# Semiannual Report

## AT JUNE 30, 2020

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# CONTENTS



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.

| **Income Statement Data (*)** (in millions of euros) | **Chapter (**)** | **First half 2020** | First half 2019 | % change |
|---|---|---|---|---|
| Sales revenues | 2 | 3,107 | 4,321 | *(28.1%)* |
| EBITDA | 2 | 380 | 341 | 11.4% |
| *as a % of sales revenues* | | *12.2%* | *7.9%* | - |
| EBIT | | 164 | 172 | (4.7%) |
| *as a % of sales revenues* | | *5.3%* | *4.0%* | - |
| Profit (Loss) from continuing operations | | 104 | 129 | *(19.4%)* |
| Profit (Loss) from discontinued operations | | (162) | (518) | *n.s.* |
| Group interest in Profit (Loss) | | (65) | (398) | *(83.7%)* |

| **Financial data** (in millions of euros) | **Chapter (**)** | **06.30.2020** | 12.31.2019 | % change |
|---|---|---|---|---|
| Net invested capital (A + B)(1) | | 6,003 | 6,029 | *(0.4%)* |
| Net financial debt (A) (1)(2) | 6 | 624 | 516 | *20.9%* |
| Shareholders' equity total (B)(1) | 6 | 5,379 | 5,513 | *(2.4%)* |
| Shareholders' equity attributable to Parent Company shareholders' (1) | 6 | 5,219 | 5,327 | *(2.0%)* |

| **Rating** | **06.30.2020** | 12.31.2019 |
|---|---|---|
| Standard & Poor's | | |
| -Medium/Long-term rating | BBB- | BBB- |
| -Medium/Long-term outlook | Stable | Stable |
| -Short-term rating | A-3 | A-3 |
| Moody's | | |
| -Rating | Baa3 | Baa3 |
| -Medium/Long-term outlook | Positive | Stable |

| **Key Indicators** | **06.30.2020** | 12.31.2019 | % change |
|---|---|---|---|
| Debt / Equity (A/B) | 0.12 | 0.09 | - |
| Gearing (A/A+B) | 10% | 9% | - |
| Number of employees (1)(3) | 5,628 | 5,631 | *(0.1%)* |

(1) End-of-period data. The changes in these values were calculated at December 31, 2019.
(2) A breakdown of this item is provided in the section 6.3 "Net Financial Debt and cost of debt" of the Condensed Consolidated Semiannual Financial Statements.
(3) Companies consolidated line by line. It includes employees of the Exploration & Production business, discontinued operations,at 06.30.2020 amounted to 907.
(*) The figures for 2019 have been restated pursuant to IFRS 5 standard.
(**) See the Notes to the Condensed Consolidated Semiannual Financial Statements.

| **Operating data** | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Net production of electric power (Twh) | 9.1 | 10.4 | *(12.5%)* |
| Sales of electric power to end users (TWh) | 7.4 | 7.4 | *0.0%* |
| Gas imports (Bn $m^3$) | 5.9 | 6.9 | *(14.5%)* |
| Total net gas sales in Italy (Bn $m^3$) | 8.7 | 10.1 | *(13.9%)* |
| Locations served power and gas (in thousands) | 1,520 | 1,544 | *(1.6%)* |

# INFORMATION ABOUT THE EDISON SHARES

| Shares at June 30, 2020 | | number | price |
|---|---|---|---|
| | Common shares | 5,267,224,718 | (*) |
| | Savings shares | 109,775,953 | 0.8908 |

| Shareholders with significant holdings at June 30, 2020 | | % of voting rights | % interest held |
|---|---|---|---|
| | Transalpina di Energia Spa (1) | 99.477% | 97.446% |

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

# CORPORATE GOVERNANCE BODIES

| Board of Directors (*) (1) | | |
|---|---|---|
| **Chairman** | | Marc Benayoun (2) |
| **Chief Executive Officer** | | Nicola Monti (3) |
| **Directors** | | Béatrice Bigois (4) |
| | **Independent Director** | Paolo Di Benedetto (5) |
| | **Independent Director** | Fabio Gallia (6) |
| | **Independent Director** | Angela Gamba (7) |
| | | Xavier Girre (8) |
| | | Jean-Bernard Lévy (9) |
| | | Florence Schreiber (10) |
| **Secretary to the Board of Directors** | | Lucrezia Geraci |

| Board of Statutory Auditors (11) | |
|---|---|
| **Chairman** | Serenella Rossi |
| **Statutory Auditors** | Lorenzo Pozza<br>Gabriele Villa |
| **Independent auditors (12)** | KPMG Spa |

(1) In office until the Shareholders' Meeting convened to approve the 2021 financial statements.
(2) Confirmed as Director by the Shareholders' Meeting on April 2, 2019 and as Chief Executive Officer by the Board of Directors on April 2, 2019, resigning from the latter office effective as of July 1, 2019. Elected to the position of Chairman by the Board of Directors on June 19, 2019, effective as of July 1, 2019 after Jean-Bernard Lévy renounced the position. (see notes 3) and 9)).
(3) Elected as Director by the Shareholders' Meeting on April 28, 2020, co-opted previously by the Board of Directors on June 19, 2019 and confirmed as Chief Executive Officer by the Board on April 28, 2020. Elected previously to the position of Chief Executive Officer by the Board of Directors on June 19, 2019, effective as of July 1, 2019 after Marc Benayoun renounced the position.
(4) Confirmed as Director by the Shareholders' Meeting on April 2, 2019.
(5) Confirmed as Director by the Shareholders' Meeting on April 2, 2019. Chairman of the Compensation Committee and the Related Party Transactions Committee (formerly the Committee of Independent Directors), Lead Independent Director and member of the Control and Risk Committee and the Oversight Board.
(6) Elected Director by the Shareholders' Meeting on April 2, 2019. Chairman of the Control and Risk Committee and member of the Related Party Transactions Committee.

(7) Elected as Director by the Shareholders' Meeting on April 28, 2020. Member of the Compensation Committee, the Related Party Transactions Committee and the Oversight Board.
(8) Elected Director by the Shareholders' Meeting on April 2, 2019. Member of the Control and Risk Committee.
(9) Confirmed as Director and Chairman by the Shareholders' Meeting on April 2, 2019; this latter position was renounced effective as of July 1, 2019.
(10) Elected as Director by the Shareholders' Meeting on April 28, 2020. Member of the Compensation Committee.
(11) Elected by the Shareholders' Meeting on April 28, 2020 for a three-year period ending with the Shareholders' Meeting convened to approve the 2022 financial statements.
(12) Audit engagement awarded by the Shareholders' Meeting on April 28, 2020 for the nine-year period from 2020 to 2028.

# Semiannual Report on Operations

## AT JUNE 30, 2020

# KEY EVENTS

## Heavy transport becomes more sustainable: Lidl, IVECO, LC3 and Edison present the first biomethane powered vehicles

January 22, 2020 - The five new biomethane powered vehicles in the Lidl fleet, built in collaboration with IVECO, LC3 Trasporti and Edison, were presented. Unveiled to the press at a conference organised at the Lidl logistics centre in Somaglia (LO), the new IVECO Stralis NP 460CV CNG trucks will be powered by biomethane, a renewable and sustainable fuel both in terms of CO2 levels emitted by the exhaust pipe and life cycle emissions, which are significantly lower than other types of fuel.

This is completely new in Italy for the Retail and Large-Scale Retail sector, which is once again demonstrating the concrete commitment of all partners involved to environmental sustainability.

## Edison and Toyota partners for sustainable mobility in Italy

January 29, 2020 - The Toyota Group, with a view to expanding its range of electrified models, has entered into a partnership with Edison, which will install and operate over 300 public-access charging stations powered by renewable energy, at all Toyota and Lexus Dealers and Service Centres.

Thanks to the partnership with Toyota, Edison will make its know-how available to the car manufacturer to identify the best energy efficiency solutions, including the installation of photovoltaic systems for the self-production of electric power, based on an analysis of actual consumption by dealers and service centres.

In addition, Edison and Toyota will study solutions dedicated to their respective customers to make their homes and their mobility increasingly sustainable, encouraging the adoption of a responsible lifestyle that is in harmony with the environment.

## Edison continues and reinforces its ties with the Venice Biennial and implements a sustainable energy project at the Corderie dell’Arsenale

February 27, 2020 - Edison reinforces its ties with the Venice Biennial and its city, supporting the 17th International Architecture Exhibition «How will we live together?».

In 2018 Edison executed an innovative energy diagnosis of the event’s most energy hungry and high-impact facilities, in order to identify ways of improving energy use, thanks to the IoT and evolved modelling techniques. Edison’s high-efficiency solution applied to the Corderie dell’Arsenale significantly reduces energy consumptions at the facility. The project preserves the original industrial aesthetics of this splendid fourteenth century building consisting of a 320-metre long body divided into three naves, each with two rows of columns supporting two galleries covering the side naves, once used for the spinning of ropes. The revamping project will be inaugurated during the 17th International Architecture Exhibition. The adopted solution will enable a reduction of over 70% in electricity consumption and prevent the emission of 22 tons of CO2 per year into the atmosphere.

## 15 Pledges to Customers: Edison and Eurelectric’s Manifesto for the energy transition

March 4, 2020 - The Eurelectric Manifesto “15 Pledges to Customers”, signed by Edison, Elettricità Futura and several energy companies, was presented in Brussels. The manifesto aims to accompany consumers in the energy transition process in order to encourage them to play a more active role with a view to increasing energy efficiency, developing renewables and spreading electric technologies in areas such as mobility.

## Edison: the guarantee of the continuity of essential services, solidarity in support of the country and the initiatives of "Edison for Italy" in favor of Edison Energia customers

In the midst of the COVID-19 emergency, Edison helped to support the Country by guaranteeing essential services, ensuring its 200 electricity plants fully operational and making sure that supplies of services and energy to clients continue. In this particular instance, Edison continued her concrete commitment of closeness and collaboration with the communities and territories in which it operates, donating around 2 million euros, to support the construction of the Fiera Milano hospital and help the health facilities of the most affected regions, as well as to help the research of the Sacco Hospital in Milan on the identification of the most effective diagnostic and therapeutic strategies against the pandemic. In the same month, Edison also launched a crowdfunding campaign among its employees. In two weeks it raised 200 thousand euros, a figure that the Company doubled to 400 thousand euros for immediate aid projects for families and territories, such as mutual aid for the weaker sections of the population and delivery to domicile of basic necessities. Furthermore, with Edison for Italy, Edison Energia was the first operator to launch a plan to meet the difficulties of customers most affected by lockdown, such as people receiving redundancy payments and self-employed people, allowing the postponement of the payment of electricity and gas bills in June, pending the progressive restoration of production activities.

## Edison: BOD approves revision to the agreement for the sale of E&P to Energean

On April 2, 2020, in relation to the agreement for the sale of 100% of Edison Exploration and Production (E&P) and its equity investments in the hydrocarbons (oil and natural gas) exploration and production sector to Energean Oil and Gas, and following what was communicated on July 4 and December 23, 2019, Edison Spa's Board of Directors approved several amendments to the terms of the agreement (SPA - Sale and Purchase Agreement) signed on last July 4, including first and foremost the exclusion of Edison E&P's assets in Algeria from the perimeter of the transaction. The transaction remains determined on the basis of an enterprise value of 750 million dollars, which will be augmented by an additional consideration of 100 million dollars when production begins at the Cassiopea gas field in Italy. In relation to the assets located in Algeria which have been fully operating since August 2018, in compliance with the provisions of the Algerian authorities and in agreement with Sonatrach, in order to continue with the plan to finalise the closing with Energean, Edison decided to retain ownership of these assets, by initiating an intercompany transfer and therefore to exclude them from the perimeter of the sale. The sale of the Algerian assets may be considered, following the intercompany transfer, when the market conditions allow it.
The overall effect is estimated at a lower benefit of approximately 150 million dollars, in terms of the change of the net financial position of Edison following the transaction.
Edison and Energean Oil and Gas confirm their desire to finalise the transaction and are continuing to work together by taking the necessary steps to satisfy the conditions set forth in the agreements reached last July. The closing of the transaction was confirmed as soon as possible in 2020.

## Strategic partnership between Edison and Renergetica for the construction of photovoltaic systems

April 6, 2020 - Edison and Renergetica have entered into a strategic partnership for the development of projects for the construction of photovoltaic systems on the Italian territory. The agreement stipulated provides that Renergetica, a company listed on the AIM Italia market, identifies projects which, if approved by Edison, will be developed by Renergetica itself, until the authorization is obtained. Subsequently, the authorized projects will be transferred to Edison. Renergetica undertakes to develop new solar plants with a total capacity of at least 50 MWp for each year, therefore for a total of at least 150 MWp. The agreement also provides for the possibility of an automatic renewal for a further two years under the same conditions, for the development of projects for at least an additional 100 MWp.

## Edison: employees participate in new fundraising efforts to support solidarity initiatives throughout Italy

On May 5, 2020, Edison announced that it had raised 200 thousand euros with the crowdfunding campaign it had launched and that it would match that amount, bringing the new solidarity contribution to 400 thousand euros, demonstrating its continued commitment to supporting and collaborating with the communities and areas in which it carries on business.

The amount raised have been allocated to support a number of projects throughout the country, identified based on proposals submitted by employees and local communities. Amongst the initiatives supported by Edison are those for immediate and concrete aid to households and the weaker segments of our population in difficulty, such as the Municipality of Milan's Mutual Aid Fund, home delivery of meals and medicine by ASD Rugby Milano and food collection projects in the city's various neighbourhoods. The aid recipients included the Veneto Region and the Campania Region, the latter amongst the Southern regions most struck by the pandemic, and Cervello hospital in Palermo.

## Edison Digital Academy: training process started to support the Company's digital transformation

On June 4, 2020, Edison inaugurated the Edison Digital Academy: a training process to accelerate the Company's digital transformation by aiming to enhance people's skills. Edison Digital Academy was developed in collaboration with Talent Garden, the largest community in Europe of digital professionals, with the objective of placing the digital increasingly at the heart of business development and enabling the Company to continue to evolve in step with technologies and the markets. Edison Digital Academy is part of the broader strategic and digital transformation project of the Company and its organisation that began in 2017 with the creation of the new Strategy, Corporate Development & Innovation division, which introduced an approach characterised by continuous exchange with the world of innovation, so as to facilitate the development of new projects and the exchange of skills. These efforts have resulted, among other things, in the opening of the Officine Edison in Milan and Turin: veritable innovation hubs with which the Company has brought Research and Development activities close to the centres of competence of its businesses and to the Italian hubs of innovation.

## Edison and METRON partnering to slash Italian industrial energy consumption using artificial intelligence

On June 15, 2020, Edison entered into a partnership agreement with METRON, an innovative digital company, to offer industrial customers Edison Analytics powered by METRON: a solution for monitoring and optimising energy consumption which relies on digitalisation and artificial intelligence to meet the growing needs of Italian companies which are dealing with a continuously evolving context every day.

Edison Analytics powered by METRON is meant particularly for those industries in Italy with high energy consumption, accounting for roughly 20% of the country's total energy consumption, and with a large amount of available data. However, companies do not always have the right tools to extract useful information from these data to reduce both the financial and environmental impact of their consumption and increase competitiveness.

The partnership between Edison and METRON provides medium and large Italian industries with the tools they need to understand what and how they consume, and the fundamental know-how to define long-term energy strategies, while also promoting the deployment of an energy management system.

## "Special thanks" for doctors and nurses from Edison Energia

On June 16, 2020, Edison Energia gave a special gift to its doctor and nurse customers, to recognise their work during the COVID-19 emergency: a gift card for a wellness break, to purchase wine or for a gym subscription, with the activation for one year of the Pronto Artigiano 3h service. Today, Edison also announces the expansion of Edison Plug&Go solutions: another step forward in the Edison for Italy project, to support Phase 3 of the reopening and encourage safe, sustainable transportation in cities. Indeed, the offer for the long-term rental of electric vehicles and the installation of charging stations is now joined by solutions for purchasing electric scooters and bicycles. The payment can be broken down into nine instalments and begins 3 months after the purchase. The products have a two-year warranty and customers can benefit from a 20 euros recharging bonus, after-sales services and the mobility bonus set forth in the May 2020 Relaunch Decree which may be requested on the Ministry for the Environment website.

## AS Roma chooses Edison Energia with a view to sustainability

On June 22, 2020, Edison Energia and AS Roma signed an agreement with a view to sustainable energy. With the sponsorship, signed in recent days, Edison Energia became the new official energy supplier of AS Roma for all of its locations and stores throughout the country. The two companies will also work in the coming months on a research project for the construction of a photovoltaic plant to supply energy to the Trigoria training centre and recharging stations for electric vehicles. Edison Energia and AS Roma will look at various solutions to improve environmental sustainability for both the squad and its fans. The projects range from the creation of renewable self-production plants at the sports centre to the installation of electric vehicle recharging stations, and are complemented by the offer as of July 1 of private mobility solutions for all Roma fans.

## Edison: review signed of the agreement for the sale of Edison Exploration & Production S.p.A. to Energean

On June 28, 2020, in relation to the agreement for the sale of Edison Exploration and Production S.p.A. (E&P) and its investments in the hydrocarbons (oil and natural gas) exploration and production sector to Energean Plc, a revision of the terms of the agreement (SPA - Sale and Purchase Agreement) signed on July 4, 2019 and subsequently amended on April 2, 2020 was signed. This review concerns, among other things, the economic terms of the transaction and, in particular, the exclusion from the scope of the transaction of Edison Norge AS, which holds the Edison Group E&P assets located in Norway. Edison will retain the ownership of Edison Norge until market conditions allow the full valorisation of the related assets. The maintenance of the assets in Norway, in addition to those in Algeria that remained within the scope of Edison following the agreement of April 2, 2020, will however allow Edison to basically exit the E&P sector, in line with the Company’s sustainable development plan. Indeed, the review of the agreement in any event guarantees the sale of the majority of the portfolio and Edison’s exit from the operation of production activities, as the assets currently in development in Norway and the production assets in Algeria are not operated by Edison. Edison has therefore confirmed its strategy of disengagement from E&P activities and investment in energy transition focusing on generation from renewable sources and the latest generation gas, energy efficiency and innovative services for businesses, the public administration and residential customers.
The enterprise value of the disposed assets, following the review of the agreement, is 284 million dollars, essentially corresponding to the benefit in terms of the change in Edison’s net financial position as a result of the transaction. This benefit will be determined in part by the collection of the consideration that will be due from Energean at the closing and in part from the operating cash flows generated by the assets disposed of from January 1, 2019 until the closing, which will be retained by Edison. In addition to this is an additional consideration of up to 100 million dollars subject to the entry into production of Cassiopea and which will be determined on the basis of gas prices (VEF) observed at the moment of the field’s entry into production. The scope of the sale to Energean now includes the assets, mineral leases and equity investments in the hydrocarbons sector of Edison Exploration and Production in Italy, Egypt, Greece, the UK and Croatia for a portfolio of around 75 licenses corresponding to production of 43,000 equivalent barrels per day at December 31, 2019.

### EIB supports Edison's investments in sustainability

The bank of the European Union (EIB) is supporting Edison's green investment plan with new funding of 450 million euros, which includes two distinct operations signed in June: a Green Framework Loan worth 300 million euros in support of a portfolio of energy efficiency and renewables projects throughout the country and a 150 million euros loan for upgrading of a state-of-the-art combined-cycle gas turbine plant in Marghera (Venice). Both loans last for 15 years. For the EIB, these operations are in line with the transitional phase of the new Energy Lending Policy (ELP) approved last November, which aims to promote investments combating climate change and to guarantee the security and stability of the national electricity system. The investments supported by the EIB form part of the consolidation strategy of Edison as a responsible operator, whose sustainable business model is aligned with the goals of the National Energy and Climate Plan. Edison aims to substantially reduce its specific CO2 emissions, and double the share of electricity generated by renewable sources from 20% to 40% by 2030.

## Significant events occurring after June 30, 2020

Information about events occurring after the end of the reporting period subject of this report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled “Significant Events Occurring After June 30, 2020.”

# EXTERNAL CONTEXT

## Economic Framework

The global economy is experiencing the deepest recession since the “Great Depression” of the 1930s, with significant reductions in GDP in many countries triggered by severe measures for the limitation of the virus adopted by the governments of the most impacted economies; measures that led to the complete closure of production activities in many sectors and a considerable reduction in travel and mobility, with heavy repercussions on economic systems and employment. Borders were closed and global trade, already weak prior to the outbreak of the pandemic, went into free fall. At the same time, governments swiftly enacted broad and innovative support measures to attenuate the impact, by subsidising workers and businesses, while also burdening the public accounts.
In this context, economic outlooks are exceptionally uncertain. Forecasts are different depending on whether we assume a scenario characterised by a second wave of the spread of the virus or one in which that second wave can be avoided: in the first case, the Organisation for Economic Co-operation and Development (OECD) expects a decline in global GDP of 7.6% in 2020 and a level significantly below pre-COVID levels in 2021 as well; and in this first scenario global trade is expected to fall by 11.4%. In the second, more favourable scenario, forecasts point to a decline of 6% in global GDP in 2020, with a nearly complete recovery to the levels prior to the explosion of the health emergency by the end of 2021; with regard to global trade, a decline of 9.5% is expected before growth will resume in 2021. The forecasts of the International Monetary Fund (IMF) are more optimistic. Without distinguishing between two possible scenarios, it expects a downturn of 4.9% in global GDP in 2020 (worse than April forecasts by 1.9 percentage points) and growth of 5.4% in 2021.
In the short term, and in any event until a vaccine becomes available, the main challenge for national governments will be to favour the economic recovery while maintaining certain containment measures in place, and dealing with the structural transformations that have swept through entire sectors. This will require a mix of fiscal, monetary and financial policies which help to reallocate resources amongst the sectors; support the income of workers and businesses in precarious conditions; support employment; facilitate business cash flows: all of this to reduce the economic impact of the pandemic crisis to a minimum.
Going into detail on the planet’s main geo-economic areas, and beginning with the United States, the COVID-19 pandemic ended the longest economic expansion ever recorded in the US: annualised GDP declined by 5% in the first quarter (the most recent figure available) and the unemployment rate shot up at dizzying speed. If there is a new outbreak of the virus by the end of the year, the OECD estimates that GDP will decline by 8.5% in 2020. Otherwise, if the epidemic attenuates by summer and additional blocks on economic activity are no longer necessary during the year, the negative impact on annual growth will be 7.3%. According to the IMF, there will be an 8% downturn in GDP in 2020. The unemployment rate will in any event remain high (it reached almost 15% in April, then declined slightly in May) and additional support measures will be necessary to aid employment. The massive monetary and fiscal policies put into place by the government have protected households and businesses (lump-sum contributions to households, higher unemployment benefits, direct payments to industries in difficulty, etc.), but these measures adopted by Congress will increase debt levels by more than 20% of GDP.

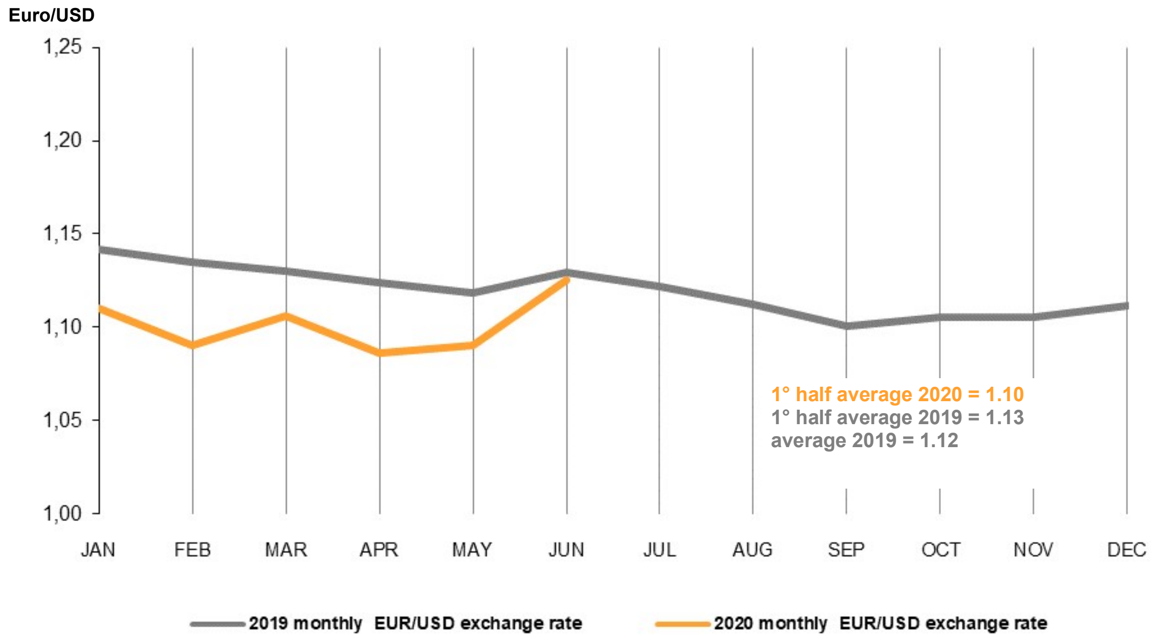
Despite the measures launched by the government to support households, businesses and employment, Japan is close to experiencing its deepest recession of the post-war period: economic activity collapsed in the first half of 2020, due to the impact of confinement measures and the reduction in foreign demand. The OECD expects a decrease in GDP of 7.3% in the most pessimistic scenario and of 6% in the most optimistic. The IMF is essentially aligned with the OECD’s latter prediction, expecting a 5.8% decline in GDP in 2020.

