017 and the income statement, the other components of the comprehensive income statement, the cash flow statement, the statement of changes in consolidated Shareholder's equity for the six month period then ended and a summary of significant accounting policies and other explanatory notes. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated semiannual financial statements of the Edison Group are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 27, 2017

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

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REPORT ON REVIEW OF THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS

To the Shareholders of
Edison S.p.A.

Introduction

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DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 27, 2017

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