Emerging economies and developing countries remain highly vulnerable to the global recession and the coronavirus pandemic. One of the main critical elements, aside from the health aspect, is the high level of debt carried by many of them: since the global financial crisis, debt has increased in relation to GDP in many of them (especially China, Chile and Turkey for non-financial companies; Argentina, Brazil, China, Chile and South Africa for the governments). In addition, in Argentina, Chile, Mexico and Turkey, a significant share of loans and debt securities of non-banking debtors is denominated in foreign currency, primarily US dollars. Foreign currency reserves are not generally large, and many countries have already had to act to defend their currencies. In certain countries, such as India and Turkey, the banking sector has had difficulties due to the high percentage of non-performing loans. The economies of emerging markets and developing countries also depend heavily on demand from advanced economies and China, which in this context appears to be sharply decreasing, also due to the increased propensity to save on a precautionary basis, especially in advanced economies. A reduction in foreign demand, along with lower tax income and increasing public expenditure requirements, is increasing the risk of a “twin deficit” crisis (trade deficit and budget deficit) in these countries.
Coming to Europe, in the United Kingdom - which was one of the countries most significantly impacted alongside Italy, Spain and Germany - the economic decline ensuing from the COVID-19 pandemic has been quantified by the OECD as a 14% cut in GDP in 2020 if there is a second wave of the virus during the year, and an 11.5% reduction otherwise. The IMF has a more optimistic estimate of -10.2%. According to OECD forecasts, the economic support policies (for households and businesses) enacted to limit the effects of the crisis will bring the deficit to 14% of GDP in 2020. And despite the measures supporting the job market, the unemployment rate will reach 10.4% in 2020 (from 3.8% in 2019). Given the difficult economic environment caused by COVID-19, it may be a good idea to temporarily extend trade relations with the EU beyond the end of 2020 (which is the planned date for the agreements regarding Brexit to take effect).
In the Eurozone, the lockdown measures adopted in the main member countries have unleashed a profound recession. Overall in the area, the OECD expects GDP to decline by 11.5% in 2020 if there is a second wave of the pandemic, and unemployment to surpass 12% by the end of the year; in the more optimistic scenario in which the virus does not return or, in any event, if it is unnecessary to close businesses again, it expects a downturn of 9.1%. The IMF is instead forecasting a decline of 10.2% in Eurozone GDP. The Eurozone countries in most difficulty following the outbreak of the coronavirus epidemic are Italy, France and Spain. Germany on the other hand reacted better, despite high contagion levels. In France, GDP is expected to decline by 14.1% in 2020 in the more pessimistic scenario in which there is a second wave, and by 11.4% in the more optimistic scenario in which there are no new lockdowns; the IMF instead forecasts a contraction of 12.5%. The measures adopted by the French government have strengthened the healthcare system and supported employment, while there was a significant drop in consumption and investments during the lockdown period. Also in Spain, the recession was driven by a collapse in domestic demand due to the destruction of jobs and the closure of businesses; as well as the reduction in foreign demand, especially in tourist services, which will heavily impact economic trends throughout 2020. This being said, according to the OECD GDP will decline by 14.4% if the COVID-19 epidemic returns and requires the implementation of new containment measures and by 11.1% in the more optimistic case of an attenuation of the virus; the IMF predicts that Spanish GDP will be down by 12.8%. In Germany, where the containment measures were shorter and less rigorous than in the other major European economies, the recession appears to be less accentuated: according to the OECD, German GDP will be down by 8.8% in 2020 in the more pessimistic scenario of a second wave of COVID-19 and by -6.6% in the more optimistic scenario; the IMF is forecasting a decrease of 7.8%. While the German economy may be demonstrating greater resilience, even in Germany uncertainty and declining demand are having significant impacts on business investments and exports in key sectors, primarily manufacturing.
Lastly, as regards Italy, if there is another outbreak of the virus by the end of the year, GDP will decline by 14% according to OECD estimates, while it will be down 11.3% if there is no second wave; according to the IMF, there will be a 12.8% reduction.

In Italy, the health emergency began within already rather compromised conditions, in which the evident signs of stagnation emerging in late 2019 appeared to be mitigated only in part in early 2020 by some positive signs from industrial production and foreign trade.

Starting from late February, the containment measures adopted by the government to handle the epidemic had a profound effect on the country's economy, negatively impacting production, investments, consumption and the job market. Foreign demand was also heavily impacted by the sharp decline in international trade, and the tourism sector, an important resource for the Italian economy, suffered from an extensive downturn. In particular, according to ISTAT estimates, based primarily on the extent of the decline in production in the second quarter of 2020 (which was more significant that in the first quarter) and on assumptions concerning the speed of the recovery of the pace of production in the third and fourth quarters of the year, in 2020 Italian GDP will decline by 8.3% and there will be only a partial recovery in 2021 (+4.6%). And according to the most recent ISTAT reports concerning the effects of the health emergency and the economic crisis on the activities of Italian businesses, during "phase 1" (between March 9 and May 4) 459 thousand companies (with more than 3 employees) suspended activities, and these were primarily construction and service companies: they represent 58.9% and 53.3%, respectively, compared to 36.0% of industrial companies in the strict sense and 30.3% in commerce. In services, the segments with the highest closure rate during the lockdown were travel agencies and tour operators (95.6%), non-residential social welfare (91.6%), creative and artistic activities (88.5%), sports (87.2%) and cultural activities, such as libraries and museums (83.5%), other personal service businesses, such as salons and wellness centres (80.9%), lodging services (79.2%) and restaurants (76.8%) and the education sector (71.7%). On the other hand, the investment goods production sectors (automotive, machinery, electrical equipment, etc.) were those which, within industry in the strict sense, recorded the highest percentage of businesses that resumed activity before the end of the lockdown (58.9%). Lastly, commerce is the segment that remained most active, with 46.7% of companies remaining in operation throughout the lockdown and 23.1% resuming activities prior to May 4. Overall, more than 70% of businesses (representing 73.7% of employment) declared a reduction in turnover in the March/April 2020 period, compared to the same period of 2019: in 41.4% of the cases turnover more than halved, in 27.1% it reduced by 10-50% and in 3% of the cases by less than 10%; in 8.9% of companies, the value of turnover instead remained stable. And more than half of companies expect difficulties in handling the expenses that will arise from now until the end of 2020.

During the first half of 2020, the average euro/dollar exchange rate came in at 1.10, down 2.5% on the same period of last year. The weakening of the single currency compared to 2019 is taking place within a context of a deterioration in the global macroeconomic scenario due to the COVID-19 pandemic, which has fuelled demand for safe haven currencies such as the dollar and has driven the main global central banks to enact extensive accommodating monetary policies. In particular, in order to mitigate the consequences of the health emergency on the economy, the European Central Bank (ECB) unveiled a range of stimulus measures between mid-March and June, keeping interest rates unchanged with the rate on deposits stably negative at -0.5%.The existing quantitative easing bond buying programme was boosted by 120 billion euros and in addition a new buying programme named PEPP (Pandemic Emergency Purchase Programme) was launched, for 1,350 billion euros at least until the end of June 2021. Furthermore, the ECB has introduced a new series of long-term liquidity auctions to guarantee financing to banks and businesses with very favourable interest rates. The depreciation of the euro was limited since in the United States, the Federal Reserve (the Fed) also adopted accommodating measures to deal with the crisis provoked by COVID-19. In early March, when there was an increase in the exchange rate due to the weak dollar, the US Fed cut interest rates, bringing them to the 0-0.25% range, compared to the range of 1.5-1.75% at the beginning of the year. Later, the Fed launched an unlimited quantitative easing bond buying programme in order to stem the economic consequences of the pandemic. The increase in the exchange rate in the final part of the half-year was due to forecasts that the Fed will keep interest rates stable at least until 2022, as well as expectations that the fiscal policies of the Recovery Fund in discussion in the European Union may support a reignition of the economy.



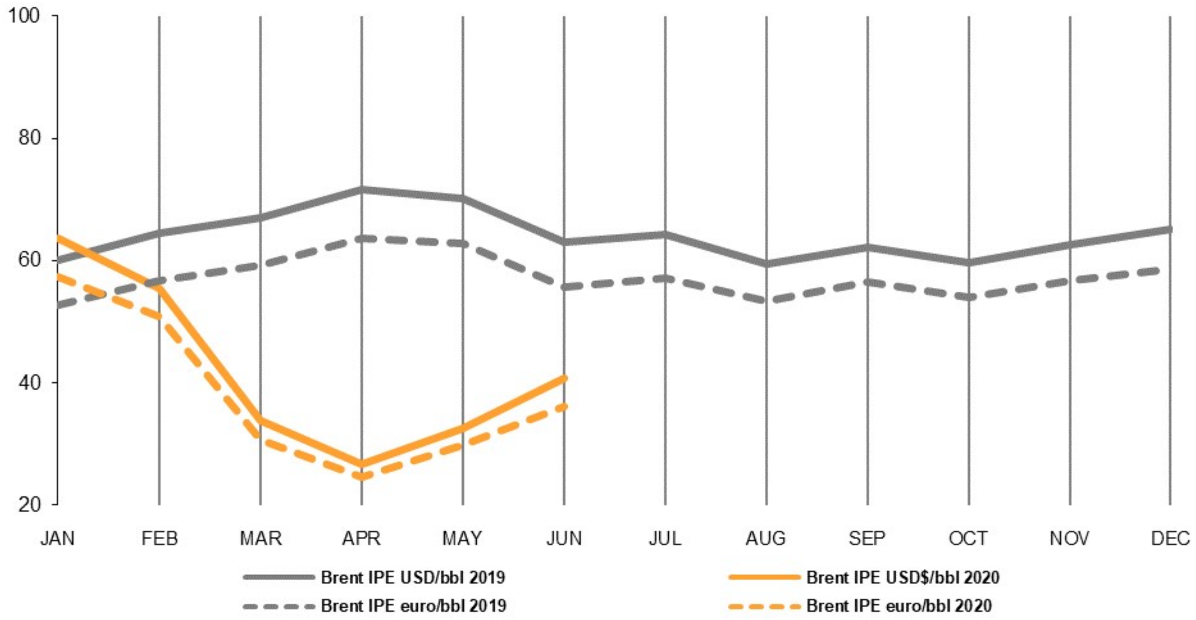

As regards the oil markets, the average price of Brent for the first six months of 2020 came to 42.2 USD/barrel, down 36.2% compared to the same period of 2019.

After a brief increase early in the year, supported by geopolitical tensions between the United States and Iran, as well as in Libya, since the end of January prices have declined precipitously. The downturns were triggered by excess supply in the market created following reduced global demand due to the consequences of the COVID-19 pandemic. The introduction of measures to limit the contagion, first in China in January and later from the end of February in Italy and then all over the world, blocked a number of production activities and limited movements of people and goods, translating into a steep decline in oil product consumption as has never been seen before. At the same time, in March the failure of negotiations between the members of the Organisation of the Petroleum Exporting Countries + (OPEC+) for the extension of production cuts expiring on March 31, drove Saudi Arabia to unleash a price war with the announcement of a significant increase in supply for the following month, causing further downward pressure on prices. Within a context of continuously falling demand, which in April marked a reduction of roughly 27 million barrels/day compared to the same month of 2019, on April 12 during an extraordinary OPEC+ meeting there was a rapprochement between Saudi Arabia and Russia, which resulted in a new agreement to limit the supply, calling for a cut of 9.7 million barrels/day in May and June. In the immediate term, despite the unprecedented size of the cuts, the agreement provided no significant support to prices, due to the evidence of a continuing increase in stocks and fears that storage capacity would run out, especially in the US market. Brent prices thus continued to fall, reaching their lowest level for almost twenty-one years on April 21, at 19.3 USD/barrel. Prices started to recover in May, due to the combined effect of a resumption in consumption, following the relaxation of restrictive measures in many parts of the world, and the implementation of the production cuts, which immediately showed a high level of compliance with the established targets. The OPEC+ cuts were also accompanied by significant reductions by countries not party to the agreement, including the United States, where production decreased from 13 million barrels/day in February to 11 million barrels/day in June. The decision of OPEC+ in early June to confirm the total amount of the cuts at 9.7 million barrels/day for July further favoured the recovery in prices, which in the last month of the half-year marked an average of 40.8 USD/barrel.

In the first half of 2020, the crude oil price in euro came to an average value of 38.2 EUR/barrel, marking a contraction of 34.6% compared to the same period of 2019, slightly more limited than that in dollars due to the weakening of the single currency compared to the US currency. The table and chart that follow respectively show the average data for the half-year and the monthly trends for this year and the previous year:

| | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Oil price in USD/barrel(1) | 42.2 | 66.1 | *(36.2%)* |
| EUR/USD exchange rate | 1.10 | 1.13 | *(2.5%)* |
| Oil price in EUR/barrel | 38.2 | 58.5 | *(34.6%)* |

(1) Brent IPE




Similar to what was observed in the oil market, distilled products recorded a considerable downturn in the first six months of the year. More specifically, diesel had an average price in the first half 2020 of 377.5 USD/metric ton, 37.1% lower than the average price for the first half of 2019. The prices of combustion oils recorded negative changes of 34.2% on the first half 2019 for low sulphur products and 49.3% for high sulphur products. The more significant decline in prices of high sulphur content products was due to the implications of the new international regulation on the quality of fuels used in ships, which entered into force on January 1, 2020 and requires greater recourse to low sulphur content fuels.

Coal prices on the Atlantic market recorded a declining trend, coming in at 46.3 USD/ton, down 28.6% compared to the first half of 2019. Lower demand caused by the COVID-19 pandemic and the increased competitiveness of natural gas in Europe drove prices down.

Gas prices at the main European hubs have also recorded a significant reduction, on average of 51.6%, with respect to the prices observed during the first half 2019.
In the first six months of 2020, the CO2 emissions rights market showed a declining trend. Prices closed the half-year at an average of 22.0 EUR/ton, down by 7.5%. The falling trend concerned the January-May period, impacted by lower energy demand due to the pandemic and the resumption of British auctions, suspended in early 2019 as part of the process of defining the agreement on the United Kingdom's exit from the European Union. Subsequently, the preparation by the central institutions and national governments of measures aiming to support economies in the recovery from the health crisis provided new momentum to the market. Furthermore, the confirmation that work will be continuing for the approval of the European Green Deal and the commitment of several European countries to take climate and environmental policy actions provided additional support to EUA prices.
In the first six months of 2020, the market of Energy efficiency certificates (EEC) had an average price of 262.1 euro/EEC, basically unchanged (+0.9%) compared with the same period of 2019. This price stability was due to the unchanged regulatory framework, which continues to provide significant price signals and limit the upward drive caused by the continuing scarcity of certificates available in the market.

# The Italian Energy Market

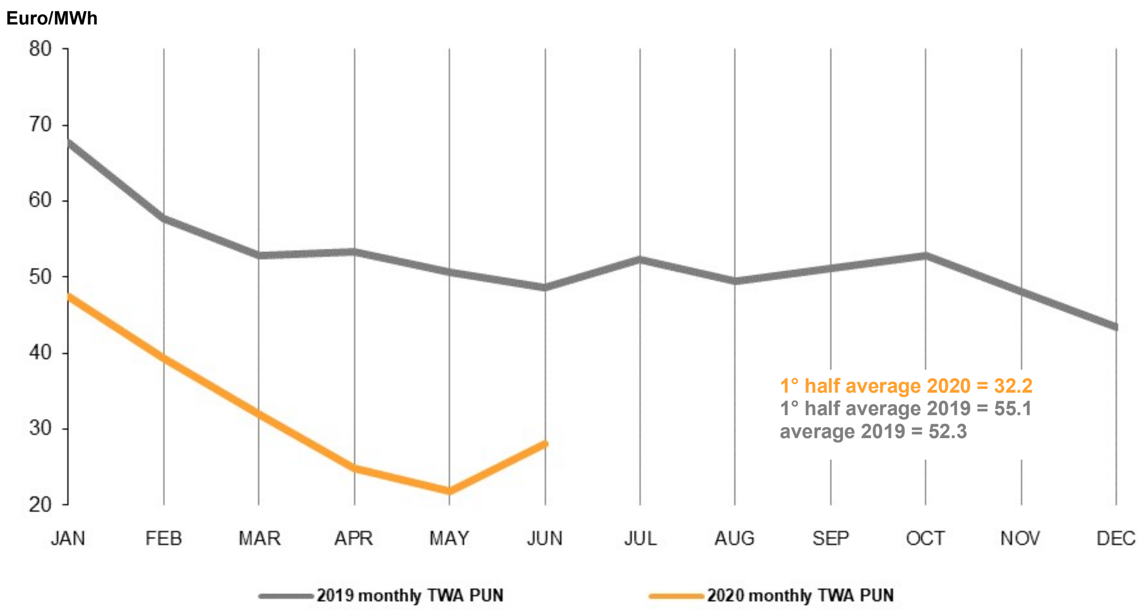
## Demand for Electric Power in Italy and Market Environment

| (TWh) | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Net production: | 130.9 | 139.4 | *(6.1%)* |
| *- Thermoelectric* | 80.9 | 91.4 | *(11.5%)* |
| *- Hydroelectric* | 23.1 | 21.4 | *8.0%* |
| *- Photovoltaic* | 13.7 | 12.6 | *9.0%* |
| *- Wind power* | 10.5 | 11.2 | *(6.7%)* |
| *- Geothermal* | 2.7 | 2.8 | *(0.1%)* |
| Net imports | 13.9 | 19.4 | *(28.3%)* |
| Pumping consumption | -1.4 | -1.3 | *(7.6%)* |
| **Total demand** | **143.5** | **157.6** | ***(8.9%)*** |

Source: processing of final 2019 and preliminary 2020 Terna data, gross of grid losses.

In the first half of this year, gross demand for electric power from the Italian grid totalled approximately 143.5 TWh (TWh = 1 billion kWh), down by 8.9% compared to the same period of last year. The majority of the 14.1 TWh reduction was caused by the effects of the pandemic on national electricity consumption, which recorded a decline of around 13.1 TWh during the worst period of the emergency, from March to June.
As regards the coverage of electricity demand, national production for the half met roughly 90% of demand, up by around 2 percentage points compared to the first half of 2019, especially due to the considerable decrease in imports, which lost approximately 5.5 TWh (-28.3%) on the same period.
With respect to renewable sources, there was a greater contribution of generation from hydroelectric plants which, due to higher levels of precipitation in the first six months of the year, rose significantly by +8.0% (+1.7 TWh). The use of pumping plants was also up by 7.6% on the same period of last year.
Amongst the renewables, photovoltaic plants posted good performance, marking a 9.0% rise in their contribution (+1.1 TWh). On the other hand, wind production declined by 6.7% compared to the previous year (-0.7 TWh).

Overall, the strong decline in electricity demand, growth in renewable sources and the lower contribution of imports contributed to limiting thermoelectric generation, the contribution of which was down by 11.5% (-10.6 TWh) on the same period of 2019.
Insofar as the price scenario at June 30, 2020 is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 32.2 euro/MWh, down 41.6% compared with the previous year (55.1 euro/MWh).
This significant reduction in the price compared to the first half of 2019 took place within a context of a decline in generation costs as well as demand due to the effects of the COVID-19 pandemic, particularly evident in the second quarter.
The restrictions placed on movement and production activities by the Prime Ministerial Decree of March 12 indeed triggered a reduction in consumption to levels significantly lower than normal for the period.
As regards zone prices, in the first half of 2020 there were decreases across all zones, of around 41%. The gap between Sicily and the South zone stands at a half-year average of 3.6 euro/MWh, down on the 12.0 euro/MWh recorded during the first half of 2019, with a limited effect on the PUN, due to the little weighting of the island on total demand.
Observing monthly PUN trends, the most significant changes were recorded in April and May 2020 (-53.5% and -57%, respectively, compared to the same month of the previous year): these months were the most severely impacted by the above-mentioned measures to limit COVID-19 contagion, within a context of a seasonal recovery in renewable generation, which placed further pressure on prices. The reduction in transit capacity at the northern border, decided by the TSO for improved management of the Italian system, prevented further downturns. In the remaining four months of the half-year, prices were in any event lower than in the same months of the previous year by around 36%, driven by more limited demand.
In observing the group of hours F1, F2 and F3, we note, coherently with what has been described thus far, a drop across all brackets, of 41.3%, 38.2% and 43.8%, respectively.
The monthly performance as compared with the previous half-year is shown in the graph below:




Like what was observed in the Italian market, foreign countries also reported decreasing prices: the effects on consumption of COVID-19 were also seen in neighbouring countries. In France, despite the limited nuclear availability, prices recorded an average of 23.7 euro/MWh, down by 42.2%. The German market saw a smaller contraction, of -38.9%, to 23.4 euro/MWh, due to less stringent measures against the pandemic and a greater correlation with EUA price trends, which were more resilient to the downward fundamentals.

## Demand for Natural Gas in Italy and Market Environment

| (billions of m3) | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Industrial use | 8.1 | 9.3 | *(12.7%)* |
| Services and residential customers | 16.1 | 17.5 | *(8.5%)* |
| Thermoelectric fuel use | 10.9 | 12.4 | *(12.3%)* |
| Consumptions and system losses | 0.9 | 1.0 | *(12.5%)* |
| **Total demand** | **35.8** | **40.2** | ***(10.8%)*** |

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

During the first half of 2020, the demand for natural gas in Italy fell by 10.8% on the previous year (-4.3 billion m3), coming in at approximately 35.8 billion cubic meters.

All three main consumption sectors showed considerable declines during the reference period due to the crisis caused by the pandemic as well as temperatures that were significantly higher than seasonal averages in January, February and April.

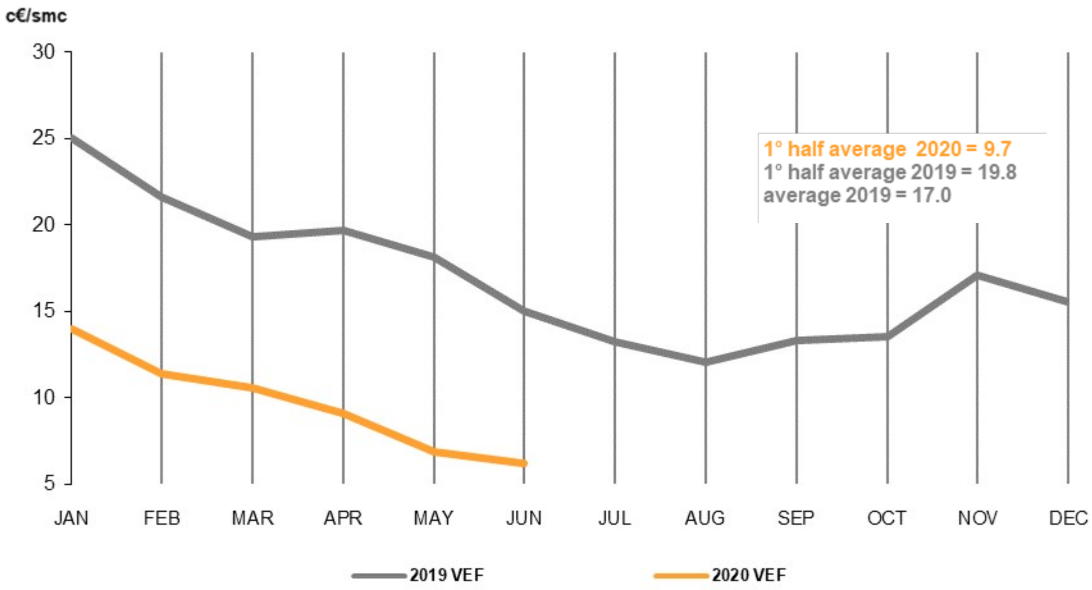
Consumption for services and residential uses therefore was down by 8.5% (-1.5 billion m3) compared to the same period of 2019, due for the most part to the temperature effect, while industrial and thermoelectric uses primarily suffered from the effects of the pandemic crisis, with reductions of 12.7% (-1.2 billion m3) and 12.3% (-1.5 billion m3), respectively, compared to the first six months of 2019.

As for supply sources, the following developments characterised the first half of 2020:

- significantly lower domestic production (-0.4 billion m3; -16.2% compared to 2019);
- significantly lower gas imports (-3.7 billion m3; -9.9% compared to 2019);
- a net balance of withdrawals of gas in storage that was less than last year (0.2 billion m3 withdrawn as compared with 0.4 billion m3 in the first half of 2019).

The spot gas price in Italy in the first half of 2020 (shown in the following chart, which refers to the price on the VEF), down on the first half of 2019, comes in at around 9.7 €c/scm, down 51.1%. Prices showed a declining trend since the start of the year due to a mild winter, which resulted in higher availability of gas in storage, and the continuation of numerous arrivals of LNG at terminals, favoured by the expansion of global supply by the main exporting countries and the signs of weakening coming from the Asian market. This trend was accentuated in the second quarter, in the wake of the effects of the pandemic on domestic consumption. As regards the specific variances compared to the previous year, the month of May was characterised by a more significant contraction than the other months in the first half of the year, amounting to 62.1%.

The TTF (the European gas reference hub) showed a similar movement to that described for the VEF, albeit at lower price levels, coming in at 8.0 €c/scm, down approximately 52.1% on the first six months of 2019.




The VEF-TTF spread recorded an average of 1.7 €c/scm, down significantly (-45.8%) on the figure for the same period of 2019. The reduction in the spread between VEF and TTF is to be ascribed to the greater impact of the health crisis on the Italian system, in addition to the continuation of sustained availability of LNG at the terminals.

# Legislative and Regulatory Framework

Below are the key points of the main developments concerning the legislative and regulatory framework relative to the first half of 2020, for the various areas of the corporate business.

## Electric Power Operations

### The Environment

**MUD** - The deadline for the submission of the 2020 MUD was extended to June 30, 2020 by Decree-Law 18/2020 “Cura Italia”.

**FER1 -** On March 24, 2020, the GSE, in agreement with the Ministry of Economic Development, published the list of ongoing procedures for which an extension has been ordered following the provisions introduced for the COVID-19 health emergency.

In particular, the extensions concern the incentivised sectors of Electric Renewables, the Thermal Account, White Certificates, CAR (High Yield Co-generation), Biomethane and Fuel Mix Disclosure, as well as access to the records.

**EMISSION REDUCTION - EU ETS -** On June 10, 2020, Legislative Decree no. 47 of June 9, 2020, on the “Implementation of Directive 2018/410/EU of the European Parliament and of the Council of March 14, 2018, amending Directive 2003/87/EC to support more effective emissions reduction in terms of costs and promote investments in favour of low carbon emissions, as well as the adaptation of domestic regulations to the provisions of Regulation (EU) 2017/2392 relating to air transport activities and Decision (EU) 2015/1814 of the European Parliament and of the Council of October 6, 2015 relating to the establishment and operation of a market stability reserve" was published. The regulation extends several areas of application and confirms methods and criteria for the free assignment of CO2 emission quotas to sectors exposed to carbon leakage risk, governing period IV for the exchange of emission quotas 2021/2030, also defining criteria for the monitoring, verification and communication of emissions deriving from the running of generation plants.

**GSE -** The term for the submission of requests for the review of incentive tariffs in the Energy Account was extended to August 31, 2020, in the case of photovoltaic plants equipped with uncertified modules (or with a non-compliant certification), with a self affidavit, using the forms provided by the GSE.

**END OF WASTE -** Environmental Ministry Decree of April 21, 2020 was published in the Official Gazette no. 142 of June 5, 2020, implementing art. 184-ter, paragraph 3-septies of Legislative Decree 152/2006, which establishes the methods for the organisation and functioning of the "REcer" national register for the collection of authorisations issued and the outcomes of the simplified procedures concluded for the performance of recovery operations.

## Wholesale Market

**Capacity mechanisms -** EU Regulation 2019/943 on the internal market for electricity (one of the new regulations adopted as part of the Clean Energy Package) established a new framework for capacity remuneration mechanisms introduced by Member States, calling for, in particular:

- The identification by Member States of regulatory distortions and market failures and their definition of an Action Plan to overcome them before deciding to introduce a capacity mechanism;
- The use of the adequacy analysis developed at European level by ENTSO-E, possibly complemented by analyses carried out at national level, to identify adequacy problems requiring the introduction of capacity mechanisms;
- The introduction of fundamental principles for the design of capacity mechanisms (e.g. the introduction of emission limits, etc.);
- The opening of capacity mechanisms to direct participation by capacity holders located abroad.

During the first quarter of 2020, ENTSO-E launched three consultations related to the implementation of this new framework: two consultations related to the new methodologies for the adequacy assessment at European level that will be used as a reference to justify the introduction of capacity mechanisms in Member States, and one consultation related to the methods for direct participation in capacity mechanisms by holders of capacity located in other Member States (with the possibility to limit such participation to the capacity located in those Member States directly connected to the State in question). In the case of the Italian Capacity Market, the current method of foreign capacity participation, which is purely financial, will therefore need to be superseded in order to transition to a mechanism of direct participation in the auctions by holders of capacity located abroad. Initially, the prevalent interpretation of institutional players at Italian level was that according to which the new regulation introduced by the Clean Energy Package required not only the definition of an "Implementation Plan" to be submitted to the European Commission with the measures required to resolve the regulatory distortions that hinder the proper functioning of the electricity markets, but also an amendment of the regulations themselves to be re-sent to the European Commission. The regulation would therefore allow for only the maintenance of the contracts signed by December 31, 2019 for delivery years 2022 and 2023 (art. 22.5). In addition, ARERA believed that the absence of the European adequacy study (the relative methodologies will be approved by ACER by July 5, 2020) which should underlie the decision to introduce a capacity mechanism, may prevent the application of the Italian Capacity Market regulations after the initial implementation phase.

Recently however an interpretation has emerged of the provisions of Regulation (EU) 2019/943, apparently supported by the European Commission, according to which the mere preparation of the "Implementation Plan" and obtaining the opinion of the European Commission would be necessary to continue with the application of the capacity mechanisms already approved by the European Commission (DG COMP) for a period of 10 years, with no obligation of substantial modifications in the above-mentioned mechanisms and of a second notification for the verification of compatibility with regulations on State Aid. This interpretation seems to be confirmed by the European Commission in the counterappeals to the appeals of SET and Tirreno Power before the court of first instance of the European Union for the cancellation of the second decision of approval of the Italian Capacity Market regulations by the Commission. In the counterappeal, the Commission specified that nothing would prevent the Italian State from organising auctions even today for delivery periods subsequent to 2023 as full implementation regulations have already been approved by the Commission for a period of 10 years. This last interpretation would make it possible to organise quite quickly (perhaps by the end of this year) a new Capacity Market auction for the 2024 delivery year. Edison has a strong interest in the continued implementation of the Capacity Market for delivery years subsequent to 2023, which would enable it to leverage its likely available capacity (CDP) relating to existing plants (roughly 2.8 GW awarded in the 2022 and 2023 auctions for this capacity category at a premium of 33,000 €/MW/year).

**Electricity dispatching reform and pilot projects -** pending the implementation of the new dispatching regulations, Terna has submitted for consultation the documentation relating to a new pilot project for the provision of the ultra-fast frequency regulation service (Fast Reserve). This project is part of the pilot projects referred to in ARERA Resolution 300/2017/R/eel.
The subject of the proposal is the launch of a pilot project for the provision of the “Fast Reserve” service, aimed at improving the dynamic response in the first instants of frequency transients. This service is distinct from the primary regulation service but closely coordinated with it to ensure dynamic frequency stability. Terna believes that this service will be useful in the coming years in order to cope with the expected decrease in inertia due to the exit of coal-fired plants from the market and the progressive spread of power plants relying on Non-Programmable Renewable Sources (“FRNP”) according to the objectives indicated in the National Integrated Energy and Climate Plan (“PNIEC”). Electrochemical cells are particularly suitable for the provision of this service. By means of Resolution 200/2020/R/EEL, ARERA approved the regulation prepared by Terna pursuant to resolution 300/2017 relating to the pilot project for the provision of the ultra-fast frequency regulation service (Fast Reserve). The regulation is expected to be published shortly. The service procurement auction should take place by the end of this year. Before the auction is carried out, the consultation will also be launched relating to the pilot project aimed at testing new ways of providing the secondary frequency regulation service by limited energy devices, non-programmable renewable sources and aggregates of devices. The installation of two batteries, one (21 MW) at the Bussi plant and the other (18 MW) at Simeri Crichi, is currently being evaluated for the provision of the fast reserve service (the auction reserve price has been set at 80,000 €/MW/year).

## Hydrocarbons Operations

### Rates and Market

**Gas settlement** - The process continues for implementing the gas settlement reform launched by the ARERA (or Authority) by means of Resolution No. 72/2018/R/gas, by which it introduced substantial changes to the previous regulations, with effect from January 1, 2020, subsequently revised with Resolution No. 148/2019/R/gas, by which ARERA approved a new *“Integrated text of the provisions governing the regulation of the physical and economic items of the natural gas balancing service (TISG)”*, in implementation of the new regulations governing interim financial statements and the management of the commercial relations chain within the Integrated Information System (IIS). The new regulations have also been incorporated into the Snam Rete Gas network code and into the technical specifications of the Single Buyer, operator of the IIS. Overall, the implementation of the gas settlement reform is significant for Edison because it requires a major upgrade of its internal information systems to accommodate the

new data that will become available in the IIS as well as a revision of forecasting logics and internal procedures across the Business Units.
Following Snam's publication of the first financial statements for January, several anomalies - still not resolved - were found in the allocation data returned by the IIS, reflecting the new settlement criteria. In view of the potential economic impact of these inefficiencies, Edison and the main associations promptly reported the errors detected to ARERA, SNAM and the IIS in order to reopen the financial statements with the most appropriate methods and timing for all players in the industry and ensure the accuracy of the final data. Indeed, the Authority intervened with Resolution No. 181/2020/R/gas at the end of last May, containing a series of urgent provisions for the management of the provisional system, including: i) a dedicated recalculation procedure for the January 2020 financial statements; ii) ad hoc procedures for the management of anomalous withdrawals in the balancing sessions; iii) the definition of timing for the extraordinary reprocessing of the financial statements from February to April 2020. By means of Resolution No. 222/2020/R/gas the new process was introduced for sharing and checking the data used for settlement, involving the IIS, the distribution companies, the Distribution Users (UdD), the Balancing Users (UdB) and the balancing manager, which is intended to identify and correct anomalies. As requested by Edison, the set of information made available to the operators by the IIS used for verifications concerning their own withdrawals has also been expanded.
By means of Resolution No. 155/2019/R/gas, the Authority introduced provisions to allow for the process of updating the correspondence relationship between the Balancing User (Udb), Distribution User (UdD) and Redelivery Point (PdR) of the distribution network within the IIS, for the purposes of managing commercial relationships within the gas sector. The recent Resolution No. 9/2020/R/gas, containing urgent transitional provisions applicable during the new settlement start-up phase, highlighted the high risk, given the regulations in force, of the activation of last resort services for a significant number of redelivery points (7.8 million redelivery points, equal to about one-third of the total number of national points), in cases where there is no valid UdB-PdR correspondence relationship in the IIS. Edison has taken action in concert with the major industry operators through the main association channels to avoid such a case, with ARERA in agreement. Pending the definition of the final measures, the Authority therefore decided to suspend the termination of distribution contracts for gas distribution companies in cases in which there is no UdB-PdR correspondence.
Subsequently, by means of Resolution No. 88/2020/R/gas, ARERA amended the regulations by introducing corrective measures to the provisions governing the activation of the default transport service and last resort services if there is no correspondence relationship and established the possibility for UdDs to specify to the IIS, in the forms and with the methods laid out by AU, the presence of a "residual" UdB to be associated with the PdRs for which, following the performance of ordinary procedures, there is no valid correspondence relationship.

**Methods for the settlement of payments resulting from the redetermination of the k coefficient** - By means of consultation document 516/2018/R/gas, in 2018 the Authority set forth its guidelines on how to settle payments following the redetermination of the k coefficient, which took place with Resolution No. 737/2017/R/gas, used to determine the price of the gas commodity for the protection service in the two-year period October 1, 2010 - September 30, 2012.
Subsequently, on January 30, 2019, the Authority approved Resolution No. 32/2019/R/gas, by which it defined the recovery methods for sellers of the amounts due to them following the upward revision of the k coefficient. In particular, Resolution No. 32/2019 upheld the preferences expressed by Edison in response to the Consultation Document ("DCO") and established that the sellers that, in the 2010-2012 thermal two-year period, had served customers subject to the gas protection regime, may be able to obtain payment of the amounts due by presenting the appropriate request and documentary evidence to the Cassa per i Servizi Energetici e Ambientali (CSEA), at which the necessary account will be set up, financed through the UG2 component by all end consumers with consumption of up to 200,000 Scm/year. The amounts will be paid in three instalments, over a period of 3 years.

Edison may benefit from the mechanism by presenting an application for the different Group companies active in the sale of gas under the protected system in the two-year period concerned.
On January 7, 2020, the Lombardy Regional Administrative Court partially annulled Resolution No. 32/2019, establishing that the scope of application of the additional UG2 component should be extended to all customers, regardless of the consumption threshold. Following this pronouncement, with Resolution No. 89/2020 ARERA began a process of revising the original resolution, with the aim of extending its provisions to all customers, at the same time reshaping the UG2 component currently to be applied to customers with consumption of less than 200,000 Scm. However, the total of the amounts to be recovered for Edison has not been called into question. They amount to roughly 5 M€ (adding the amounts due to Edison Energia, AMG Palermo and Attiva), already recognised in the 2018 and 2019 financial statements.

### Infrastructures

**Gas storage auctions for the 2020-2021 thermal year -** As a result of the annual Ministerial Decree which regulates storage capacity for coming thermal year (for the 2020-2021 thermal year, it was Ministerial Decree of March 5, 2020), the Authority published Resolution No. 58/2020/R/gas, setting out provisions for the organisation of the procedures for the conferral of said capacity (auctions), amending the criteria for calculating the reserve price (establishing an increase in the relative weight of forward quotes of products quoted at the VEF compared to those at the TTF and introducing the variable $CVS_{ETS}$ fee to cover the costs relating to the Emission Trading system). The formula applied to calculate the reserve price, as usual, was delivered by the Authority in confidential form, subject to a non-disclosure agreement, only to storage businesses. Edison Stoccaggio, at auctions held on March 16 and 20 2020, respectively, provided market users with all of its available capacity (825 MScm at the first auction for the seasonal Peak Modulation service and an additional 60 MScm for the so-called Constant Peaks Modulation service).
**Tariff Regulation for gas distribution and metering services for the 2020-2025 period -** By means of Resolution No. 570/2019/R/gas of December 27, 2019 the Tariff Regulation for gas distribution and metering services was approved for the 2020-2025 period. Specifically, the resolution defines the criteria for setting operating cost levels (resulting in a significant decrease in the recognised cost level) and sets the productivity recovery rates for the 2020-2025 period (x-factor); it also reduces the value of the relative $\beta^{asset}$ and natural gas metering service parameter, equating it to that of distribution services, which has not changed compared to 2019 and is equal to 0.439, for the 2020-2023 sub-period. As a result of the change in the $\beta^{asset}$ of the metering service, the rate of return on invested capital (WACC) of this service decreased from 6.8%, in force for 2019, to 6.3%, in line with the rate of the distribution service.
Resolution No. 570/2019/R/gas was subject to numerous appeals by distribution operators in February 2020, primarily because of the significant reduction in recognised operating costs. The company Infrastrutture Distribuzione Gas has also appealed Resolution No. 570/2019/R/gas; the date of the hearing has not yet been set for these proceedings.
**Premiums and penalties for recoveries of safety of the natural gas distribution service -** By means of Resolution 163/2020/R/gas of May 12, 2020, the Authority completed the process of determining the premiums and penalties for safety recoveries for 2016. For Infrastrutture Distribuzione Gas Spa, a company of the Edison Group that provides distribution services, the Resolution established, for 2016, total premiums of approximately 128 thousand euros. The amount was already collected in full from CSEA in June.

## Issues Affecting Multiple Business Segments

**Milleproroghe Decree-Law** “Urgent provisions regarding the extension of the legislative terms, of organisation of public administrations, as well as of technological innovation” - Decree-Law No. 162 of December 30, 2019, converted by conversion law No. 8 of February 28, 2020, published in the Official Gazette of February 29, 2020.
The provision contains, inter alia, the following measures:

- Postponement of the dates for phasing out the protected market, the new deadlines for which are: January 1, 2021 for larger SME electricity customers; January 1, 2022 for gas customers and household and microenterprise electricity customers;
- Extension by 6 months of the deadline for the adoption of the Plan for the Sustainable Energy Transition of Eligible Areas (PiTESAI) and extension of the deadline by which the suspended procedures take effect again in the absence of its adoption;
- Provisions for experimenting with forms of self-consumption and energy communities;
- Strengthening of the sustainable mobility fund, with particular reference to local public transport in the Lazio region.

**Approval of the 4th PCI (Projects of Common Interest) list** - On March 11, 2020, Delegated Regulation 2020/389 was published in the Official Journal of the EU, containing the fourth list of PCIs, within which the EastMed Poseidon system was confirmed.
This concludes the process of updating the third list carried out by the European Commission and governments at the end of 2019. For the EastMed Poseidon project, 2 million euros have already been disbursed for studies and subsequently 34.5 million euros for pre-FEED studies. The documentation for the disbursements is being updated.

**Energy Efficiency Certificates (EEC) -** In November 2019, the Lombardy Regional Administrative Court upheld the appeals filed by Acea and Italgas, resulting in the cancellation of part of the Ministerial Decree of May 10, 2018 (the Ministerial Decree with which the MISE, also redefining the tariff contribution scheme relating to the EECs, would have acted within the Authority’s area of competence) and, in full, the resulting ARERA Resolutions 487/2018/R/efr and 209/2019/R/efr. In execution of the Lombardy Regional Administrative Court’s ruling, the Authority, with Resolution No. 529/2019/R/efr of December 10, 2019, initiated a procedure to reform the tariff contribution and, in February 2020, published a consultation document on the subject, with regard to which operators were able to send their comments until March 27, 2020.
The Council of State (on behalf of the President of the Republic) has not yet ruled on the extraordinary appeal filed by Infrastrutture Distribuzione Gas.

**COVID-19 Emergency -** Following a series of legislative interventions regarding the management of the national health emergency linked to the “Coronavirus” epidemic (COVID-19), the Authority decided on the subject as follows:

- With Resolution No. 59/2020/R/com, ARERA postponed, initially to a date to be decided, the data collections relating to the integrated texts TIMR (retail monitoring), TIQV (sales quality), RQDG (commercial quality and gas distribution service safety and continuity) and TIF (billing and metering service quality), as well as those relating to PLACET offers. All of the above-mentioned collections then began in April, May and June 2020, and the relative expiries were scheduled based on the different opening dates. In addition, for the electricity and natural gas sector, it has been decided that the regulation of the causes of non-compliance with specific and general quality standards due to force majeure shall apply in relation to all measures of the Authority, even if not expressly mentioned.
- Resolution No. 60/2020/R/com as amended by subsequent resolutions (117/20, 124/20 and 148/20) interrupted the suspension and warning procedures related to delinquency for the period from March 10 to May 3 for non-domestic customers and until May 17, 2020 for domestic customers and up to 200,000 scm of consumption per year of gas. At the same time, it ordered the reactivation by distributors of customers whose supply had been suspended/interrupted in the period between March 10 and March 13, 2020. During this period, distributors therefore did not comply with any requests received from sellers for suspension/interruption of utilities due to delinquency and sellers cancelled their requests for suspension/interruption, refraining from sending new requests. These blocks impacted the cash flows of sellers, who continued to settle their payable positions with respect to upstream operators without however

being able to follow up on their trade receivables. Placement in default activities resumed definitively on May 18 for all customers. The impact of these measures is joined by the possibility for customers entitled to protection who are in default to break payments for invoices issued from March 11 to May 17 down into instalments, further extending seller collection timing.

- With Resolution No. 75/2020/R/com, ARERA implemented the provisions of “decree-law 9/2”, which establishes the suspension of the terms of payment of electricity and gas invoices until April 30 in the municipalities referred to in the “Prime Ministerial Decree of March 1”, located in Lombardy and Veneto (former red zone). The resolution establishes that the terms of payment of invoices, issued or to be issued, as well as those of invoices accounting for consumption referring to this time period, shall be suspended until April 30. If customers do not expressly indicate that they wish to pay the invoices, they are automatically entitled to pay the suspended amounts in instalments, with an instalment plan that will begin in July 2020. Customers subject to such measures must be duly informed by means of notices in the bill and by publication of a notice on the seller’s website.
- With Resolution No. 76/2020/R/com, ARERA extended the terms within which customers who receive the light/gas social bonus can apply for its renewal. As further measures in favour of customers, ARERA approved Resolution No. 190/20 which reduces expenses for electricity for LV non-domestic customers for the period from May 1 to July 31, 2020. In particular, the measure defines urgent interventions to reduce the expenses incurred, by customers with non-domestic LV utilities, for distribution and metering services and for general system charges, for the supply of electricity. The economic amount necessary to offset the tariff reduction will be a pass-through item for Edison Energia and will be borne by the State budget, with the transfer of the necessary resources (roughly 600 M€) to the COVID-19 emergency fund established by the Authority at CSEA.
- To meet the higher liquidity needs of sector operators during the COVID-19 period, Resolution No. 116/2020/R/com established that for sales companies, in relation to invoices for the transport of electricity and the distribution of natural gas expiring in April, procedures linked to delinquency regulations would not be initiated as set forth in the Electrical network and gas codes (CTTE/CRDG) if the seller pays for electricity 70% of the amounts invoiced referring to low voltage customers, and for gas 80% of the amounts invoiced relating to all customers. The resolution also lays out some provisions on the use of the credit rating certified by the competent agencies as a guarantee for the distribution/transport contracts: any lowering of ratings due to the coronavirus will not cause companies to lose the possibility to use it as a guarantee, if it remains above a specific level, but in any event lower than that normally required.

  The provisions of Resolution No. 116/2020 were extended to transport/distribution invoices expiring May by means of Resolution No. 149/2020/R/com. Lastly, Resolution No. 192/2020/R/com extended the mechanism to June as well, however establishing a new threshold for the minimum payment to avoid the application of delinquency procedures, i.e., for electricity 90% of the amounts invoiced referring to low voltage customers, and for gas 90% of the amounts invoiced referring to all customers. The resolution also started the process for defining the mechanism to return the amounts not paid to distribution companies by sellers that relied on the above-mentioned provisions, continued with DCO 193/2020/R/com. Resolution No. 248/2020 terminated that process, establishing that the amounts not paid to distributors will need to be returned by the sales companies either in a lump sum or through the payment of three equal instalments; the one-off payment, or the payment of the first instalment, must be made by the end of September 2020, under penalty of the application of the CTTE/CRDG delinquency regulations. The distributors will be responsible for sending sellers the statement of payments to be made by July 31.

**Review of regulations relating to delinquent customers -** By means of Resolution No. 219/20, ARERA adapted the regulations on placement in default and the Indemnity System to the provisions of the 2020 Budget Law. The measure also initiates a procedure for the review of the regulations on delinquency, focusing particularly on the reduction of energy tourism. The provisions set forth, in compliance with the regulatory dictates, extend the timing for placement in default and as a result the possibility for the seller to collect the debt. To partially mitigate the restrictions imposed by the law, ARERA intervened in the Indemnity System (system that permits, through the recognition of an indemnity, the recovery of part of the amount in default even when the customer has transferred to another supplier) by expanding the group of customers to which it is applied to MV as well and increasing the parameters for the calculation of the amount of the indemnity to be recognised to the seller that lost the delinquent customer.

**“Cura Italia” Decree-Law** containing “Measures for strengthening the national healthcare service and supporting the economy for households, workers and businesses linked to the COVID-19 epidemiological emergency. Extension of terms for the adoption of legislative decrees” - Decree-law no. 18 of March 17, 2020, converted by conversion law no. 27 of April 24, 2020, published in the Official Gazette of April 29, 2020.

The provision introduced, inter alia, the following measures:

- **Extension of seven months** for the adoption of regional laws on hydroelectric concessions;
- **Suspension of payments of electricity and gas bills** in the COVID-19 “red zones”;
- Measures to support employees, including **salary supplements**, **unemployment benefits under exemption**, **leave** and **indemnities**;
- **Extension of administrative proceedings** under way;
- **Deferral of the terms** of civil, criminal and administrative **proceedings**;
- **Suspension of certain tax obligations**;

**Liquidity Decree-Law** containing “Urgent measures on access to credit and tax obligations for businesses, special powers in strategic sectors, as well as interventions on health and labour, extending administrative and procedural terms” - Decree-law no. 23 of April 8, 2020 converted by conversion law no. 40 of June 5, 2020, published in the Official Gazette of June 6, 2020.

The provision contains, inter alia, the following measures:

- Measures to support business liquidity through **guarantees from SACE S.p.A.** for the disbursement of loans to Italian companies;
- Amendment of regulations on “**golden power**” (European Regulation no. 452/2019);
- Additional **extension of the terms** of administrative proceedings under way.

**Relaunch Decree-Law** “Urgent measures on health, support to employment and the economy and social policies linked to the COVID-19 epidemiological emergency” - Decree-Law no. 34 of May 19, 2020, published in the Official Gazette of May 19, 2020 and sent to Parliament for the start of the process of conversion into law. The provision contains, inter alia, the following measures:

- Application from July 1, 2020 to December 2021 of **an increased rate, equal to 110%**, for certain “eco-bonus” and “earthquake-bonus” interventions on residential buildings; simplification of methods for using tax deductions in building for 2020 and 2021 through transformation into a tax credit that may be transferred to third parties, including banks;
- **Reduction in the cost of electricity** for non-domestic electricity customers;
- Closure of the preliminary technical committee established to support the EIA-SEA Environmental Impact Assessment Commission;
- Support to **urban micromobility**.

**Legislative Decree 48/2020 - Thermal Plant Definition** - On June 10, 2020, Legislative Decree 48/2020 was published, incorporating Directive 2018/844/EU (EPBD III) containing the new definition of thermal plant for interventions eligible for energy requalification deductions for buildings constructed starting from June 11, 2020.

**450 million euro loans granted to Edison by the EIB**: the European Investment Bank (EIB) supports Edison's **green investment plan with 450 million euros in new resources**. The EIB has entered into two distinct transactions with Edison:

- a **Green Framework Loan** of 300 million euros. This is a credit line to be used over the next four years to create a portfolio of projects throughout the country for energy efficiency and for the construction of small and medium-sized renewable energy plants;
- a **loan of 150 million euros** for the renovation of the Marghera Levante combined cycle plant.

**Sustainable finance - Taxonomy Regulation published**: on June 22 the definitive text of the Taxonomy Regulation was published in the Official Journal of the EU, codified as "Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment". The Regulation provides an initial framework for those who offer financial products and services linked to activities that can be classified as "sustainable" and as regards the energy sector, considers only those linked to solid fossil fuels to be "non-sustainable". A secondary regulation must now establish the detailed criteria relating to each specific economic activity - including for the energy sector - to best evaluate the profiles and comparability. The Commission intends to adopt these criteria by the end of December 2020.

# ECONOMIC AND FINANCIAL RESULTS AT JUNE 30, 2020

## Sales Revenues and EBITDA of the Group and by Business Segment

| (in millions of euros) | **Chapter (**)** | **First half 2020** | First half 2019 (*) | Change | % change |
|---|---|---|---|---|---|
| **Electric Power Operations** | | | | | |
| Sales revenues | 2 | 1,831 | 2,071 | (240) | *(11.6%)* |
| EBITDA | 2 | 259 | 233 | 26 | *11.2%* |
| **Gas Operations and E&P** | | | | | |
| Sales revenues | 2 | 1,630 | 2,700 | (974) | *(39.6%)* |
| EBITDA | 2 | 167 | 159 | 8 | *5,0%* |
| **Corporate Activities** (1) | | | | | |
| Sales revenues | 2 | 27 | 27 | 0 | *0.0%* |
| EBITDA | 2 | (46) | (51) | 5 | *9.8%* |
| **Eliminations** | | | | | |
| Sales revenues | 2 | (381) | (477) | 91 | *20.1%* |
| **Edison Group** | | | | | |
| **Sales revenues** | | **3,107** | **4,321** | (1,214) | *(28.1%)* |
| **EBITDA** | | **380** | **341** | | |
| ***as a % of sales revenues*** | | ***12.2%*** | ***7.9%*** | **-** | **-** |

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

(*) The 2019 figures have been restated in accordance with IFRS 5.

Revenues at June 30, 2020 decreased compared with the previous year to 3,107 million euros.
EBITDA totalled 380 million euros, an increase compared to the previous year, recording a positive contribution from all the Operations.

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

## COVID-19 Impact

The Group's economic and financial results for the first half of 2020 were significantly affected by the impact of COVID-19. The main effects recorded were:

• A decrease in the electricity and gas consumption by industrial customers and SMEs active in the portfolio compared to sales expectations, in particular following the entry into force of the measures to contain the contagion pursuant to Legislative Decree March 25, 2020 n. 19 and the consequent lockdown; with the subsequent easing of these measures, there was a gradual recovery in the volumes withdrawn by customers, which then continued in June; the contraction in volumes was concomitant to the significant drop in wholesale market prices, the reference level for the resale of volumes not consumed by customers;

• A reduction in the supply of energy and environmental services to our main industrial customers, in terms of volumes and prices;

• Reductions in some cost items such as labor, thanks to a partial use of social safety nets, travel and training costs;

• Extraordinary charges related to some donations that occurred on the health emergency;

• A slight deterioration in the credit situation.

The estimate of the impact of COVID-19 on Group EBITDA in the first half is around -47 million euros, largely attributable to the contraction in commodities sales volumes compared to sales expectations.

## Electric Power Operations

### Sources

| (GWh) (1) | First half 2020 | First half 2019 | % change |
|---|---|---|---|
| **Edison's production:** | **9,118** | **10,372** | ***(12.2%)*** |
| *- Thermoelectric power plants* | *6,524* | *8,129* | *(19.7%)* |
| *- Hydroelectric power plants* | *1,634* | *1,500* | *8.9%* |
| *- Wind power and other renewables* | *959* | *743* | *29.1%* |
| **Other purchases (wholesalers, IPEX, etc.) (2)** | **10,153** | **10,125** | ***0.3%*** |
| **Total sources** | **19,271** | **20,497** | ***(6,0%)*** |

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

### Uses

| (GWh) (1) | First half 2020 | First half 2019 | % change |
|---|---|---|---|
| **Customers (2)** | **7,449** | **7,396** | *0.7%* |
| **Other sales (wholesalers, IPEX, etc.)** | **11,822** | **13,101** | *(9.8%)* |
| **Total uses** | **19,271** | **20,497** | ***(6,0%)*** |

(1) 1 GWh is equal to 1 million kWh.
(2) Before line losses.

The Group operates in accordance with a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales on the end market (business and retail) and wholesale market and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the above-mentioned portfolios and at maximising their profitability through their optimisation.
Within this model, Edison production in Italy amounted to 9,118 GWh, down 12.1% from the same period of 2019. The negative trend is due mainly to the performance of thermoelectric production, which decreased by 19.7%, due in part to the closure of two power plants in the initial months of the year. As regards hydroelectric, wind and other renewable energy production, the first half of 2020 marked an increase (of 8.9% and 29.1%, respectively); the increase in wind and other renewable energy volumes can be attributed to the change in scope linked to the acquisition of EDF EN Italia (now Edison Renewables) in the second half of 2019.
Volumes sold to customers rose slightly (0.7%) compared to the first half of 2019, despite the decline in consumption, particularly in the industrial segment, caused by the lockdown.
Other purchases are in line with the same period of the previous year, while Other sales are down by 9.8%; it should be noted that, however, these items include not only purchases and sales on the wholesale market but also purchases and sales on IPEX, albeit characterised by smaller unitary margins connected with the balancing of portfolios.

## Income Statement Data

| (in millions of euros) | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Sales revenues | 1,831 | 2,071 | *(11.6%)* |
| EBITDA | 259 | 233 | *11.1%* |

Sales revenues for the first half of 2020 came in at 1,831 million euros, down 11.6% on the first half of 2019, due to the reduction in volumes as well as the reduction in average sale prices driven by the reference scenario.
The EBITDA for the half-year amounted to 259 million euros and recorded an increase of 26 million euros. This increase can be ascribed primarily to the renewables sector, due to the acquisition of EDF EN Italia, consolidated as of the month of July 2019, a natural increase in volumes in wind production and several non-recurring effects in hydroelectric taking place last year. Despite the good Dispatching Service Market performance, the thermoelectric sector was penalised in part by the shutdown of two power plants in the initial months of the year. The result relating to electricity sales declined due to the reduction in consumption in the industrial segment than expected, with the resulting exposure to the spot market at less favourable conditions.

## Energy services

The economic data of Electric Power Operations include the results of the Energy & Environmental Services Market Division.
Thanks to the Division, Edison plays an active role in the regions and in their business ecosystems, in researching and implementing practical and effective solutions in response to the burning issues of contemporary transformation: climate change, social development and new business paradigms.
Edison, in particular, contributes its personnel and its expertise, to create innovative and digital solutions for the efficient use of resources according to circular economy and urban regeneration paradigms.
Edison has an extensive offering in the energy and environmental services market which mainly includes: energy and environmental advisory services, laboratory analysis, creation and management of systems for automatic production from renewable or high efficiency sources, integrated industrial waste management, energy redevelopment and

efficient building management, urban district heating, digital platforms for the analysis, management and intelligence of solutions.
The solutions proposed are targeted at developing investment projects and efficient management of energy resources and environmental services for large industrial companies, small and medium enterprises, condominiums, commercial services sector, regions and the Public Administration.
With reference to the first half of 2020, the Energy & Environmental Services Market Division registered:

- sales revenues of 232 million euros, down 10% compared with the same period in 2019 (258 million euros)
- EBITDA totalling 33 million euros, or 25% less than in the first half of 2019 (44 million euros).

This reduction can be attributed to the slowdown in industrial and environmental service activities, taking place following the lockdown, and a general reduction in margins in the Public Administration segment, mainly following a change in the perimeter.

## Gas Operations and E&P

### Sources of Natural Gas

| (millions of m3 of natural gas) | First half 2020 | First half 2019 | % change |
|---|---|---|---|
| Production [(1)] | 5 | 5 | *0.0%* |
| Production from discontinued operations | 149 | 174 | *(14.4%)* |
| Imports (Pipeline + LNG) | 5,892 | 6,946 | *(15.2%)* |
| Other Purchases [(2)] | 2,517 | 2,840 | *(11.4%)* |
| Change in stored gas inventory [(2)] | 91 | 145 | *(37.2%)* |
| **Total sources** | **8,654** | **10,110** | ***(14.4%)*** |
| | | | |
| **Production outside Italy [(3)]** | 66 | 78 | *(15,4%)* |
| **Production outside Italy from discontinued operations [(4)]** | 673 | 814 | *(17.3%)* |

(1) Production by Edison Stoccaggio. Net of self-consumption and at Standard Calorific Power.
(2) Includes pipeline leaks; a negative change reflects additions to the stored gas inventory.
(3) Production relating to the Algeria concession reconsolidated as of the beginning of the year; 2019 was restated for comparative purposes.
(4) Counting volumes withheld as production tax.

### Uses of Natural Gas

| (millions of $m^3$ of natural gas) | First half 2020 | First half 2019 | % change |
|---|---|---|---|
| Residential use | 1,307 | 1,734 | *(24.6%)* |
| Industrial use | 2,506 | 2,491 | *0.6%* |
| Thermoelectric fuel use | 2,784 | 3,339 | *(16.6%)* |
| Other sales | 2,057 | 2,546 | *(19.2%)* |
| **Total uses** | **8,654** | **10,110** | ***(14.4%)*** |
| **Sales of production outside Italy** | 66 | 78 | *(15.4%)* |
| **Sales of production outside Italy from discontinued operations [(1)]** | 673 | 814 | *(17.3%)* |

(1) Counting volumes withheld as production tax.

Sales volumes in Italy declined by 14.4%. As concerns sources, total gas imports and other purchases both fell, by 15.2% and 11.4%, respectively. In terms of uses, equal to 8,654 million cubic meters, there was a decline in all segments, except for quantities sold for industrial uses which show a slightly positive performance, despite a reduction in consumption caused by the lockdown. Sales for civil uses decreased by 24.6%, primarily due to a particularly mild winter; sales for thermoelectric uses were down due to the drop in production, just as other sales recordered a significant reduction.

### Income Statement Data

| (in millions of euros) | **First half 2020** | First half 2019 (*) | % change |
|---|---|---|---|
| Sales revenues | 1,630 | 2,700 | (39.6%) |
| EBITDA | 167 | 159 | 5.0% |

(*) The 2019 figures have been restated in accordance with IFRS 5.

Sales revenues came in at 1,630 million euros in the first half of the year, down 39.6% on the first half of 2019, mainly due to the pricing scenario and to a lesser extent because of the contraction in volumes.

EBITDA, which includes the profit from regulated activities and the E&P activities in Algeria and Norway, not subject to disposal and reconsolidated as of January 2020, recorded a 5% increase of 167 million euros (159 million euros in the first half of 2019), also due to optimisation of sources deriving from flexibility in pipe contracts, which more than offset the reduction in margins due to the effects of a mild winter and the reduction in consumption than expected due to the lockdown.

## Discontinued operations

### Production

Gas production in the half attributable to discontinued operations, by adding Italy and abroad together, came to 822 million cubic metres, down 16.8% on the first half of last year (988 million cubic metres). The production sold in Italy decreased mainly due to the natural decline of the field production curves. Overall, production outside Italy was also down, due mainly to the depletion of fields in Egypt and Croatia.

Production of crude oil attributable to discontinued operations decreased by about 6.5% in the half, due primarily to the depletion of fields in Egypt (-20.5%), not offset by the rise in Italian and United Kingdom production.

### Income Statement Data

The E&P business being disposed of is treated as discontinued operations in accordance with IFRS 5, a description of which is provided in section 1.6 of the Condensed Consolidated Semiannual Financial Statements.

EBITDA (59 million euros) decreased by 56% in the first half of 2020 (135 million euros in the first half of 2019) due to lower sales revenues caused by lower volumes and an unfavourable price scenario.

## Corporate Activities

### Income Statement Data

| (in millions of euros) | **First half 2020** | First half 2019 | % change |
|---|---|---|---|
| Sales revenues | 27 | 27 | *0* |
| EBITDA | (46) | (51) | *9.8%* |

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

Sales revenues in the first half of 2020 are in line with those recorded in 2019, whilst EBITDA improved by 5 million euros, connected for the most part to the provisions recorded in 2019.

## Other Components of the Group's Income Statement

| (in millions of euros) | **First half 2020** | **First half 2019 (*)** | % change |
|---|---|---|---|
| **EBITDA** | **380** | **341** | ***11.4%*** |
| Net change in fair value of derivatives (commodity and exchange rate risk) | 3 | 8 | *(62.5%)* |
| Depreciation, amortization and write-downs | (200) | (162) | *(23.5%)* |
| Other income (expense) non-Energy activities | (19) | (15) | *(26.7%)* |
| **EBIT** | **164** | **172** | ***(4.7%)*** |
| Net financial income (expense) | (25) | (11) | *n.m.* |
| Income from (expense on) equity investments | 1 | 2 | *(50.0%)* |
| Income taxes | (36) | (34) | *(5.9%)* |
| **Profit (Loss) from continuing operations** | **104** | **129** | ***(19.4%)*** |
| **Profit (Loss) from discontinued operations** | **(162)** | **(518)** | ***68.7%*** |
| **Group interest in Profit (Loss)** | **(65)** | **(398)** | ***83.7%*** |

(*) The 2019 figures have been restated in accordance with IFRS 5.

Positive EBIT of 164 million euros incorporates depreciation, amortisation and write-downs totalling 200 million euros, the net change in fair value relating to commodity and foreign exchange hedging transactions amounting to a positive 3 million euros and net other expense of 19 million euros, linked primarily to provisions for legal disputes.

Net financial expense, which amounted to 25 million euros, worsened mainly due to an unfavourable foreign exchange effect.

The net loss from Discontinued Operations of -162 million euros refers to the E&P business and includes the adjustment to the disposal value.

## Net financial debt and cash flows

The net financial debt at June 30, 2020 was 624 million euros.
More detailed information about the individual components of this item is provided in section 6.3 “Net Financial Debt and cost of debt” of the Condensed Consolidated Semiannual Financial Statements.

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

| (in millions of euros) | **First half 2020** | First half 2019(*) |
|---|---|---|
| **A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD** | **(516)** | **(416)** |
| IFRS 16 first adoption | | (165) |
| **B. NET FINANCIAL (DEBT) AT JANUARY 1** | **(516)** | **(581)** |
| EBITDA | 380 | 341 |
| Elimination of non-cash items included in EBITDA | (94) | 51 |
| Net financial expense paid | (17) | (9) |
| Net income taxes paid (-) | (23) | (15) |
| Dividends collected | 2 | 1 |
| Other items from operating activities | (17) | (9) |
| **C. CASH FLOW FROM OPERATING ACTIVITIES** | **231** | **360** |
| Change in the operating working capital | (99) | 56 |
| Change in non-operating working capital | (40) | (26) |
| Net investments (-) | (166) | (124) |
| **D. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL** | **(74)** | **266** |
| Dividends paid (-) | (30) | (32) |
| Other items | 8 | (11) |
| Cash increase/decrease of net indebtedness (Discontinued operations) | (12) | 60 |
| **E. NET CASH FLOW FOR THE PERIOD** | **(108)** | **283** |
| **F. NET FINANCIAL (DEBT) AT END OF PERIOD** | **(624)** | **(298)** |

(*) The 2019 figures have been restated in accordance with IFRS 5.

The main cash flows in the period derive from EBITDA, as commented on previously, the change in operating working capital, net investments, which include net capital expenditures (-143 million euros), investments in non-current financial assets (-22 million euros) and the price adjustment for the acquisition of the company EDF EN Services Italia in 2019 (-1 million euros).

More specifically, capital expenditures include:

- investments in the thermoelectric generation sector, mainly for the construction of the Marghera Levante (24 million euros) and Presenzano (16 million euros) gas-fired combined-cycle thermoelectric power plants
- investments in energy and environmental services of 33 million euros, mainly linked to services targeted at the public administration (13 million euros), the automotive sector (8 million euros) and operations abroad (7 million euros).
- Investments in non-current financial assets (22 million euros) relating to a capital increase linked to the Eastmed pipeline.

- Investments in Exploration and Production activities not subjected to disposal totalled 34 million euros. They refer to the concessions in Norway (28 million euros) and Algeria (4 million euros). Investments in exploration totalled 2 million euros in Norway.

### Discontinued operations

Investments in Exploration and Production activities, which are being divested, totalled 11 million euros. They refer mainly to activities abroad (7 million euros) and Italian wells (4 million euros). Investments in exploration totalled 60 million euros, mainly for activities in Egypt (53 million euros), the United Kingdom (6 million euros) and Greece (1 million euros).

## Outlook and Expected Year-end Results

In a market context which is expected to decline, taking into account the performance recorded in the first half of 2020 and the greater visibility on market conditions envisaged for the rest of the year, Edison confirms estimates for 2020 EBITDA communicated last February within a range between 560 and 620 million euros.

# Edison Spa

## Financial Highlights

| (in millions of euros) | First half 2020 | First half 2019 (*) | % Change |
|---|---|---|---|
| Sales revenues | 2,188 | 3,312 | *(33.9%)* |
| EBITDA | 237 | 172 | *37.8%* |
| *as a % of sales revenues* | 10.8% | 5.2% | - |
| EBIT | 159 | 105 | *51.4%* |
| *as a % of sales revenues* | 7.3% | 3.2% | - |
| Profit (Loss) from continuing operations | 90 | 125 | (28.0%) |
| Profit (Loss) from discontinued operations | (154) | (489) | *68.5%* |
| Net profit/(loss) | (64) | (364) | 82.4% |
| Capital expenditures | 57 | 132 | *(56.8%)* |
| Net invested capital[(1)] | 4,234 | 4,358 | *(2.8%)* |
| Net financial debt[(1)] | (446) | (417) | *(7,0%)* |
| Shareholders' equity[(1)] | 4,680 | 4,775 | *(2.0%)* |
| Number of employees[(1)] | 1,351 | 1,342 | *0.7%* |

(*) The figures for 2019 have been restated pursuant to IFRS 5 standard.
(1) End-of-period data. The changes in these values were calculated at December 31, 2019.

Pursuant to Consob communication no. DEM/6064293 of July 28, 2006 the table below provide a reconciliation of the Group interest in net profit for the period and the shareholders' equity attributable to the shareholders of the Parent company at June 30, 2020 with the corresponding amounts of the Parent company Edison Spa.

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

| | **First half 2020** | **06.30.2020** | First half 2019 (*) | 12.31.2019 |
|---|---|---|---|---|
| (in millions of euros) | Net result | Shareholders' equity | Net result | Shareholders' equity |
| **Net result and Shareholders' equity of Edison Spa** | **(64)** | **4,680** | **(364)** | **4,775** |
| - Results and carrying values of the consolidated companies, excluding minority interests | (6) | 1,909 | 30 | 1,940 |
| - Elimination of the carrying values of the consolidated investments in associates and in companies valued by the equity method | | (1,367) | | (1,394) |
| - Dividends of Edison Spa | (5) | | (42) | |
| - Elimination of Parent company investments' adjustments | 20 | | 6 | |
| - Investments in companies valued by the equity method | 1 | 108 | 2 | 93 |
| - Difference in profit (loss) from Discontinued Operations | (8) | (69) | (29) | (61) |
| - Other consolidation adjustments | (3) | (42) | (1) | (26) |
| **Group interest in profit (loss) and Shareholders' equity attributable to Parent company shareholders** | **(65)** | **5,219** | **(398)** | **5,327** |

(*) Applying the accounting standard IFRS 5 the balances at December 31,2019 were not re-exposed, while economic reconciliation items have been restated in order to be comparable with 2020.

# Risks and Uncertainties

## Risk Management at the Edison Group

Edison has developed an integrated business risk management model based on the international principles of Enterprise Risk Management (ERM), the COSO Frameworks specifically, the main purpose of which is the adoption of a systematic approach in mapping the Company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to mitigate them.

With this in mind, Edison adopted a risk mapping and risk scoring methodology that assigns a relevance index to each risk based on an assessment of its overall impact, probability of occurrence and level of control, and a Corporate Risk Model, developed in accordance with best industry and international practices that places within an integrated framework the different types of risks that characterise the business in which the Group operates:

- risks related to the external environment, which have to do with conditions in the market and the competitive environment in which the Group operates and changes in the political, legislative and regulatory context;
- operational risks, which are tied to processes, structures and business management systems, specifically regarding production and distribution activities;
- strategic risks, which are related to the definition and implementation of the Company's strategic guidelines.

More specifically, with the coordination of the Risk Office, the managers of the various Company departments map and assess risks within their scope of activity through a risk self-assessment process and provide an initial indication of the mitigating actions associated with those risks. The results of this process are then consolidated at the central level into a mapping system in which risks are prioritised based on the scores assigned to them and aggregated, so as to facilitate the coordination of mitigation plans within the framework of an integrated risk management approach.

The Enterprise Risk Management process is closely linked with the medium- and long-term planning process in order to correlate the Group's overall risk profile with the return on investment projected in the plan/budget document. The results produced by ERM are communicated to the Control and Risk Committee and the Board of Directors on predetermined dates and are used by the Internal Audit Department as a source of information to prepare special risk-based audit plans.

An analysis of the overall results of the process for the 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 have been adopted over the years to manage and minimise their impact on the Group's economic and financial equilibrium. For additional details about these risks see the information provided for IFRS 7 purposes in section 4 of the consolidated financial statements entitled "Market Risk Management", paragraph 3.1 "Credit risk management" and in paragraph 6.4 "Financial risk management".

In 2018, the Group adopted a tax risk management and reporting system, which is integrated within the Group's overall control system (the Tax Control Framework or TCF). The TCF adopted consists of a Tax Policy and General Rules applicable to all Group companies, as well as matrices, coordinated with the provisions of Law No. 262/2005, to monitor activities with potential tax impacts in the main business processes.

# Risk Factors

## 1. Risks Related to the External Environment

### Legislative and Regulatory Risk

A potential source of uncertainty for Edison is the constant evolution occurring in the reference legislative and regulatory framework, which affects market activity, rate plans, required levels of service quality and technical and operational compliance requirements.
In this regard, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialogue with national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.

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

- the renewal of large-scale diversion hydroelectric concessions, whose regulation was revised under decree-law no. 135 of December 14, 2018, converted by conversion Law no. 12 of February 11, 2019. The regulation establishes, among other things, that the Regions need to govern by means of a law by March 31, 2020: (i.) the methods and procedures for the assignment of concessions (with procedures to be initiated within two years of the approval of the regional law); (ii.) for concessions with an expiry term prior to December 31, 2023, including therein those already expired, the methods, conditions and quantification of the additional considerations and any other expenses, to be paid by the outgoing concessionaire for the continued operation of the concessions beyond the expiry and for the time needed for completion of the assignment procedures. Decree-law no. 18 of March 17, 2020, the “Cura Italia” Decree, converted by conversion law no. 27 of April 24, 2020, extended the expiry mentioned above by seven months to October 31, 2020. This extension is also extended to the effects of the regional laws already approved (a rule that would be applied to the Lombardy regional law). With reference to the Regions where elections are planned for 2020, the expiry of October 31, 2020 has been further extended by seven months from the date on which the new regional Council takes office. The final terms for the temporary continuation of the operation of plants for expired or expiring concessions have also been extended by seven months (until July 31, 2024);
- the methods for removing the protected electricity and gas market, with particular reference to the implementing measures with respect to the provisions of Decree-Law no. 162/2019, the so-called “Milleproroghe” Decree, converted by conversion law no. 8 of February 28, 2020. In particular, the regulation establishes an extension of the dates for the removal of the protected market to January 1, 2021 for larger non-domestic electricity customers and to January 1, 2022 for the remaining electricity and gas customers. The Ministry of Economic Development is expected to adopt implementing measures in order to identify the methods for knowledgeable entry into the free electricity and gas market and the adoption of a list of electricity suppliers. ARERA is also expected to adopt a “gradual protections service” for electricity customers lacking suppliers and measures to prevent unjustified price increases and alterations in supply conditions;
- the preparation of the Implementation Plan as a basis for the revision of the remuneration mechanism of post-2023 production capacity for full compliance with European Regulation (EU) 2019/943.
- uncertainty concerning detailed measures for the transfer from the protected market to the free market, to be established by an implementing decree in order to transfer, by the current planned deadline of July 1, 2020, from the protected electric power and gas market, as set forth in the Law which entered into force in September 2018.

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

## Market and Competitive Environment

The energy markets in which the Group operates recorded significant fluctuations in terms of demand in the first half of 2020, with competitive pressure remaining high and precipitously falling prices. Please refer to the section "The Italian energy market" for more in-depth information.

In the Italian electricity market, the progressive introduction of restrictive measures by the government in March and April to combat the spread of the COVID-19 pandemic, such as the temporary suspension of industrial production and commercial activities deemed non-essential if not organised in flexible or remote working arrangements, entailed a reduction in electricity consumption especially in the SME and industrial segments. Unlike in the previous year, in the first half of 2020 hydroelectric and photovoltaic production rose thanks to more favourable weather conditions; this, along with decreased demand, caused a reduction in gas-fired thermoelectric production, which represents a significant portion of the Group's production mix, and imports.

With regard to the abovementioned hydroelectric production, the portion produced by large-scale derivation concessions, of which the Group is the concession holder, will remain exposed in future years to the above-mentioned risk of the adverse outcome of tenders for the renewal of concessions that have already expired or are about to expire.

Moreover, technological changes in the electric power sector could make some technologies/services more competitive than those that are part of the Company's business. In order to mitigate this risk, Edison monitors and assesses the development of new technologies on an ongoing basis, which are discussed in greater detail in the "Innovation, Research and Development" section.

In the natural gas market, demand recorded a general downturn in the first half of 2020, when compared to the previous year, due primarily to higher temperatures and restrictive measures imposed by the government to combat the spread of the COVID-19 pandemic. This decrease had an overall impact on a number of sectors: in particular, the change in demand in the residential and industrial sectors was most linked to the reasons mentioned above, while in the thermoelectric sector there was a reduction in thermoelectric production, offset by an increase in hydroelectric generation.

In this context, an important tool to mitigate the effects of changes in the energy scenario and market conditions is provided by clauses allowing the renegotiation of prices of long-term gas procurement contracts.

## Country Risk

The Edison Group's presence in the international markets involving both the production and marketing of electric power, exposes the Company to a whole series of risks stemming mainly from political, economic, social, regulatory and financial differences compared with conditions in the country of origin. Currently, the area of greatest importance for the Group is Greece, where Edison, through Elpedison Sa, produces and markets electric power in a joint venture with its Greek partner Hellenic Petroleum.

In Greece, the end of the third bail-out by the European institutions, closed with the last loan in August 2018, represented an important objective reached for the country and helps the Government regain public support after years of unpopular austerity measures requested by international creditors, although unknowns still remain concerning the management of long-term debt, also due to the COVID-19 pandemic. The new centre-right government (the New Democracy, which won the elections last year) adopted important measures to mitigate the impact of the COVID-19 virus, including additional healthcare expenditure, deferred tax and social security payments and targeted tax cuts. The spread of COVID-19 in this region as well, although not as widespread as in other countries, will in any event entail an increase in the level of debt and a substantial decline in GDP for this year; the tourism sector, exports and domestic consumption levels will be the areas most impacted. The European Central

Bank's decision to include Greece in the pandemic emergency purchase programme (PEPP) and local cash availability should limit refinancing risk in the course of the year. The new government is expected to continue with its planned privatisations, including in the energy sector, and with the implementation of large infrastructural projects. In April, Standard&Poor's changed the outlook to stable, maintaining the sovereign rating at BB-.
In the energy sector, the production capacity remuneration mechanism, approved last year and in which Elpedison Sa participated successfully in auctions for the 2019 period only, ended in April 2019. The definition of a new system, previously planned for 2020, is currently expected in the course of 2021. The start of operations on the short and medium-term energy trading platform, aimed at increasing competition and supporting market coupling with Italy and Bulgaria, previously planned for 2019, is expected in the second half of 2020.

The Company is committed to constant monitoring of the country's political and economic environment, to which the Group is exposed at June 30, 2020, as indicated below:

| (in million euros) | 06.30.2020 | 12.31.2019 |
|---|---|---|
| Loan receivable from the affiliate | 58 | 61 |
| Guarantees provided | 46 | 48 |
| Equity investments (1) | 56 | 36 |
| **Total** | **160** | **145** |

(1) Refers to the equity investments in IGI Poseidon Sa and Elpedison Sa for 2020 and 2019.

Additionally, with reference to the long-term gas procurement contracts, the Company is exposed to the geo-political context of the countries from which it obtains its supplies and, therefore, constantly monitors the situations therein.

## 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, managing gas storage centres, developing gas infrastructures, marketing energy efficiency services and solutions and distributing electric power and gas in retail and wholesale markets. These activities, which could entail the involvement of third parties, expose the Company to risks deriving from the potential inefficiency of internal processes and organisational support structures or exogenous events, such as malfunctions or unavailability of equipment and machinery. These risks could potentially have repercussions on the Company's profitability, the efficiency of its business activities and/or its own reputation.
The temporary suspension of industrial production and commercial activities deemed non-essential if not organised in flexible or remote working arrangements, required by the various governmental measures to combat the spread of contagion from COVID-19, particularly in March and April 2020, involved many customers and suppliers, entailing for the Group a temporary shutdown in work site activities under way, the rescheduling of maintenance activities at the production sites, the temporary suspension of operation & maintenance activities at some customers (with the exception of hospitals in the PA segment, for which service continuity was requested and guaranteed) and in several sales channels, and a reduction in consumption by end customers, especially during the most critical period. Since May, the situation has improved progressively and it is currently returning to normal.
This particularly critical situation linked to the spread of COVID-19 was managed in accordance with specific internal guidelines intended to rapidly and effectively manage the crisis situations. Recourse to flexible working by the Company and many service providers, along with the optimisation of personnel performing essential services, made it possible to pursue the main activities of the Edison Group.
The policy to manage these operational risks calls for the adoption of specific security and quality standards, and the implementation of upgrades to comply with international and national laws and the requirements of local entities with regulatory authority over such issues and of activities to improve the quality of processes in the various areas of

business, with special focus on customer services. In addition, the management of potential crisis events is governed by specific internal guidelines designed to provide a quick and effective response to potential crisis situations that could cause injuries to people and damage the environment and the Company's facilities and reputation.
Additional information about the management of environmental and occupational safety risks is provided in the section of this report entitled "Health, Safety and the Environment."

## Information Technology

The Group's diverse activities and business processes are supported by complex information systems. Risk issues exist with regard to the adequacy of these systems and the availability, integrity and confidentiality of data and information.
With respect to the first point, in the first half of 2020 several important projects continued and/or were completed and new ones were also launched; in particular:

- the RACE (Revision of Corporate EESM Applications) project has become operative, which is aimed at completely re-engineering the corporate information system of the Energy & Environmental Services Market Division's corporate area, with the adoption of Edison's SAP system appropriately modified to support the division's processes and the introduction of applications for the billing and Enterprise Performance Management system;
- the new Human Resources application for time & attendance and for the management of HR processes was released;
- capacity market and continuous trading management systems were adjusted (expected to be completed in 2021);
- revised applications (portals, apps, etc.) supporting the extension of physical and web sales channels, including the relative porting in cloud, are in the course of development;
- the Enterprise Data Platform has been released to the operating environment; this is the Company platform containing different types of data coming from very different systems, with porting in cloud in January 2020, intended to allow for projects such as:
    - dashboards for the calculation and monitoring of key performance indicators (KPI) of the Gas&Power Market Division,
    - asset management of the PA segment relating to the Energy & Environmental Services Market Division,
    - the forecasting of production from wind power plants,
    - the predictive maintenance of the thermoelectric power plants in the Power Asset Division.
- the CRM is currently being developed for the Energy & Environmental Services Market Division, with the extension of modules already in production to new market areas of the division; in particular, the contract management process is under analysis. Development activities were also launched on a number of applications supporting Operations and Contract Management (e.g., EMS-Energy Management System, CMMS-Computerised Maintenance Management System) and the first phase of the Division's Control Room feasibility study was concluded.

Also from the infrastructural perspective, the integration of new companies acquired of the Energy & Environmental Services Market Division, the companies EDF EN Italia, ENSI and Assistenza Casa, was completed, bringing standards and technologies into line throughout the Edison Group.
With regard to the risk of unavailability caused by a system fault, Edison adopted high reliability hardware and software configurations for those applications that support critical activities. These configurations were regularly tested during normal operations. Lastly, to protect against disasters, a disaster recovery solution is in operation which is tested annually (last successful test performed in June 2019). The same test was successfully performed in December 2019 for the Rivoli data centre.

Due to the health emergency, the Company made available workstations, devices, software and services to guarantee the remote continuity of operations.

The risk relating to the integrity and confidentiality of Company data and information and their availability in the event of cyber-attacks that are increasingly more frequent and sophisticated, is mitigated with the adoption of strict security standards and solutions; the service of the Security Operation Centre, operational since January 2016, which aims to prevent and manage new forms of cyber attacks was optimised through a process of “refinement” of analyses to improve their effectiveness. Finally, the Rex Wannacry project is currently being developed, targeted at strengthening the Company IT system’s resilience to new generation attacks (after obtaining a precise and automatic inventory of all devices connected to the network, the new companies acquired and the AWS data centre were integrated in the first half of 2020).

## 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 dependent 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 depends 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 authorisation processes, project risk assessment activities and project management and project control activities.

## 4. Financial Risks

### Commodity Price Risk

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, which affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the above-mentioned commodity prices are quoted in a foreign currency, the Group is also exposed to the resulting foreign exchange rate risk.
The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly used in the market for the purpose of containing the risk exposure within preset limits.

### Foreign Exchange Risk

The activities carried out by the Group in currencies different from the euro and its strategies of expansion in the international markets expose the 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 centralised type of management model, through which the Parent Company is able to constantly safeguard the Group's economic and financial equilibrium by constantly monitoring exposures and implementing appropriate hedging and foreign exchange procurement strategies designed for risk mitigation purposes.

### Credit Risk

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

### Interest Rate Risk

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

### Liquidity Risk

The liquidity risk has to do with the possibility that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The policy to manage this risk, 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 consolidated 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 chapter 8 entitled "Non-Energy Activities" in the notes to the consolidated financial statements.

# OTHER RESULTS FROM OPERATIONS

## Innovation, Research and Development

The Research, Development and Technological Innovation Department operates in synergy with Edison's other Departments and Business Units on a wide range of activities that include monitoring technological evolution and innovation, the performance of research and development projects and strengthening the network of scientific relationships with outside centres of excellence (e.g., EDF R&D, Universities, Research institutions), including by engaging in joint projects.
In the first half of 2020, research activities regarded the following technological themes:

### Electric mobility

This topic regards the study and experimentation of innovative technologies for charging and managing vehicles, and also includes participation in demonstrative projects, with a view to obtaining useful information for the definition of the applicable business models.

### Storage

This regards the study and experimentation of storage technologies for stationary applications on various scales. The focus of laboratory activities is on residential applications, particularly on systems for the optimisation of photovoltaic generation self-consumption. The activities for the characterisation of large-scale batteries regard two Li-ion systems installed at demonstrators outside Officine.

### Power-to-X

*Power to X* regards the production of fuels and, more generally, low impact synthetic chemical products, based on a surplus of electricity from renewables; the aim of RD&TI activities is to increase skills and in particular, there is a focus on the assessment of electrolysis technologies, including through laboratory testing of the most innovative systems.

### Smart Home-IoT

The Internet of Things offers opportunities for a combined physical and digital presence with our customers, not limited to the provision of solutions directly linked to energy (such as smart thermostats), but open to everything that contributes to caring for home and family. Increasing attention is devoted to advanced technologies for interactions with customers, even including the exploration of cutting edge topics like service robotics, not only in the residential environment.

These activities are developed at Officine in Milan and Turin and at local experimental sites.

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# Health, Safety and the Environment

The main results achieved in the first half of 2020 and projects under development are reviewed below.

## Safety Performance Trend

The Group consolidated the practice of presenting, based on a comprehensive and integrated approach, the effects of prevention programmes to promote a culture of occupational health and safety, combining the data for Edison's personnel and for employees of suppliers, assigning to the management throughout the organisation improvement objectives compared with the average results for the previous three years.
The reference indicators in the domestic context are:

- the frequency rate, calculated by multiplying the number of injuries divided by the number of hours worked, by one million;
- the seriousness rate, calculated by multiplying the number of days lost due to injuries divided by the number of hours worked, by one thousand.

On the basis of this approach, the first half of 2020 closed with an overall injury frequency rate that came in at 1.7, an improvement over 2.05 in the same period of 2019 (2.2 at the end of the year). More specifically, the injury frequency rate was 1.0 for company employees, a significant improvement over the value of 1.8 in the same period of 2019 (2.6 at the end of the year), while that for employees of contractor companies stood at 4.1, a deterioration compared to 2.8 in the same period of 2019 (1.4 at year end). The total seriousness rate at the end of the first half of 2020 was 0.03, an improvement on the figure in the same period of 2019 (0.06), confirming the limited severity of our accidents.
It should be noted that, for the purposes of comparison also within the Group to which it belongs (EDF Group), the Company also uses the Lost Time Index Rate (LTIR) indicator relating only to accidents occurring for causes directly related to work related activities. In this sense, the first half of 2020 closed with an overall LTIR of 1.7, slightly higher than 1.5 in the same period of 2019 (1.6 at year end). More specifically, the LTIR rate was 1.0 for company employees, equal to the same period of 2019 (1.7 at the end of the year), while that for employees of contractor companies stood at 4.1, a deterioration compared to 2.8 in the same period of 2019 (1.6 at year end).
The results achieved in these first six months therefore confirm the positive trend in rates relating to company employees and a deterioration for those relating to the personnel of contractor companies.
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## Activities Concerning Health, Safety and the Environment

The main activities and processes carried out in the first half of 2020 are reviewed below:
The period was impacted by the health emergency. Therefore, the majority of planned activities were re-scheduled or in any event performed only in part.
The requirements established by applicable regulations on health, safety and the environment were met, while the audit plan was deferred to when activities will be resumed and will be carried out in the second half of the year.
When possible, the planned certification visits on the environmental, health and safety management systems were performed by accredited entities both for certification renewal and surveillance purposes.
The unique period during which we have been operating was managed by the HSE Select Committee, consisting of the HSE representatives of every Division, which coordinated all necessary activities to ensure respect for the prevention and protection measures identified and prescribed by the competent authorities.
There were no incidents in first half of the year with an impact on environmental matrices (soil, subsoil, surface water and biodiversity).
The process of collecting and analysing the environmental and health and safety data needed to draft and issue the Group sustainability report and Edison's non-financial disclosure for 2019 was carried out and completed in accordance with the time-scales and methods required by the reference standards.

## Management of the COVID-19 Pandemic Crisis

The main actions put into place to manage the emergency situation caused by the pandemic are described below:

On February 27, 2020, the central crisis unit was activated, which coordinated all activities and connections with the EDF Group.
A continuous communications channel was established with all employees, with the drafting of institutional messages in order to transmit the decisions taken and guide behaviours. All precautionary and prevention measures from the organisational, management and hygienic/healthcare perspective were taken, considering the specific characteristics of our business activities.
A support channel was made available to all employees to handle specific cases, through the crisis and company healthcare coordination units. Appropriate communications with suppliers and customers were also prepared.
In the initial phase and for the entire lock-down period (from February 21 to May 2), the following activities were carried out:

- extension and large-scale use of special arrangements for remote smart working (up to 5 days/week), with the exception of the services and activities deemed essential for the company's business;
- application of the collective bargaining and income support tools set forth by legislation;
- travel limited to the essential;
- guest visits limited and then suspended;
- maintenance work limited to what was essential and undeferrable;
- construction work at large work sites limited to essential activities and then suspended;
- closure of customer branches/stores.
- The company's offices were open and operating for the entire period.

Starting in May, a plan for the gradual resumption of work activities was launched through the issue of specific company guidelines, in coordination with the workers' representatives. In this phase, the plan (still under way) regarded:

- the continuation of the special smart working remote working arrangement (introduction of protections for working parents);
- progressively increasing the return to the workplace;
- adoption of working methods that ensure the necessary interpersonal distancing, with the definition of the maximum levels of presence permitted;
- adoption of access/exit procedures intended to reduce crowding;
- adoption of site access procedures that include body temperature checks;
- provision of appropriate protection equipment (including masks);
- cleaning and sanitisation of environments and ventilation systems;
- prompt and adequate information on prevention/protection regulations and on the behaviour to be adopted;
- availability of car parks in offices with particular critical issues relating to the use of public transport;
- re-opening of branches and commercial stores;
- re-opening of construction sites and resumption of maintenance activities;
- return to normal management of the domestic travel process (international travel authorised by the crisis unit);
- limited re-opening of access to outside guests;
- possible provision of in-person training, with authorisation from the company prevention and protection service;
- reorganisation of the canteen service at the Foro Buonaparte and Rivoli offices.

For the entire period, the Company collaborated with some associations (Assolombarda, Elettricità Futura) within the committees created to coordinate the emergency.

# Human Resources and Industrial Relations

## Human Resources

The half-year at June 30, 2020 closed with 4,721 employees compared to 4,682 on December 31, 2019, with an overall increase during the half of 39 employees, generating an increase in headcount of +0.8%. This increase can be ascribed primarily to the re-consolidation at the end of June, with effects retroactive to January 1, 2020, of the company E&P Norge (+25 employees).

## Industrial relations

The table below shows the main events of general significance for the Edison Group that occurred in the first half of 2020:

**Management of the health emergency linked to the spread of the COVID-19 virus**

In the March-June 2020 period, a number of meetings were held with the National Trade Union Secretariats and with the RSUs (unitary workplace union structures) of the individual Edison Group companies in order to identify and share the health prevention measures for the containment of the COVID 19 virus at the Edison offices.

Furthermore, with the National Trade Union Secretariats and with the Edison Group RSU Coordination unit, many agreements were also signed and in particular, with those of April 2 and 30, 2020 measures were defined to limit the spread of the virus in the Edison workplace in line with the regulatory provisions in force pro tempore and the Inter-confederation Protocols of March 17 and April 24, 2020. These agreements also introduced organisational measures intended to extend the use of smart working for an indefinite period of time for all employees who can work remotely.

The agreement of April 30 launched the phase for the gradual return to the workplace, which began on May 4, in compliance with the safety and personal distancing conditions set forth in regulations in force.

The same agreement also introduced solidarity holidays by creating a specific fund to provide salary supplements to employees who were involved in days of work suspension.

Against the decline in production activities of the main customers due to the COVID-19 emergency and the resulting reduction in the services provided to them, Fenice S.p.A., Sersys Ambiente Srl, Pavoni Rossano Srl and Ecologica Marche Srl were required to make recourse to social safety nets starting in mid-March. In this regard, in the main production units in which the social safety nets were used, specific agreements were signed with the RSUs and/or with the local trade organisations in order to manage the individual periods of suspension of work activities.

**Merger by incorporation of EDF EN ITALIA S.p.A. and EDF EN SERVICES ITALIA S.r.l. into EDISON RENEWABLES S.r.l.**

With the harmonisation agreements of May 20 and June 11, 2020, the methods were defined for the transfer of EDF EN ITALIA S.p.A. and EDF EN SERVICES ITALIA S.r.l. employees whose employment relationship, based on two separate merger by incorporation transactions, was transferred to EDISON RENEWABLES S.r.l. as set forth in article 2112 of the Italian Civil Code, starting on June 1 and July 1, 2020, respectively. Both of the corporate transactions were preceded by the activation of the trade union disclosure procedure required under art. 47 of Italian Law 428/1990. For EDF EN ITALIA S.p.A., the transaction entailed the application of the Electricity national collective labour agreement in place of the Tertiary sector national collective labour agreement previously applied.

**Application of the Electricity national collective labour agreement in the companies ASSISTENZA CASA S.p.A., Attiva S.p.A. and EDISON ENERGIA S.p.A.**

With the harmonisation agreements of May 20 and June 24, 2020, the application of the Electricity national collective labour agreement was agreed upon in the companies Assistenza Casa S.p.A. (in place of the Tertiary sector national collective labour agreement), Attiva S.p.A. (in place of the Gas-Water national collective labour agreement) and Edison Energia S.p.A. (in place of the Gas-Water national collective labour agreement).

**Sale of Edison Exploration & Production S.p.A.**

On last June 10, a meeting was held with the National Trade Union Secretariats, the RSUs of Edison E&P and the Edison Workers Coordination unit in order to provide an update on the progress of the process of selling the company Edison E&P to Energean Plc, which began with the signing of the sale agreement of July 4, 2019. The meeting focused on the circumstances which caused the exclusion of the Algerian assets from the scope of the disposal and the resulting amendments to the sale agreement that became necessary. Considering the continuation of dialogue with Energean to define further riders to the sale agreement, the Parties have already planned subsequent meetings on the matter.

**Edison Group Performance-related bonus**

**1. Group companies that apply the Electricity, Energy and Oil, Gas-Water national collective labour agreements**

With minutes dated May 13, 2020, Edison, the National Trade Union Secretariats and the Edison Group RSU Coordination unit proceeded - after reviewing the results achieved in 2019 - with final reporting on the performance-related bonus that will be provided with July 2020 wages.

**2. Companies in the Edison Energy & Environmental Services Market Division**

With minutes dated May 21, 2020 and May 29, 2020, respectively, Fenice S.p.A. and Sersys Ambiente Srl, the National Trade Union Secretariats and the RSUs of the two companies proceeded - after reviewing the results achieved in 2019 - with final reporting on the performance-related bonus that will be provided with July 2020 wages. Also on May 21, 2020, an agreement was signed which makes it possible to convert the balance of the 2019 performance-related bonus of the two companies into welfare goods and services and to manage the 200 € welfare credit set forth in the Metal-mechanics sector national collective labour agreement.

## Organisation and Employee Services

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

- During the first half, the organisational macro-structure and the main responsibilities of the Gas & Power Market Division were partly reconfigured through the introduction of “territorial models” in order to enhance channel synergies and the territorial presence.
  Following the acquisition of 100% of Assistenza Casa, a new Retail Services Delivery Department was also created, which was assigned the main responsibility of providing customers with delivery services for insurance products and other VAS (value-added services) sold by the Market Departments.
  The integration of the activities and resources previously allocated to Edison Energie within the Gas & Power Market Division was completed, taking advantage of the management synergies set out in the acquisition business plan and continuing to develop the customer portfolio acquired, also through the gradual expansion of the range of energy commodities, products and services.
- During the year, in various steps between the first and second half of the year, the reorganisation of the main structures of the EESM Division was completed: in particular, a new Department dedicated to the FCA CNHI customer was created, and the Services Delivery & Contract Management Department structure was restructured, focused on services for industry customers.
  Through a process of organisational and corporate integration, the structure of the PA Market EESM Department was redefined, which involved, among other things, the merger between Zephyro SPA and Edison Facility Solution SPA.

Similarly, the corporate structure of Environmental Services activities has been redefined.
Also within the division, the reorganisation of the main support functions (HR, FINANCE; Compliance & Audit, Procurement) was completed.

- During the first half of the year, the Engineering Division's macro-structure and operating model was redefined with the aim of effectively ensuring the study, design and specialist engineering, management and site activities of construction and energy efficiency projects, plants, infrastructures and buildings in the various operating contexts of the Company.
- The merger of the companies EDF EN ITALIA and EDF En Service Italia within the scope of the Power Asset Division was completed to increasingly boost the integration and optimise operating synergies in staff, development and asset management processes.

With regard to employee services, the Company continued to provide significant support to the "Edison per Te" employee well-being programme, the objective of which is to help employees reconcile their personal needs with their professional obligations with the aim of improving their quality of life. Employees continue to give highly positive ratings to this programme, as shown in the results of the annual MyEdf 2019 survey. Through said survey conducted by the company IPSOS, the group of services for employees and pension, healthcare and accident cover proposed to employees also met with an excellent level of satisfaction, sitting at around 85%, higher than the average of other large Italian companies.

The portal for the use of services was updated to improve the welfare experience by simply and intuitively extending it to all companies in the Group, on both the commodity and service side.
The use of flexible benefits continues, whereby it is possible to convert performance-related bonuses to welfare services and benefits, in accordance with the criteria set forth by law and the trade union agreements signed at the company. This initiative provides employees with the added possibility of using an additional welfare credit deriving from the conversion of performance-related bonuses to satisfy additional needs in terms of reconciling their personal needs with their professional obligations, as well as to contribute to their own supplementary pension, increasing the net value of their overall salary package without an increase in costs for the company.

## Training and development

For the sixth year in a row, in 2020 Edison received the *Top Employers Italia* award, the certification of quality and excellence guaranteed by the Top Employer Institute, an independent international organisation which analyses more than 2,500 companies worldwide on an annual basis. The certification, which is the result of research conducted independently and based on objective data, recognised the excellence of Edison in terms of the employment conditions offered to employees; training and development policies circulated at all company levels; the on-boarding process; in employer branding; and CSR, hence demonstrating that it is a leading company in HR, committed to constantly improving HR practices.

In the course of the first half of 2020, management training initiatives continued to be provided with a view to developing mindsets deemed strategic to achieve business objectives, in particular the engagement and development of people, entrepreneurship and the courage to take risks, innovation and the centrality of the customer and the territory. The courses were provided with conventional methods until the end of February. Afterwards, due to the emergency situation, training activity planning was reviewed and some programmes were redesigned so they could be provided in digital form. In particular, the People management, Effective business presentation, Decision making and risk taking courses and the Self empowerment workshop were all provided digitally. Furthermore, the course dedicated to recently appointed managers, Leading People, Leading business, was enhanced with two webinars devoted to the topics of resilience and performance management.

In addition, all development plans for the resources who participated in the Talent Management – Long term talent process, for the assessment of potential, were defined and launched.

As regards digital training, the platform Digital Training MyLA – My Learning Area was enriched with new contents, an environment integrated with the Edison Intranet that makes it possible to quickly and easily access all e-learning contents, in particular, on certain matters like HSE, compliance and digital education. Due to the emergency situation, within the Energy Gate programme, a course dedicated to Teams, a social collaboration tool, was quickly made available with a view to illustrating how it operates and facilitating remote work, which quite suddenly involved many Group employees.

In June, a new training programme was launched on cybersecurity with a view to improving cognitive and technical skills in order to protect employees as well as the company from the risk of cyber fraud. The programme is aimed at all Group employees and is developed around 4 drivers: the e-learning course on Myla, communication initiatives for raising employee awareness, phishing campaigns to measure the effectiveness of the programmes provided and lastly the measurement of the results achieved.

Finally, a communications campaign was launched for all Group employees to remind them of the importance of participating in mandatory training initiatives (compliance and HSE).

Access to the Ambrosetti permanent update was expanded to all Group Managers and gave them the possibility, during the lockdown, to participate in a number of webinars on the macroeconomic scenario and on management topics. In addition, access to the continuing professional education webinars organised by The Ruling Companies network continued to be available to all Group managers.

The collaboration with Edf's Corporate University continued, making it possible to enhance the managerial training offering with international scope programs on the development of leadership and on the improvement of strategic business expertise. The initiatives proposed were provided digitally and saw the participation of many managers and younger talented employees.

As regards the technical skills academies, on June 4 the Edison Digital Academy was launched: a permanent training programme developed in collaboration with Talent Garden, which strives to accelerate the company's digital transformation by aiming to enhance people's skills. In the first 12 months, the training will involve around 150 employees coming from all areas of the company, and in subsequent years it will aim to include an increasing number of employees. The initial programme is structured around 7 master classes dedicated to strategic topics for

the company, or artificial intelligence and the transformations it brings to the energy sector, the areas of application of the Internet of Things and the importance of developing and designing user-oriented products and services.
The participants are involved in an initial assessment to understand their current level of digital skill as well as the needs linked to the performance of their work: on the basis of the results, the training programme of each participant is defined as well as their participation in one or more of the course’s master classes. The training is complemented with extensive involvement in the Digital Community, a digital space that becomes a “place” for collaboration, communication and knowledge sharing.
The programme closes with a test that evaluates the level of digital skills acquired on the basis of which each participant receives a programme certificate, based on blockchain.
Considerable attention was also focused on the orientation and training of young personnel, predominantly new graduates or with little professional experience, at whom Edison’s graduate programme was aimed, i.e. the Young Community, a three-year development and training programme. The YC Meet Ups were created for them, which are 46 digital meetings reflecting on the situation and on the future, to receive training and get to know the company better.
Following the emergency situation, the entire graduate programme was redesigned for remote participation, including the Business Game and the 24 month development centre.
As regards professional family initiatives, the high-level specialist training provided through internationally recognised partners continued, in particular the Nautilus programme on geo-sciences and sub-soil, which involved employees from the Exploration and Production Division.
Technical-professional training continues to be at the heart of the Business Divisions' training investments. In particular, the Energy & Environmental Services Market Division is continuing to implement the project called "Top Technical Expertise" with the aim of developing and consolidating the technical training of plant operating personnel and at the same time enhancing the know-how present in the company through greater involvement of internal teachers. This programme is part of a wider project aimed at achieving the contractual objective of continuous training, which requires each member of personnel to have access to at least 24 hours of non-compulsory training in the 2020-2023 three-year period.
In the first half of the year, activities continued to be carried out with schools. Specifically, despite the COVID-19 emergency, many projects continued with middle schools. This was the case for Deploy Your Talent, a project promoted by the Sodalitas Foundation that aims to promote the diffusion of studies in technical-scientific disciplines and to overcome gender stereotypes, transformed into a digital programme; the course, again in digital mode, “Turned On Edison”, a programme designed and managed by the young people in the Edison Young Community, aiming to boost knowledge of Energy professions.
In the first half of the year, two courses of Orientation to University and Work for the children of employees were successfully activated. The first course was carried out on an online platform run by an external provider and lasted a total of 60 hours. The second one was carried out through three webinars on the job market, from personal branding to simulated interviews.
In the first half of 2020, the review of the *www.edison.it/lavora-con-noi* page was completed with the inclusion of a behavioural assessment that enables potential Edison candidates to choose the ideal position. In addition, master’s programmes were designed for drawing up job descriptions and the most effective and attractive vacancy notices

# OTHER INFORMATION

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

- at June 30, 2020, it did not hold treasury shares or shares of its Parent company in the portfolio, neither indirectly through nominees nor other third parties. No transactions involving treasury shares or shares of the Parent company were executed during the year, either directly or indirectly through nominees or other third parties.
- The Group executed transactions with related parties during the half-year. A description of the most significant transactions is provided in comments to “Key Events” as well as in section 9.3 “Intercompany and Related-Party Transactions” in the Condensed Consolidated Semiannual Financial Statements.
- No secondary registered offices have been established.

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

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# Condensed Consolidated Semiannual Financial Statements

## AT JUNE 30, 2020

## CONSOLIDATED INCOME STATEMENT

| (in millions of euros) | Chapter | 1st half 2020 | of which related parties | 1st half 2019 (*) | of which related parties |
|---|---|---|---|---|---|
| Sales revenues | | 3,107 | 397 | 4,321 | 598 |
| Other revenues and income | | 52 | 5 | 61 | 11 |
| **Total net revenues** | | **3,159** | **402** | **4,382** | **609** |
| Commodity and logistic costs (-) | | (2,321) | (294) | (3,566) | (306) |
| Other costs and services used (-) | | (246) | (13) | (263) | (27) |
| Labor costs (-) | | (158) | | (152) | |
| Receivables (writedowns) / reversals | 3 | (14) | | (14) | |
| Other costs (-) | | (40) | | (46) | |
| **EBITDA** | 2 | **380** | | **341** | |
| Net change in fair value of derivatives (commodity and exchange rate risk) | 4 | 3 | | 8 | |
| Depreciation and amortization (-) | 5 | (176) | | (162) | |
| (Writedowns) and reversals | 5 | (24) | | - | |
| Other income (expense) non Energy activities | 8 | (19) | | (15) | |
| **EBIT** | | **164** | | **172** | |
| Net financial income (expense) on debt | 6 | (7) | (4) | (3) | (1) |
| Other net financial income (expense) | 2 | (11) | 2 | 2 | 5 |
| Net financial income (expense) on assigned trade receivables without recourse | 3 | (7) | | (10) | |
| Income from (Expense on) equity investments | 5 | 1 | 1 | 2 | 2 |
| **Profit (Loss) before taxes** | | **140** | | **163** | |
| Income taxes | 7 | (36) | | (34) | |
| **Profit (Loss) from continuing operations** | | **104** | | **129** | |
| Profit (Loss) from discontinued operations | 2;9 | (162) | | (518) | |
| **Profit (Loss)** | | **(58)** | | **(389)** | |
| Broken down as follows: | | | | | |
| Minority interest in profit (loss) | | 7 | | 9 | |
| **Group interest in profit (loss)** | | **(65)** | | **(398)** | |

(*) The amounts of 1st half 2019 were restated pursuant to IFRS 5.

## OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

| (in millions of euros) | Chapter | 1st half 2020 | 1st half 2019 (*) |
|---|---|---|---|
| **Profit (Loss)** | | **(58)** | **(389)** |
| **Other components of comprehensive income:** | | | |
| **A) Change in the Cash Flow Hedge reserve** | 6 | **(30)** | **7** |
| - Gains (Losses) arising during the period | | (41) | 10 |
| - Income taxes | | 11 | (3) |
| **B) Differences on the translation of assets in foreign currencies** | | **(4)** | **4** |
| - Gains (Losses) arising during the period not realized | | (4) | 5 |
| - Income taxes | | | (1) |
| **C) Pro rata interest in other components of comprehensive income of investee companies** | | - | - |
| **D) Actuarial gains (losses) (**)** | | **(1)** | **-** |
| - Actuarial gains (losses) | | (1) | - |
| - Income taxes | | - | - |
| **Total other components of comprehensive income net of taxes (A+B+C+D)** | | **(35)** | **11** |
| **Total comprehensive profit (loss)** | | **(93)** | **(378)** |
| Broken down as follows: | | | |
| Minority interest in comprehensive profit (loss) | | 7 | 9 |
| **Group interest in comprehensive profit (loss)** | | **(100)** | **(387)** |

(*) The amounts of 1st half 2019 were restated pursuant to IFRS 5.
(**) Items not reclassificable in Income Statement.

# CONSOLIDATED BALANCE SHEET

| (in millions of euros) | Chapter | 06.30.2020 | of which related parties | 12.31.2019 | of which related parties |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Property, plant and equipment | 5 | 3,561 | | 3,312 | |
| Intangible assets | 5 | 320 | | 344 | |
| Goodwill | 5 | 2,219 | | 2,220 | |
| Investments in companies valued by the equity method | 5 | 108 | 108 | 91 | 91 |
| Other non-current financial assets | 5 | 65 | 46 | 68 | 48 |
| Deferred-tax assets | 7 | 244 | | 216 | |
| Non-current tax receivables | 7 | 35 | | 35 | |
| Other non-current assets | 3 | 195 | | 43 | |
| Fair value | 4 | 218 | | 100 | |
| Assets for financial leasing | 6 | 2 | | 2 | |
| **Total non-current assets** | | **6,967** | | **6,431** | |
| Inventories | 3 | 103 | | 133 | |
| Trade receivables | 3 | 896 | 82 | 1,132 | 127 |
| Current tax receivables | 7 | 26 | 18 | 26 | 19 |
| Other current assets | 3 | 325 | 23 | 380 | 24 |
| Fair value | 4 | 816 | | 676 | |
| Current financial assets | 6 | 146 | 10 | 347 | 6 |
| Cash and cash equivalents | 6 | 126 | 47 | 283 | 156 |
| **Total current assets** | | **2,438** | | **2,977** | |
| **Assets held for sale** | 9 | **1,038** | | **1,401** | |
| **Total assets** | | **10,443** | | **10,809** | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | | 5,377 | | 5,377 | |
| Reserves and retained earnings (loss carryforward) | | (70) | | 409 | |
| Reserve for other components of comprehensive income | | (23) | | 12 | |
| Group interest in profit (loss) | | (65) | | (471) | |
| **Total shareholders' equity attributable to Parent Company shareholders** | 6 | **5,219** | | **5,327** | |
| Shareholders' equity attributable to minority shareholders | 6 | 160 | | 186 | |
| **Total shareholders' equity** | | **5,379** | | **5,513** | |
| Employee benefits | 5 | 36 | | 38 | |
| Provisions for decommissioning and remediation of industrial sites | 5 | 183 | | 163 | |
| Provisions for risks and charges | 5 | 263 | | 342 | |
| Provisions for risks and charges for non Energy activities | 8 | 280 | | 266 | |
| Deferred-tax liabilities | 7 | 85 | | 95 | |
| Other non-current liabilities | 3 | 5 | | 5 | |
| Fair value | 4 | 201 | | 93 | |
| Non-current financial debt | 6 | 569 | | 615 | 35 |
| **Total non-current liabilities** | | **1,622** | | **1,617** | |
| Trade payables | 3 | 1,058 | 45 | 1,425 | 80 |
| Current tax payables | 7 | 116 | 99 | 104 | 78 |
| Other current liabilities | 3 | 211 | 25 | 184 | 14 |
| Fair value | 4 | 904 | | 726 | |
| Current financial debt | 6 | 306 | 14 | 342 | 26 |
| **Total current liabilities** | | **2,595** | | **2,781** | |
| **Liabilities held for sale** | 9 | **847** | | **898** | |
| **Total liabilities and shareholders' equity** | | **10,443** | | **10,809** | |

## CASH FLOW STATEMENT

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in the first half of 2020 and in the first half of 2019. In order to provide a better understanding of the Group's cash generation and utilization dynamics and changes in net financial debt, please see paragraph 6.3 Net financial debt and cost of debt. The information provided below is supplemented by the data presented in a separate statement included in the Semiannual Report on Operations.

| | (in millions of euros) | Chapter | 1st half 2020 | of which related parties | 1st half 2019 (*) | of which related parties |
|---|---|---|---|---|---|---|
| | **Profit (Loss) before taxes** | | **140** | | **163** | |
| | Depreciation, amortization and writedowns | 5 | 200 | | 162 | |
| | Net additions to provisions for risks | | 9 | | 11 | |
| | Interest in the result of companies valued by the equity method (-) | 5 | (1) | (1) | (2) | (2) |
| | Dividends received from companies valued by the equity method | 5 | 2 | 2 | 1 | 1 |
| | (Gains) Losses on the sale of non-current assets | | 1 | | (2) | |
| | Change in the provision for employee benefits | | (2) | | (2) | |
| | Change in fair value recorded in EBIT | 4 | (3) | | (8) | |
| | Change in operating working capital | | (99) | 10 | 56 | (33) |
| | Change in non-operating working capital | | (40) | 12 | (26) | (14) |
| | Change in other operating assets and liabilities | | (90) | | 46 | |
| | Net financial (income) expense | | 25 | 4 | 11 | (4) |
| | Net financial income (expense) paid | | (17) | (4) | (9) | 4 |
| | Net income taxes paid | | (23) | | (15) | |
| | Operating cash flow from discontinued operations | 9 | 59 | | 89 | |
| A. | **Operating cash flow** | | **161** | | **475** | |
| | Additions to intangibles and property, plant and equipment (-) | 5 | (145) | | (118) | |
| | Additions to non-current financial assets ( -) | 5 | (23) | | (6) | |
| | Net price paid on business combinations | 1 | - | | (2) | |
| | Cash and cash equivalents disposed | | - | | (1) | |
| | Proceeds from the sale of intangibles and property, plant and equipment | | 2 | | 3 | |
| | Proceeds from the sale of non-current financial assets | | - | | 4 | |
| | Cash used in investing activities from discontinued operations | 9 | (71) | | (29) | |
| B. | **Cash used in investing activities** | | **(237)** | | **(149)** | |
| | Receipt of new medium-term and long-term loans | | 20 | | - | |
| | Redemption of medium-term and long-term loans (-) | | (80) | (40) | (26) | (5) |
| | Other net change in financial debt | | (19) | | 9 | 4 |
| | Change in current financial assets | | 5 | | 57 | - |
| | Net liabilities resulting from financing activities (**) | 6 | (74) | | 40 | |
| | Capital and reserves contributions (+) | | - | | - | |
| | Dividends and reserves paid to controlling companies or minority shareholders (-) | 6 | (30) | | (32) | (1) |
| | Cash used in financing activities from discontinued operations | 9 | (7) | | (61) | |
| C. | **Cash used in financing activities** | | **(111)** | | **(53)** | |
| D. | **Net currency translation differences** | | **(2)** | | **-** | |
| E. | **Net cash flow for the period (A+B+C+D)** | | **(189)** | | **273** | |
| F. | **Cash and cash equivalents at the beginning of the year** | | **344** | **156** | **149** | **29** |
| G. | **Cash and cash equivalents at the end of the period (E+F)** | | **155** | **47** | **422** | **298** |
| H. | **Cash and cash equivalents at the end of the period discontinued operations** | | **29** | **-** | **23** | **-** |
| I. | **Cash and cash equivalents at the end of the period continuing operations (G-H)** | | **126** | **47** | **399** | **298** |

(*) The amounts of 1st half 2019 were restated pursuant to IFRS 5

(**) For the reconciliation with the amounts of balance sheet please refer to paragraph 6.3 "Net financial debt and cost of debt".

# CHANGES IN CONSOLIDATED SHAREHOLDERS’ EQUITY

| | | | Reserve for other components of comprehensive income | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in millions of euros) | Share capital | Reserves and retained earnings (loss carry-forward) | Cash Flow Hedge reserve | Differences on the translation of assets in foreign currencies | Interest in other components of comprehensive income of investee companies | Actuarial gains (losses) | Group interest in profit (loss) | Total shareholders' equity attributable to Parent Company shareholders | Shareholders' equity attributable to minority shareholders | Total shareholders' Equity |
| **Balance at December 31, 2018** | **5,377** | **389** | **42** | **28** | **-** | **(4)** | **54** | **5,886** | **255** | **6,141** |
| Appropriation of the previous year's profit (loss) | - | 54 | - | - | - | - | (54) | **-** | - | **-** |
| Dividends and reserves distributed | - | - | - | - | - | - | - | **-** | (32) | **(32)** |
| Change in the scope of consolidation | - | - | - | - | - | - | - | **-** | - | **-** |
| Other changes | - | (15) | - | - | - | - | - | **(15)** | - | **(15)** |
| **Total comprehensive profit (loss)** | **-** | **-** | **7** | **4** | **-** | **-** | **(398)** | **(387)** | **9** | **(378)** |
| of which: | | | | | | | | | | |
| - Change in comprehensive income | - | - | 7 | 4 | - | - | - | **11** | - | **11** |
| - Profit (loss) from 01.01.2019 to 06.30.2019 | - | - | - | - | - | - | (398) | **(398)** | 9 | **(389)** |
| **Balance at June 30, 2019** | **5,377** | **428** | **49** | **32** | **-** | **(4)** | **(398)** | **5,484** | **232** | **5,716** |
| Dividends and reserves distributed | - | - | - | - | - | - | - | **-** | (19) | **(19)** |
| Change in the scope of consolidation | - | (15) | - | - | - | - | - | **(15)** | (33) | **(48)** |
| Other changes | - | (4) | - | - | - | - | - | **(4)** | - | **(4)** |
| **Total comprehensive profit (loss)** | **-** | **-** | **(63)** | **(1)** | **-** | **(1)** | **(73)** | **(138)** | **6** | **(132)** |
| of which: | | | | | | | | | | |
| - Change in comprehensive income | - | - | (63) | (1) | - | (1) | - | **(65)** | - | **(65)** |
| - Profit (loss) from 07.01.2019 to 12.31.2019 | - | - | - | - | - | - | (73) | **(73)** | 6 | **(67)** |
| **Balance at December 31, 2019** | **5,377** | **409** | **(14)** | **31** | **-** | **(5)** | **(471)** | **5,327** | **186** | **5,513** |
| Appropriation of the previous year's profit (loss) | - | (471) | - | - | - | - | 471 | **-** | - | **-** |
| Dividends and reserves distributed | - | - | - | - | - | - | - | **-** | (33) | **(33)** |
| Change in the scope of consolidation | - | - | - | - | - | - | - | **-** | - | **-** |
| Other changes | - | (8) | - | - | - | - | - | **(8)** | - | **(8)** |
| **Total comprehensive profit (loss)** | **-** | **-** | **(30)** | **(4)** | **-** | **(1)** | **(65)** | **(100)** | **7** | **(93)** |
| of which: | | | | | | | | | | |
| - Change in comprehensive income | - | - | (30) | (4) | - | (1) | - | **(35)** | - | **(35)** |
| - Profit (loss) from 01.01.2020 to 06.30.2020 | - | - | - | - | - | - | (65) | **(65)** | 7 | **(58)** |
| **Balance at June 30, 2020** | **5,377** | **(70)** | **(44)** | **27** | **-** | **(6)** | **(65)** | **5,219** | **160** | **5,379** |

# 1. INTRODUCTION

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2020 were prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998 as amended, and the interim financial disclosures provided are consistent with the provisions of IAS 34 – Interim Financial Reporting. The abovementioned report is consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

The Board of Directors, meeting on July 29, 2020, authorized the publication of the Condensed Consolidated Semiannual Financial Statements, which were the subject of a limited audit by KPMG Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 28, 2020 for a period of nine years (2020-2028), pursuant to Legislative Decree No. 39 of January 27, 2010.

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

## 1.1 Newly applied standards

The accounting principles, the valuation criteria and the consolidation criteria applied are consistent with those adopted for the preparation of the 2019 Consolidated Financial Statements, which should be referenced for additional details.

During the period, some amendments to the IFRSs were adopted including, in particular, those relating to **IFRS 3 revised Business Combinations**, which provide clarifications to determine whether a transaction must be accounted for as a business combination or as an acquisition of assets; with respect to the distinction between the acquisition of a business or the acquisition of a group of assets, the amendments to IFRS 3 are effective on a prospective basis for financial years beginning on or after January 1, 2020. An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities is defined as a business. The acquisition of a business should be accounted for as a business combination pursuant to IFRS 3 revised by applying the acquisition method which, inter alia, may give rise to the recognition of goodwill. Vice versa, the acquisition of a group of assets which does not have access to the market should be considered an acquisition of assets; in acquisitions of assets, the acquirer allocates the transaction price to the identifiable assets acquired and the liabilities assumed on the basis of their relative fair value, and no goodwill is recognised.

At present these changes had no effect on Group's Financial Statements.

## 1.2 Presentation formats adopted by the Group

It should be noted that based on the numerous projects that IASB is developing on the topic **"Effective communication"** Edison opted for the introduction, starting from 2018 Consolidated Financial Statements, of a new presentation method that will make the financial statements information more relevant and effective, considering information materiality and stakeholders' expectations. For this purpose, the notes to the financial statements have been reviewed and broken down into chapters of similar topics, instead of detailing them for single items of the financial statements. For further information please refer to 2018 Consolidated Financial Statements.
With reference to the effects related to application of accounting standard IFRS 5 please see the following paragraph 1.6. and chapter 9. Other notes – paragraph 9.1 Disclosure pursuant to IFRS 5.
For the reconciliation between the comparative values presented in the statements and those published in the previous year, please refer to paragraph 10.1 Comparability.

## 1.3 Use of estimated values

The preparation of Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2020 and the accompanying notes required the use of estimates and assumptions both in the measurement of certain assets and liabilities and the valuation of contingent liabilities. The future results that will arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the financial statements. Generally, the use of estimates is particularly significant for the following items: i) the assessment that the value of the company's property, plant and equipment and intangible assets, including the goodwill, may be subject to a permanent reduction (so called impairment test); ii) the valuation of certain provisions for risks and charges, such as the provisions for decommissioning and remediation of industrial sites and those for legal and tax disputes; iii) measurement of certain revenues.
For a more detailed description of the valuation processes with a more significant impact on the Group, unchanged compared to the previous year, please see paragraph 10.3 Valuation Criteria in 2019 Consolidated Financial Statements.

## 1.4 Significant assumptions in determining control in accordance with IFRS 12

With regard to the definition of control set forth in IFRS 10, please note that the Edison Group consolidated line by line two companies even though it did not hold a majority equity stake; more specifically Dolomiti Edison Energy Srl (owned at 49%) in the hydroelectric area, and E2i Energie Speciali Srl (E2i), owned at 30% through Edison Renewables Srl (formerly Edison Partecipazioni Energie Rinnovabili Srl) in the renewable energy area. A more detailed description of these topics is provided in 2019 Consolidated Financial Statements.
With reference to the company Dolomiti Edison Energy Srl, it should be noted that the application of new management and governance agreements, which entered into force on July 1, 2020, resulted, as of that date, in the loss of control over relevant activities and therefore the deconsolidation of the company. In the second half of 2020 this company will therefore be classified as an associate and accounted for using the equity method.

## 1.5 Main changes in the scope of consolidation compared with December 31, 2019

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

- the merger, with effect from January 1, 2020, of the companies Edison Facility Solutions Spa and West Tide Srl into the company Zephyro Spa; this latter, on the same date, changed the company name into Edison Facility Solutions Spa; this change had no effects on Group's balance sheet and income statement;
- in May the merger of the company EDF EN Italia Spa into the company Edison Partecipazioni Energie Rinnovabili Srl (EPER), which at the same time changed the company name into Edison Renewables Srl. The merger has effects towards third parties from June 1, 2020 and had no effects on Group's balance sheet and income statement.

## 1.6 Application of accounting standard IFRS 5

As already commented in 2019 Consolidated Financial Statements, on July 4, 2019, subject to authorisation by the Board of Directors on the previous day, Edison signed an agreement with Energean Oil & Gas Plc (hereinafter Energean) for the sale to the latter of 100% of Edison Exploration & Production Spa and its subsidiaries operating in Italy and abroad in the hydrocarbons exploration and production business (hereinafter the E&P business). The execution of the sale is subject to some government authorisations.
As stated in the aforementioned agreement, the sale price was determined on the basis of an Enterprise Value of USD 750 million and through a locked box mechanism at December 31, 2018. The agreement also provided for an additional consideration of USD 100 million at the start of production of the Cassiopea gas field in Italy. The contract requires the buyer to fulfil future decommissioning obligations.
Afterwards:

- in December 2019, Edison received the refusal of the Algerian Ministry of Energy to transfer the assets located in Algeria and was invited to discuss the sale of these assets with Sonatrach (Algerian state company); Edison, confirming its intention to divest the asset, then commenced negotiations to that effect; Edison and Energean declared their intention to implement the transaction in any case, excluding Algerian assets;
- on April 2, 2020 and June 28, 2020 amendments were signed to the terms of the sale agreement of July 4, 2019, concerning, among other things, the exclusion from the scope of the transaction of E&P assets located in Algeria and of Edison Norge AS, which owns the E&P assets located in Norway, in addition to some revisions of the considerations.

The enterprise value of the assets under disposal, after the amendments of the agreement, is now equal to 284 million USD (value at the locked-box date of December 31, 2018 amended to exclude Algerian and Norwegian assets and to incorporate the revisions of the consideration). By the amendment of the agreement signed on June 28, 2020 the calculation method of the additional consideration contingent on the commissioning of Cassiopea was also redefined; that consideration will be determined on the basis of gas prices (PSV) observed at the time of the commissioning of the field, up to a maximum of USD 100 million.
The scope of the sale to Energean now includes the assets, mining rights and equity investments in the hydrocarbon sector of Edison Exploration and Production in Italy, Egypt, Greece, UK and Croatia. Closing with Energean is expected within the year.

Please remember that, following the aforementioned agreement of July 4, 2019, in the Condensed Consolidated Semiannual Financial Statements at June 30, 2019 and then in 2019 Consolidated financial statements, the E&P business, represented by a number of Cash Generating Units, taking into account its significance and unique characteristics because, among other things, it has a higher risk profile than those of the remaining core business activities, was treated as Assets held for sale (discontinued operations) in accordance with IFRS 5. The revenues and income and costs and expenses relating to the whole E&P business were consequently reclassified under the item **Profit (Loss) from discontinued operations** and the corresponding balance sheet items were booked under **Assets** and **Liabilities held for sale.**
Following the changes that occurred during the first half 2020, the assets included in the scope of the sale to Energean are treated as discontinued operations; Algerian assets and Edison Norge, whose sale at the moment is no longer deemed as highly probable in the short term, are instead consolidated between continuing operations.
The representation methods adopted in these Condensed Consolidated Semiannual Financial Statements are illustrated below.

**E&P assets remaining in the scope of the sale to Energean:**

- in the income statement for the first half of 2020 and, for comparative purposes, for the first half of 2019, the revenues and income and costs and expenses, as well as the adjustment of the carrying amount to fair value less cost to sell, of the assets that constitute discontinued operations are classified under the item **Profit (Loss) from discontinued operations** (negative by 162 million euros in the first half of 2020 and by 518 million euros in the first half of 2019); the determination of the adjustment of the book value of these assets at June 30, 2020 reflects, among other things, the effects of the revisions of the terms of the agreement with Energean;
- in the balance sheet at June 30, 2020, the assets and liabilities are classified under **Assets** and **Liabilities held for sale.**

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

**E&P assets in Algeria and Norway that remain under Edison ownership:**

These assets, which sale is not expected in the short term, were re-consolidated between continuing operations starting from the moment in which the hypothesis of sale pursuant to IFRS 5 waned; in particular:

- in the income statement and in flows the representation of the contribution to the values of the Group is on a retrospective basis starting from January 1, 2020, and comparative amounts of 2019 have been appropriately restated;
- the balance sheet has been consolidated prospectively, starting from the date of the termination of the discontinuing.

In this document, therefore, all the economic and flow data referring to the first half of 2019 have been restated to allow a homogeneous comparison with those of the first half of 2020; the balance sheet figures at December 31, 2019 are those published in the 2019 Consolidated Financial Statements.

First half 2020 EBITDA for these operations totalled 12 million euros (13 million euros in the first half of 2019).

For more information regarding the application of IFRS 5 accounting standard and the related effects on these Condensed Consolidated Semiannual Financial Statements, see paragraph 9.1 Disclosure pursuant to IFRS 5.

## 1.7 Information pursuant to IFRS 3 revised

### Completion of Purchase Price Allocation process (PPA) referred to acquisitions of 2019 – EDF EN Italia

It should be noted that during the first half of 2020 the PPA process was completed relating to the acquisition of EDF EN Italia by Edison Spa, carried out in July 2019, confirming the values recognised during the provisional purchase price allocation. For further information please refer to 2019 Consolidated Financial Statements.

## 1.8 COVID-19

The first half of 2020 was dominated by the COVID-19 pandemic, which caused a state of health emergency throughout most of the world, which is set to continue all year round, to which various countries responded, albeit by adopting different measures, by stopping all commercial and manufacturing activities and services considered not strictly essential, in order to check the spread of the virus. The virus had an immediate impact on the global economy, which will be in a recession for at least the whole of 2020.

During the COVOD-19 emergency Edison has been operating, safeguarding the health of its employees and suppliers, to ensure the continuity of electricity and gas supplies and to support hospitals, thus guaranteeing an essential service for the Country.

The health emergency led to a significant worsening of the macroeconomic scenario with effects on demand and prices for electricity and gas, as well as on a possible deterioration of the counterparties' creditworthiness.

According to the CONSOB and ESMA requirements, the Group conducted in-depth analysis on the most sensitive and most subject to variability issues related to this emergency situation. As commented on further in this document, particular attention has been paid to the assessment of the recoverability of receivables, the value retention of assets and goodwill, the effectiveness of existing hedging transactions.

The estimate of the impact of COVID-19 on the Group's EBITDA for the first half of the year is a decrease of approximately 47 million euros, largely attributable to the contraction in commodities sales volumes compared to sales expectations; on the other hand, there were no significant impacts in terms of receivables writedowns.

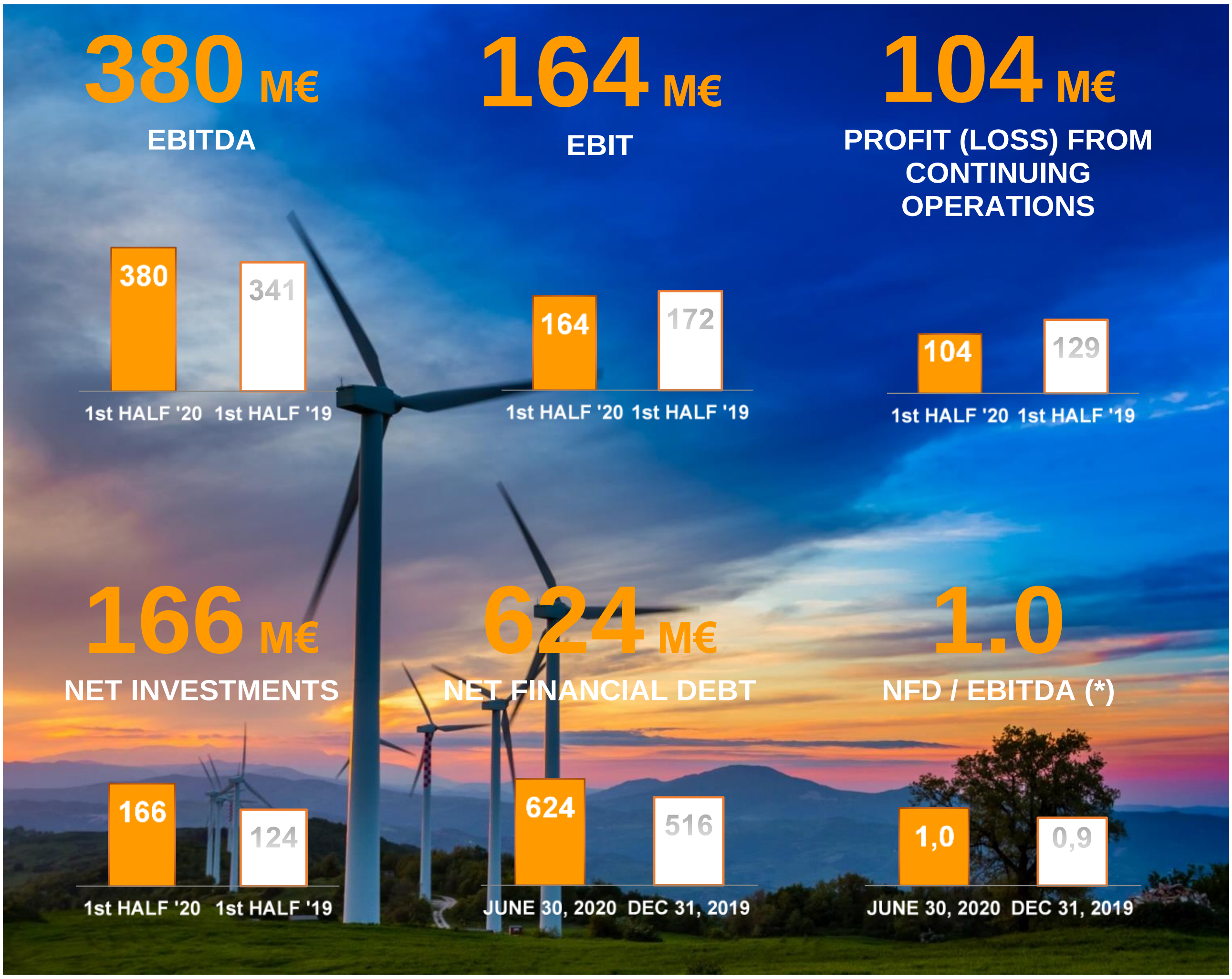
For further details, please refer to the comments in the Semiannual Report on Operations.

There were no significant impacts on financial items, instead some positive effects on the item taxes related to specific tax laws issued in support of companies for the emergency period are reflected.

The Company will continue to monitor the evolution of the situation; thanks to the low level of indebtedness, Edison maintains a solid financial structure and can rely on adequate liquidity reserves to support both operational needs and business development plans.

# 2. PERFORMANCE

## 2.1 Highlights




**(*) NFD** Net Financial Debt; the ratio at June 30, 2020 was calculated using a normalized EBITDA based on the last twelve months.

| Highlights 1st half 2020 (in millions of euros) | Electric Power Operations | Gas Operations and E&P (*) | Corporate | Eliminations | Edison Group |
|---|---|---|---|---|---|
| EBITDA | 259 | 167 | (46) | - | **380** |
| EBIT | 92 | 145 | (73) | - | **164** |
| Gross Investments | 97 | 45 | 5 | - | **147** |

(*) Including E&P business activities in Algeria and Norway.

## 2.2 Segment Information

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

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

**Gas Operations and E&P:** Edison is present in the various phases of the hydrocarbon supply chain with activities: i) midstream gas: development of transport infrastructure, procurement contracts, storage management and distribution networks; ii) downstream gas: sale to wholesalers and end consumers (industrial and residential); iii) upstream, which include assets for exploration, development and production of hydrocarbons in Algeria and of Edison Norge, while the remaining assets, which constitute the perimeter of the sale to Energean, are showed in Assets and Liabilities held for sale (discontinued operations).

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

| (in millions of euros) | Electric Power Operations | Gas Operations and E&P | Corporate | Adjustments | Edison Group |
|---|---|---|---|---|---|
| **Income statement 1st half 2020** | | | | | |
| **Sales Revenues** | **1,831** | **1,630** | **27** | **(381)** | **3,107** |
| - Third parties | 1,823 | 1,279 | 5 | - | 3,107 |
| - Intra-Group | 8 | 351 | 22 | (381) | - |
| Commodity and logistic costs | (1,276) | (1,406) | - | 361 | (2,321) |
| Other costs and services used | (197) | (31) | (40) | 22 | (246) |
| Labor costs | (102) | (22) | (34) | - | (158) |
| Other revenues and income/(costs), net | 3 | (4) | 1 | (2) | (2) |
| **EBITDA** | **259** | **167** | **(46)** | **-** | **380** |
| Net change in fair value of derivatives | 3 | - | - | - | 3 |
| Depreciation and amortization | (146) | (22) | (8) | - | (176) |
| (Writedowns) and reversals | (24) | - | - | - | (24) |
| Other income (expenses) non Energy activities | - | - | (19) | - | (19) |
| **EBIT** | **92** | **145** | **(73)** | **-** | **164** |
| **Balance Sheet at 06.30.2020** | | | | | |
| Current and non current assets | 5,710 | 3,078 | 4,082 | (3,465) | 9,405 |
| Assets held for sale | - | 1,303 | - | (265) | 1,038 |
| Total assets | 5,710 | 4,381 | 4,082 | (3,730) | 10,443 |
| Current and non current liabilities | 2,085 | 2,242 | 1,245 | (1,355) | 4,217 |
| Liabilities held for sale | - | 1,055 | 57 | (265) | 847 |
| Total liabilities | 2,085 | 3,297 | 1,302 | (1,620) | 5,064 |
| Total shareholders' equity | | | | | 5,379 |
| Net financial debt | | | | | 624 |
| **Other information and ratios** | | | | | |
| Number of employees | 3,529 | 523 | 669 | - | 4,721 |
| Employees in activities held for sale (*) | - | 907 | - | - | 907 |
| EBITDA/Sales revenues | 14.1% | 10.2% | n.m. | n.m. | 12.2% |
| EBIT/Sales revenues | 5.0% | 8.9% | n.m. | n.m. | 5.3% |
| NFD/EBITDA | | | | | 1.0 |
| **Income statement 1st half 2019 (**)** | | | | | |
| **Sales Revenues** | **2,071** | **2,700** | **27** | **(477)** | **4,321** |
| - Third parties | 2,066 | 2,248 | 7 | - | 4,321 |
| - Intra-Group | 5 | 452 | 20 | (477) | - |
| Commodity and logistic costs | (1,541) | (2,481) | - | 456 | (3,566) |
| Other costs and services used | (203) | (35) | (46) | 21 | (263) |
| Labor costs | (100) | (20) | (32) | - | (152) |
| Other revenues and income/(costs), net | 6 | (5) | - | - | 1 |
| **EBITDA** | **233** | **159** | **(51)** | **-** | **341** |
| Net change in fair value of derivatives | 2 | 5 | - | 1 | 8 |
| Depreciation and amortization | (130) | (24) | (8) | - | (162) |
| (Writedowns) and reversals | - | - | - | - | - |
| Other income (expenses) non Energy activities | - | - | (15) | - | (15) |
| **EBIT** | **105** | **140** | **(74)** | **1** | **172** |
| **Balance Sheet at 12.31.2019** | | | | | |
| Current and non current assets | 5,883 | 2,688 | 4,155 | (3,318) | 9,408 |
| Assets held for sale | - | 1,882 | 3 | (484) | 1,401 |
| Total assets | 5,883 | 4,570 | 4,158 | (3,802) | 10,809 |
| Current and non current liabilities | 2,328 | 1,921 | 1,328 | (1,179) | 4,398 |
| Liabilities held for sale | - | 1,336 | 46 | (484) | 898 |
| Total liabilities | 2,328 | 3,257 | 1,374 | (1,663) | 5,296 |
| Total shareholders' equity | | | | | 5,513 |
| Net financial debt | | | | | 516 |
| **Other information and ratios** | | | | | |
| Number of employees | 3,518 | 499 | 665 | - | 4,682 |
| Employees in activities held for sale (*) | - | 949 | - | - | 949 |
| EBITDA/Sales revenues | 11.3% | 5.9% | n.m. | n.m. | 7.9% |
| EBIT/Sales revenues | 5.1% | 5.2% | n.m. | n.m. | 4.0% |
| NFD/EBITDA | | | | | 0.9 |

(*) Include operating company Abu Qir Petroleum Company (AQP) staff; at December 31, 2019 the employees of the company Edison Norge A.S were included in "employees in activites held for sale";
(**) Values restated pursuant to IFRS 5.

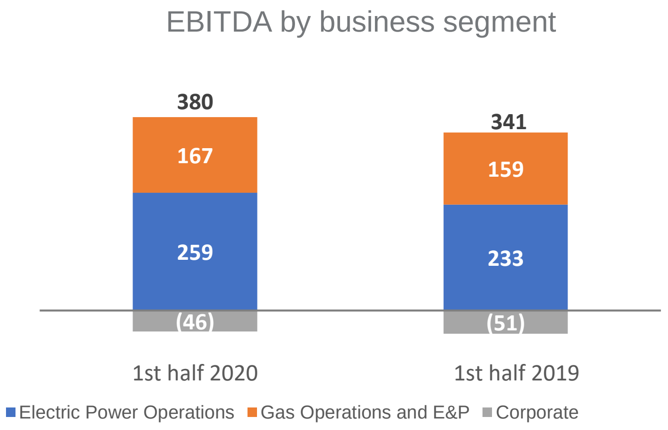
The Group does not view geographic area segment information as meaningful.

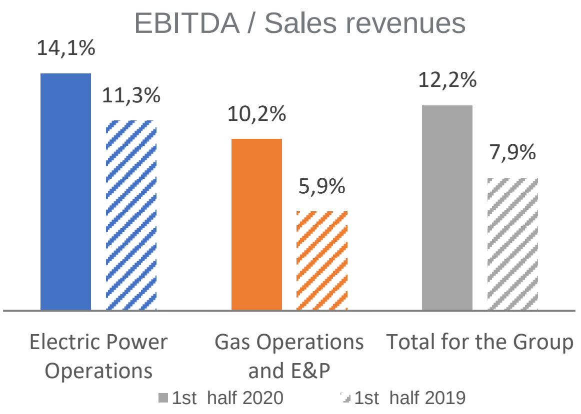
## Major customers as defined by IFRS 8

Sales revenues of the Group are usually not concentrated; there is only one major customer with total sales revenues amounting to about 490 million euros in the first half of 2020, mainly referred to Electric Power Operations (corresponding to about 27% of sales revenues of the segment and about 16% of Group's sales revenues).

## 2.3 EBITDA

| EBITDA<br>(in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Electric Power Operations | 259 | 233 | 26 | 11.2% |
| Gas Operations and E&P | 167 | 159 | 8 | 5.0% |
| Corporate | (46) | (51) | 5 | 9.8% |
| **Total for the Group** | **380** | **341** | **39** | **11.4%** |




Within a context of a sharp drop in demand and a reduction in energy commodity prices compared to the first half of 2019, Group EBITDA was a positive 380 million euros, up compared to the same period of 2019 (341 million euros).

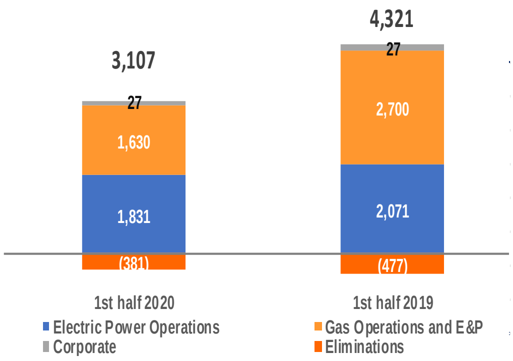
The impact of COVID-19 on the Group primarily regarded the reduction in sales to end customers and the contraction in thermoelectric generation; for more details, please refer to Semiannual Report on Operations. These phenomena were offset for the most part thanks to the contribution of energy generated from renewable sources, including the entry of the company EDF EN Italia, now Edison Renewables, and of its subsidiaries, active in the generation of energy from wind and photovoltaic source, purchased in July 2019.

Gas Operations and E&P EBITDA include the contribution by Algeria and Norway operations for 12 million euros (13 million euros in the first half of 2019).

The main components of EBITDA are analyzed below.

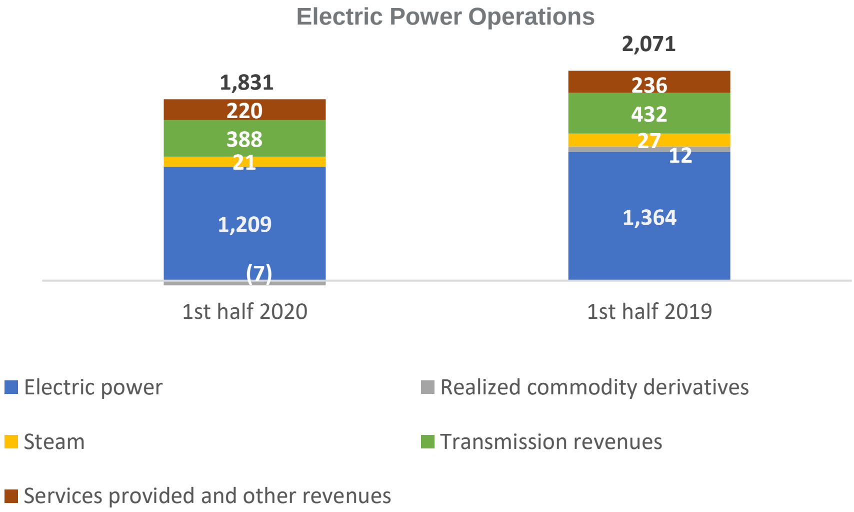
## 2.3.1 Sales revenues

| Sales revenues (in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Electric power | 1,208 | 1,362 | (154) | (11.3%) |
| Natural gas | 1,329 | 2,167 | (838) | (38.7%) |
| Realized commodity derivatives | (222) | (62) | (160) | n.s. |
| Steam | 21 | 27 | (6) | (22.2%) |
| Transmission revenues | 500 | 544 | (44) | (8.1%) |
| Storage services | 38 | 34 | 4 | 11.8% |
| Revenues from services provided | 219 | 238 | (19) | (8.0%) |
| Other revenues | 14 | 11 | 3 | 27.3% |
| **Total** | **3,107** | **4,321** | **(1,214)** | **(28.1%)** |



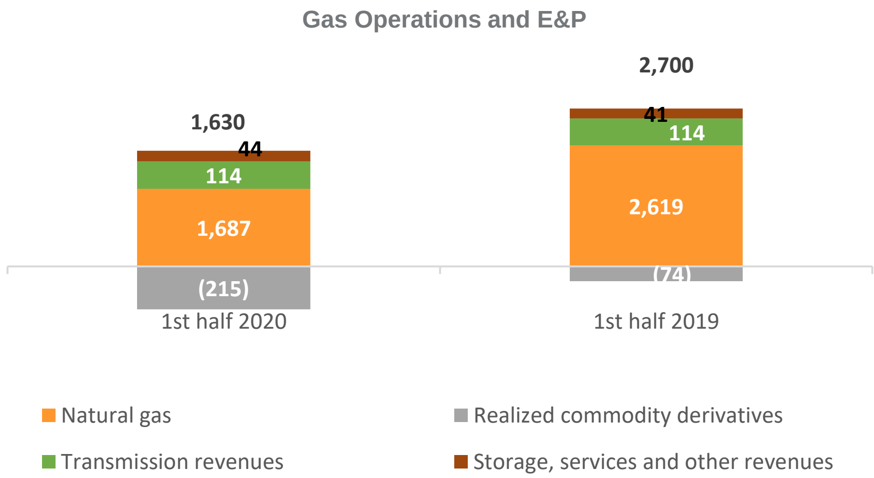

Revenues from the sale of electricity were down due to the reduction in energy prices in Italy as well as the reduction in volumes sold as a result of the health emergency.

Revenues from services provided include the energy services of Energy and Environmental Services Division (196 million euros in the period, 210 million euros in the first half of 2019) decreasing also for COVID-19 effects.



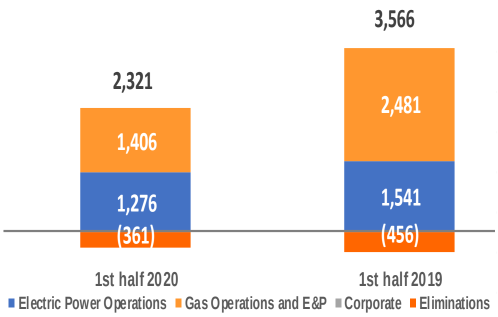

Group revenues from the sale of natural gas were down primarily as a result of the reduction in energy commodity prices and, to a lesser extent, the reduction in volumes sold.

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



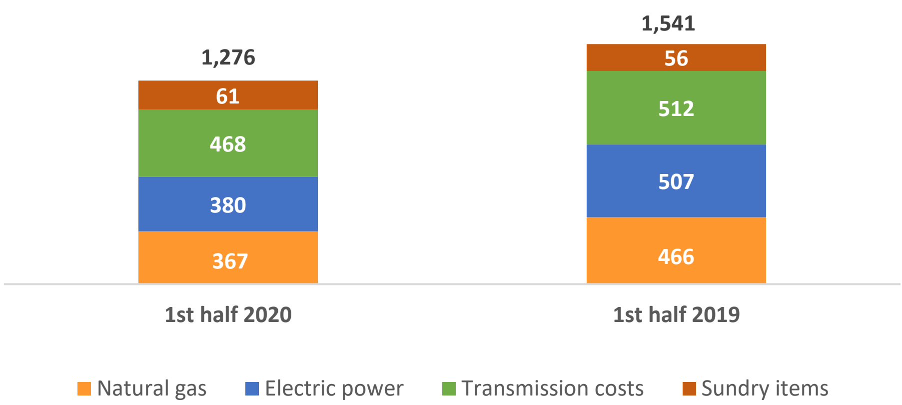
### 2.3.2 Commodity and logistic costs

| Commodity and logistic costs (in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Natural gas | 1,053 | 2,094 | (1,041) | (49.7%) |
| Realized commodity derivatives | (88) | (104) | 16 | 15.4% |
| Electric power | 380 | 507 | (127) | (25.0%) |
| Transmission costs | 859 | 961 | (102) | (10.6%) |
| Regasification fee | 56 | 53 | 3 | 5.7% |
| Sundry items | 61 | 55 | 6 | 10.9% |
| **Total** | **2,321** | **3,566** | **(1,245)** | **(34.9%)** |

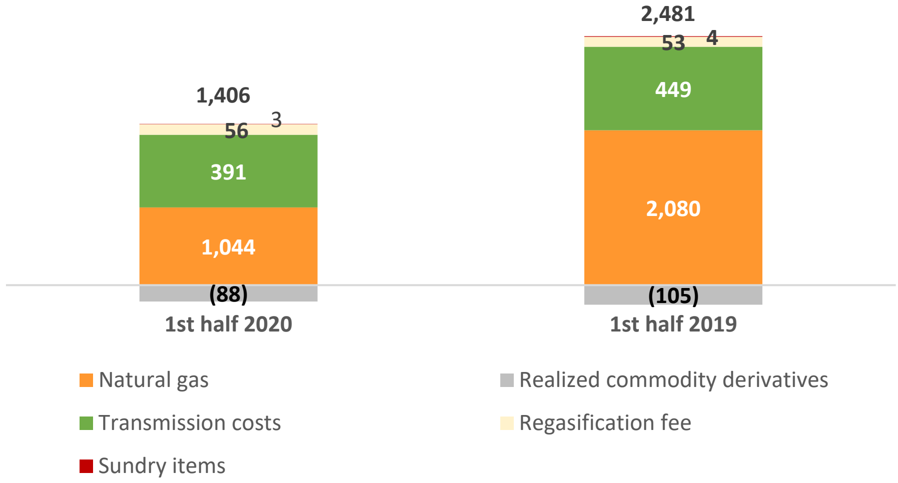



Commodity and logistic costs show a sharp decrease and reflect the issues already commented on the previous section.

Electric Power Operations



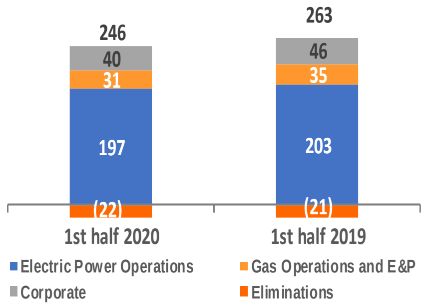

Gas Operations and E&P




The item Regasification fee, amounting to 56 million euros, includes charges recognized to Terminale GNL Adriatico, for regasification activities.

### 2.3.3 Other costs and services used

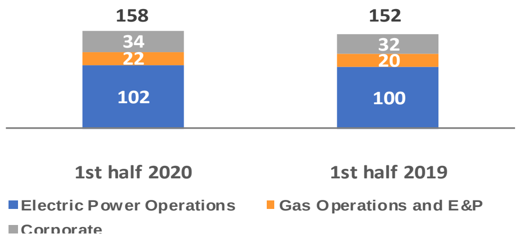
| Other costs and services used (in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Maintenance | 96 | 107 | (11) | (10.3%) |
| Professional services | 52 | 51 | 1 | 2.0% |
| Use of property not owned | 40 | 38 | 2 | 5.3% |
| Insurance costs | 11 | 9 | 2 | 22.2% |
| Advertising and communication costs | 2 | 10 | (8) | (80.0%) |
| Sundry items | 45 | 48 | (3) | (6.3%) |
| **Total** | **246** | **263** | **(17)** | **(6.5%)** |




The decrease over the first half of 2019 is mainly related to the reduction in advertising costs and to the perimeter effect.

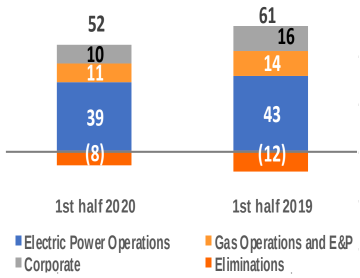
### 2.3.4 Labor costs

These costs recorded an increase of 6 million euros compared to the same period of 2019.



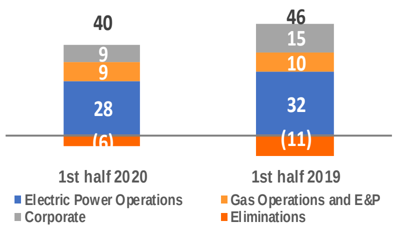

### 2.3.5 Other revenues and income and Other costs

| Other revenues and income (in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Net reversals in earnings of provisions for sundry risks | 8 | 4 | 4 | 100.0% |
| Gains on disposals | - | 3 | (3) | n.s. |
| Insurance indemnities | - | 5 | (5) | n.s. |
| Out of period and other income | 44 | 49 | (5) | (10.2%) |
| **Total** | **52** | **61** | (9) | (14.8%) |




It should be noted that the item Out of period and other income includes 4 million euros (9 million euros in the first half of 2019) from the operations managed in compliance with MASA joint venture agreement with EDF Trading.

| Other costs (in millions of euros) | 1st half 2020 | 1st half 2019 | Change | Change % |
|---|---|---|---|---|
| Indirect taxes and duties | 11 | 10 | 1 | 10.0% |
| Additions to provisions for risks | 8 | 18 | (10) | (55.6%) |
| Out of period and sundry items | 21 | 18 | 3 | 16.7% |
| **Total** | **40** | **46** | (6) | (13.0%) |




The lower amount of additions to provisions for risks compared to the first half of 2019 is mainly due to some additions to provisions for risks of a fiscal nature made in the same period of the previous year

## 2.4 From EBITDA to Profit (Loss) from continuing operations

In addition to the industrial performance discussed above, it is worth of noting, in particular, depreciation and amortization for 176 million euros, in increase compared with the first half of 2019 (162 million euros) mainly due to the contribution of companies acquired during the second half of 2019, especially of EDF EN Italia Group. In addition, writedowns of fixed assets were booked for 24 million euros (please refer to Chapter 5. Fixed assets and provisions).

**EBIT amounted to 164 million euros (172 million euros in the first half 2019)**.

Financial items recorded a total of 25 million euros in net expenses (net expenses of 11 million euros in the first half of 2019). The increase is mainly due to foreign exchange translation losses linked to loans denominated in foreign currencies granted to some foreign subsidiaries pertaining to E&P business, as well as to the impact of financial expenses on debt booked by companies acquired during 2019, including one-off for debt refinancing.
As regards Net financial income (expense) on debt and Net financial income (expense) on assigned trade receivables without recourse reference should be made to paragraphs 6.3 Net financial debt and cost of debt and 3.2 Operating working capital. The following table is a breakdown of the item **Other net financial income (expense).**

| Other net financial income (expense)<br>(in millions of euros) | 1st half 2020 | 1st half 2019 | Change |
|---|---|---|---|
| Financial expenses on provisions | (5) | (5) | - |
| Net foreign exchange translation gains (losses) (*) | (12) | 9 | (21) |
| Other (**) | 6 | (2) | 8 |
| **Other net financial income (expense)** | **(11)** | **2** | **(13)** |

(*) Including net results of the transactions with EDF Sa to cover exchange rate risk.
(**) Including financial income/expense versus Discontinued Operations.

Net foreign exchange translation gains (losses) show net losses for 12 million euros, which mainly reflect the adjustment of financial receivables and payables denominated in foreign currencies to exchange rates at June 30, 2020 and are affected by significant fluctuations suffered by some currencies, especially Norwegian krone and British pound, compared to December 31, 2019.

After deducting the charges for **income taxes** (36 million euros, reviewed in chapter 7. Taxation), the **Profit (Loss) from continuing operations is 104 million euros in profit, 129 million euros in the first half 2019**.

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

Profit (Loss) from discontinued operations, a loss for 162 million euros, includes, amongst other, the writedown determined to align the book value of the E&P perimeter held for sale to the expected sale price, following the amendments of the agreement with Energean. For further information, please refer to paragraphs 1.6 Application of accounting standard IFRS5 and 9.1 Disclosure pursuant to IFRS 5.
The amount for the first half of 2019 (a loss for 518 million euros) similarly included the writedown determined to align the book value of the business held for sale to the expected sale price of the agreement of July 4, 2019.
After deducting the item described above and allocating the minority interest (7 million euros in profit), the Group interest in profit (loss) is equal to 65 million euros in loss (a loss for 398 million euros in the first half 2019).

# 3. NET WORKING CAPITAL

| Net Working Capital (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Trade receivables | 896 | 1,132 | (236) |
| Inventories | 103 | 133 | (30) |
| Trade payables | (1,058) | (1,425) | 367 |
| **Operating Working Capital (A)** | **(59)** | **(160)** | **101** |
| Other non-current assets | 195 | 43 | 152 |
| Other current assets | 325 | 380 | (55) |
| Other non-current liabilities | (5) | (5) | - |
| Other current liabilities | (211) | (184) | (27) |
| **Other assets (liabilities) (B)** | **304** | **234** | **70** |
| **Net working capital (A+B)** | **245** | **74** | **171** |

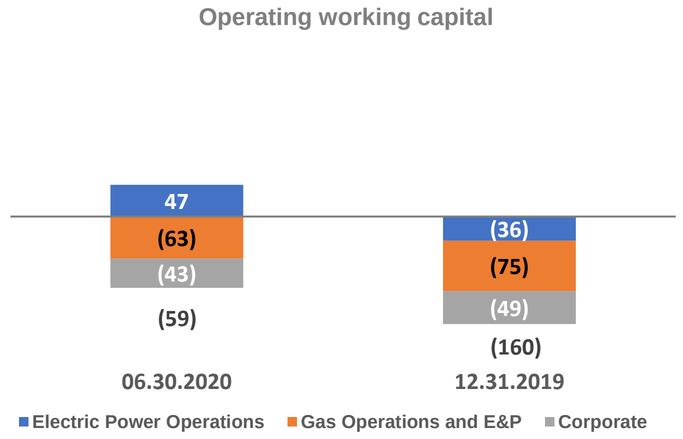
Net working capital increases significantly compared to December 31, 2019, mainly due to the effect of seasonality of business on operating working capital balances, as well as to the booking among “Other non-current assets” of 2019 VAT credit requested for refund for 150 million euros.

## 3.1 Credit risk management

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

To control this risk, the Edison Group strengthened the procedures and programs designed to evaluate customer credit standing and optimized the collection strategies for the various customer segments. When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives) the Group deals only with entities with a high credit rating. At June 30, 2020, there were no significant exposures to risks related to a possible deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.

## 3.2 Operating working capital



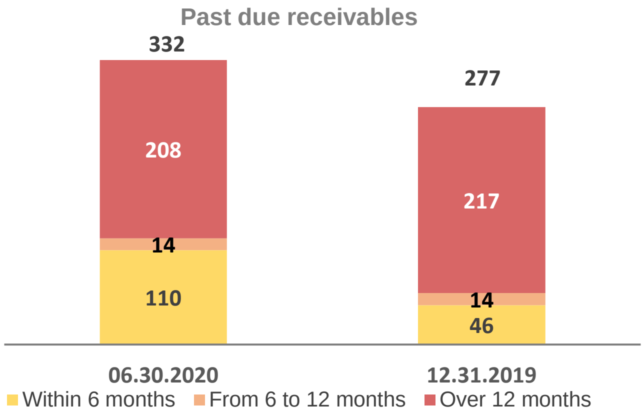

Change of the period is mainly due to the reduction of trade payables, both for Electric Power Operations and for Gas Operations and E&P.

### 3.2.1 Trade receivables

| Trade receivables (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Electric Power Operations | 615 | 645 | (30) |
| Gas Operations and E&P | 301 | 501 | (200) |
| Corporate and eliminations | (20) | (14) | (6) |
| **Trade receivables** | **896** | **1,132** | **(236)** |
| **of which allowance for doubtful accounts** | **(221)** | **(215)** | **(6)** |
| Guarantees owned | 16 | 10 | 6 |

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, and Power Exchange transactions.
Edison Group regularly carries out transactions to assign trade receivables without recourse on a revolving monthly basis and by the transfer of credit risk on a non-recourse basis. Note that in the first half of 2020 the receivables assigned with such transactions totalled 1,876 million euros (2,277 million euros in the first half of 2019). These receivables were not exposed to the risk of recourse at June 30, 2020. The costs related to managing these activities are recorded under financial items and amount to 7 million euros (10 million euros in the first half of 2019).

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




The increase, particularly of the band within six months, is mainly due to delays and longer payment terms temporarily granted in the context of the health crisis and the consequent lockdown.

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

| (in millions of euros) | 12.31.2019 | Additions | Utilizations | Others | 06.30.2020 |
|---|---|---|---|---|---|
| **Allowance for doubtful accounts** (*) | **(215)** | **(14)** | **6** | **2** | **(221)** |

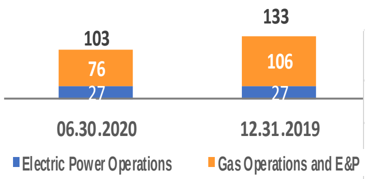
(*) Including default interests.

Additions to the allowance reflect the result of an assessment, performed consistent with the Group’s policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables and the aging; utilizations were mainly recognised for receivables deemed uncollectible during the period.
EBITDA for the period shows net charges related to writedowns and reversals on receivables for 14 million euros (14 million euros in the first half of 2019).

The amount of the allowance for doubtful accounts is determined based on the different underlying credit statuses or, particularly for receivables owed by Retail customers, taking into account the relative age of the non-performing receivables and the methodology envisaged in the IFRS 9 accounting standard (expected credit losses model). In light of the health crisis and the economic slowdown following the lockdown measures, additional analyses were conducted to verify the expected effects in terms of credit losses. These analyses did not reveal significant impacts.

### 3.2.2 Inventories

| Inventories (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Stored natural gas | 74 | 104 | (30) |
| Engineering consumables | 20 | 13 | 7 |
| Other | 9 | 16 | (7) |
| **Inventories** | **103** | **133** | **(30)** |




The inventories include 35 million euros for stored natural gas the use of which is restricted as a strategic reserve. The reduction in stored natural gas is mainly due to the reduction in prices of stocks.

### 3.2.3 Trade payables

| Trade payables (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Electric Power Operations | 595 | 708 | (113) |
| Gas Operations and E&P | 440 | 682 | (242) |
| Corporate and eliminations | 23 | 35 | (12) |
| **Trade payables** | **1,058** | **1,425** | **(367)** |

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

## 3.3 Other assets and liabilities

| Other assets and liabilities (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| VAT credit | 274 | 209 | 65 |
| Other tax receivables | 55 | 13 | 42 |
| Deposits | 20 | 18 | 2 |
| Advances to suppliers | 18 | 52 | (34) |
| Other | 153 | 131 | 22 |
| **Total other assets (A)** | **520** | **423** | **97** |
| Amount owed to employees | 43 | 30 | 13 |
| Payables owed to social security institutions | 28 | 23 | 5 |
| Other | 145 | 136 | 9 |
| **Total other liabilities (B)** | **216** | **189** | **27** |
| **Other assets and liabilities (A-B)** | **304** | **234** | **70** |

With reference to VAT credit, note that during the first half of 2020 the refunds were requested in relation to 2019 tax credits for an amount of 150 million euros. The other tax receivables include receivables linked to foreign E&P activities deriving from recent fiscal regulations issued to sustain companies during the COVID-19 emergency.

### Commitments

At June 30, 2020, guarantees of about 282 million euros provided from Edison Spa were recognized to the Revenue Agency mainly for VAT credit refunds for 2015, 2016 and 2017 (guarantees of about 281 million euros at December 31, 2019).

# 4. MARKET RISK MANAGEMENT

This Chapter provides an overview of the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities, the foreign exchange risk linked to commodities and other risks related to foreign exchange rate.
In accordance with IFRS 7 Financial Instruments - Disclosure, consistently with Semiannual Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.
In addition, effects of derivatives transactions on Income Statement and Balance Sheet at June 30, 2020 are provided too.

## 4.1 Market risk and risk management

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

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, petroleum products and environmental securities), both directly, with pricing formula, and indirectly, through statistical correlations and economic relations, which have an impact on the revenues and expenses of its production, storage and marketing operations. Moreover, because some contracts are settled in currencies different from euro and/or include a translation into different currencies through price indexing formulas, the Group is also exposed to exchange rate risk.
The management and control of these risks are governed by the Energy Risk Policies, which involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk.
For further details concerning the governance model adopted by the Group and the operational procedures related to it, please refer to the 2019 Consolidated Financial Statements.
For hedging derivatives of the Industrial Portfolio, a simulation is carried out to measure the potential impact of market prices fluctuations on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2023.
The following table shows the maximum expected negative variance in the fair value by the end of the year, with a 97.5% probability, compared with the fair value determined at June 30.

| **Value at Risk (VaR)** (*)<br>(in millions of euros) | **06.30.2020** | **06.30.2019** |
|---|---|---|
| Maximum negative variance in the fair value of derivatives | 796 | 369 |
| Maximum negative variance in the fair value including the change in the fair value of the contracts object of hedge; of which: | 449 | 201 |
| - potential impact on Income Statement (**) | 15 | 23 |
| - potential impact on balance sheet in Cash Flow Hedge reserve (***) | 156 | 178 |

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

The maximum variance in the fair value increase compared with the level measured at June 30, 2019 is mainly attributable to higher volatility on the energy markets where the Group operates.

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

| Industrial portfolio<br>Economic Capital absorbed | 1st half 2020<br>without derivatives | <br>with derivatives | 1st half 2019<br>without derivatives | <br>with derivatives |
|---|---|---|---|---|
| Average absorption of the approved limit of Economic Capital | 266% | 39% | 158% | 53% |
| Maximum absorption | 288% - June '20 | 54% - June '20 | 198% - June. '19 | 63% - June. '19 |

### 4.1.2 Foreign exchange risk

The types of foreign exchange risk and the guidelines related to the governance and to the risk mitigation strategies are unchanged compared with December 31, 2019.

## 4.2 Hedge Accounting and Economic Hedge – Fair Value Hierarchy

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

### 4.2.1. Classification

Forward transactions and derivatives outstanding are classified as follows:

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

### 4.2.2. Fair Value hierarchy according to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At June 30, 2020, one category is classified at this level which fair value is positive for about 5 million euros (one category at December 31, 2019 which fair value was positive for about 13 million euros).

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

## 4.3 Effects of derivatives transactions on Income Statement and Balance Sheet at June 30, 2020

### 4.3.1. Effects of derivatives transactions on Income Statement at June 30, 2020

| (in millions of euros) | Realized (A) | Change in Fair Value in the period (B) | Amounts recognized in earnings at 06.30.2020 (A+B) | Realized (A) | Change in Fair Value in the period (B) | Amounts recognized in earnings at 06.30.2019 (A+B) |
|---|---|---|---|---|---|---|
| **Result from price risk and exchange risk hedges for commodities of which:** | | | | | | |
| **Total definables as hedges pursuant to IFRS 9 (CFH) (*)** | **(87)** | **(3)** | **(90)** | **89** | **5** | **94** |
| Price risk hedges for energy products | (92) | (3) | (95) | 70 | 5 | 75 |
| Exchange risk hedges for commodities | 5 | - | 5 | 19 | - | 19 |
| **Total definables as hedges pursuant to IFRS 9 (FVH)** | **(47)** | **6** | **(41)** | **(46)** | **3** | **(43)** |
| Price risk hedges for energy products | (72) | (123) | (195) | (66) | 241 | 175 |
| Exchange risk hedges for commodities | 25 | (9) | 16 | 20 | 2 | 22 |
| Fair value physical contracts | - | 138 | 138 | - | (240) | (240) |
| **Total not definables as hedges pursuant to IFRS 9** | **-** | **-** | **-** | **(1)** | **-** | **(1)** |
| Price risk hedges for energy products | - | - | - | 3 | (4) | (1) |
| Exchange risk hedges for commodities | - | - | - | (4) | 4 | - |
| **Total price risk and exchange risk hedges for commodities** | **(134)** | **3** | **(131)** | **42** | **8** | **50** |
| **TOTAL INCLUDED IN EBIT** | **(134)** | **3** | **(131)** | **42** | **8** | **50** |
| **Result from interest rate hedges:** | | | | | | |
| Definables as hedges pursuant to IFRS 9 (CFH) | (3) | - | (3) | - | - | - |
| Not definables as hedges pursuant to IFRS 9 | - | - | - | - | - | - |
| **Total interest rate hedges (A)** | **(3)** | **-** | **(3)** | **-** | **-** | **-** |
| **Result from exchange rate hedges:** | | | | | | |
| Definables as hedges pursuant to IFRS 9 (CFH) | 1 | - | 1 | 10 | - | 10 |
| Not definables as hedges pursuant to IFRS 9 | - | - | - | 2 | - | 2 |
| **Total exchange rate hedges (B)** | **1** | **-** | **1** | **12** | **-** | **12** |
| **TOTAL INCLUDED IN FINANCIAL ITEMS (A+B)** | **(2)** | **-** | **(2)** | **12** | **-** | **12** |

(*) Includes the ineffective portion.

Specifically with regard to the changes that occurred in the first half of 2020, the general decrease in the prices of all of the commodities had a negative effect on the value of hedging financial derivatives, appropriately offset by a positive effect on the value of the underlying physical contracts hedged thanks to the stability of the relative effectiveness tests. In this sense, volumetric forecasts were used which take into account the most updated information available.
Particularly with regard to the health emergency due to the spread of COVID-19, these forecasts may be subject to future updates as a result of the evolution of the phenomenon.

The economic results of the operations managed in compliance with MASA joint venture agreement with EDF Trading – so-called profit sharing – aren't included in the table above because are recorded in the item Other revenues and income (positive for about 4 million euros in the first half of 2020; about 9 million euros in the first half of 2019).

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

The following table provides the first half 2020 and 2019 effects on the Income Statement from the changes in the fair value of the derivatives (commodity and foreign exchange rate), positive for 3 and 8 million euros respectively (please see line "Total included in EBIT with interception with columns B in the table above).

| Net change in fair value of derivatives (commodity and exchange rate risk) (in millions of euros) | Definable as hedges (CFH) (*) | Definable as hedges (FVH) | Not definable as hedges | Total net change in fair value |
|---|---|---|---|---|
| **2020** | | | | |
| Hedges of price risk on energy products | (3) | (123) | - | **(126)** |
| Hedges of foreign exchange risk on commodities | - | (9) | - | **(9)** |
| Change in fair value in physical contracts (FVH) | - | 138 | - | **138** |
| **1st half 2020** | **(3)** | **6** | **-** | **3** |
| **2019** | | | | |
| Hedges of price risk on energy products | 5 | 241 | (4) | **242** |
| Hedges of foreign exchange risk on commodities | - | 2 | 4 | **6** |
| Change in fair value in physical contracts (FVH) | - | (240) | - | **(240)** |
| **1st half 2019** | **5** | **3** | **-** | **8** |

We remind that the Group extensively applies hedge accounting and that principle IFRS 9, which entered into force starting from January 1, 2018, changed these amendments, also modifying the rules of the accounting hedge relationships approaching the logics of recognition to those of risk management, consequently reducing the volatility effects.

## 4.3.2. Effects of derivatives transactions in Balance Sheet at June 30, 2020

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

| (in millions of euros) | 06.30.2020 | | | 12.31.2019 | | |
|---|---|---|---|---|---|---|
| Broken down as follows: | **Receivables** | **Payables** | **Net** | **Receivables** | **Payables** | **Net** |
| - Financial assets (liabilities) | - | (14) | (14) | - | (16) | (16) |
| - Non-current assets (liabilities) | 218 | (201) | 17 | 100 | (93) | 7 |
| - Current assets (liabilities) | 816 | (890) | (74) | 676 | (710) | (34) |
| **Fair Value recognized as assets or liabilities (a)** | **1,034** | **(1,105)** | **(71)** | **776** | **(819)** | **(43)** |
| of which of (a) related to: | | | | | | |
| - Interest Rate Risk Management | - | (14) | (14) | - | (16) | (16) |
| - Exchange Rate Risk Management | 46 | (14) | 32 | 52 | (10) | 42 |
| - Commodity Risk Management | 581 | (711) | (130) | 462 | (434) | 28 |
| - Fair value on physical contracts | 407 | (366) | 41 | 262 | (359) | (97) |
| Broken down on fair value hierarchy: | | | | | | |
| - Level 1 | 53 | (3) | 50 | 11 | (5) | 6 |
| - Level 2 | 976 | (1,102) | (126) | 752 | (814) | (62) |
| - Level 3 (*) | 5 | - | 5 | 13 | - | 13 |
| **IFRS 7 potential offsetting (b)** | **(211)** | **211** | | **(147)** | **147** | |
| Potential Net Fair Value (a+b) | **823** | **(894)** | **(71)** | **629** | **(672)** | **(43)** |

(*) The fair value classified at level 3 is recognized for 2 million euros in change of fair value derivatives and for 3 million euros in Cash Flow Hedge reserve (respectively 2 and 11 million euros at December 31, 2019)

It is worth of mentioning that, as a counterpart of assets and liabilities shown above, a negative Cash Flow Hedge reserve by 62 million euros, gross of deferred tax assets and liabilities, was recorded in the shareholders' equity. For more information, please refer to paragraph 6.1 Shareholders' equity.

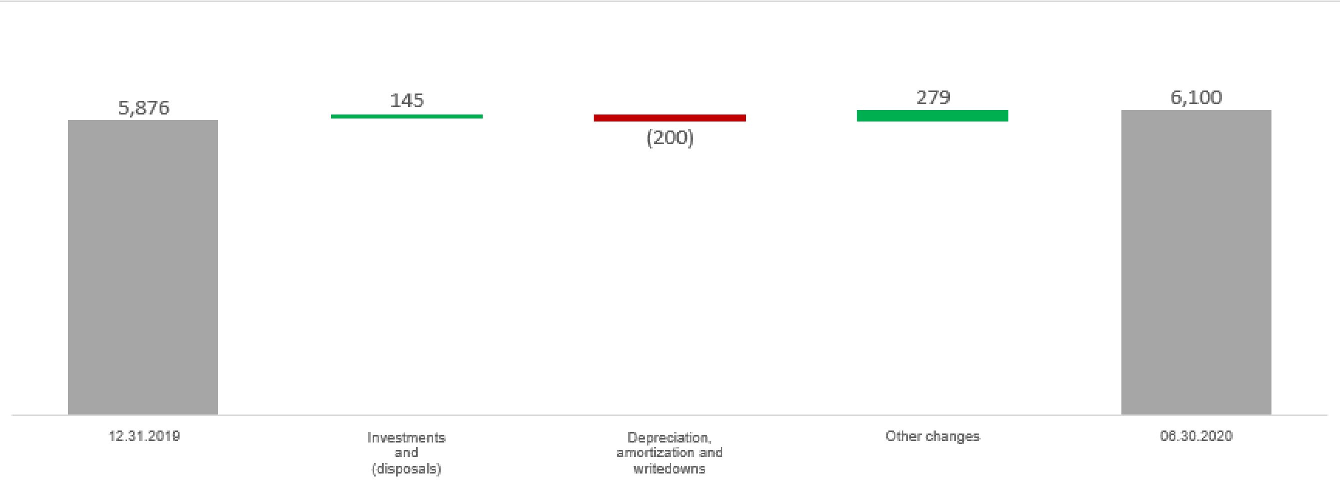
# 5. FIXED ASSETS AND PROVISIONS

## 5.1 Tangible, intangible assets and goodwill

| Tangible, intangible assets and goodwill (in millions of euros) | Property, plant and equipment | Intangible assets | Goodwill | Total |
|---|---|---|---|---|
| **Balance at 12.31.2019 (A)** | **3,312** | **344** | **2,220** | **5,876** |
| Changes in 1st half 2020: | | | | |
| - investments (*) | 118 | 29 | - | 147 |
| - disposals (-) | (1) | (1) | - | (2) |
| - depreciation and amortizations (-) (*) | (150) | (26) | - | (176) |
| - writedowns (-) | - | (22) | (2) | (24) |
| - other changes (*) | 282 | (4) | 1 | 279 |
| **Total changes (B)** | **249** | **(24)** | **(1)** | **224** |
| **Balance at 06.30.2020 (A+B)** | **3,561** | **320** | **2,219** | **6,100** |

(*) Including E&P assets in Algeria and Norway.

TANGIBLE, INTANGIBLE ASSETS AND GOODWILL CHANGES (M€)




**Commitments on fixed assets:**

Commitments amount to 733 million euros and mainly include:

- 578 million euros for the completion of investment projects in progress in Italy, of which 287 million euros linked to the construction of a latest-generation combined-cycle thermoelectric power plant powered by natural gas in Presenzano in the province of Caserta and 192 million euros linked to the construction of a new latest-generation combined-cycle gas turbine at the Marghera Levante (VE) thermoelectric power plant;
- 77 million euros for a 12-year long term contract, signed with the Norwegian shipowner Knutsen OAS Shipping, for the hire of an LNG vessel that is under construction and will be delivered during 2021;
- 20 million euros on the contract for the supply of gas from the Shah Deniz II field in Azerbaijan, transferred to Edison during 2018, to be recognized to Gas Natural Fenosa from 2021 with the first delivery of gas to Italy through the Trans Adriatic Pipeline (TAP);
- 58 million euros that reflect the carrying amounts of the assets or rights pledged as collateral on the balance sheet date and mainly refer to mortgages and encumbrances granted on wind and photovoltaic plants of companies controlled by EDF EN Italia, now Edison Renewables, to secure loans provided by financial institutions. The rights pledged for the wind plant of Bonorva provided to EDF Investissement Groupe (hereafter EDF IG), that amounted to 80 million euros at December, 31 2019, is now extinguished because of the early repayment of the loan granted by EDF IG to Bonorva Windenergy in the first half of 2020.

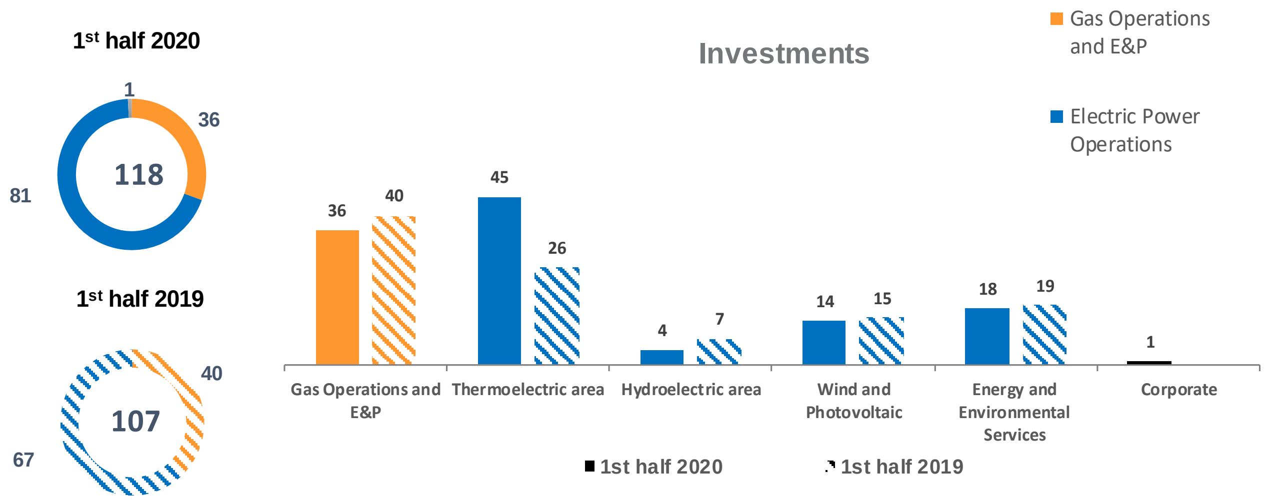
### 5.1.1 Property, plant and equipment

| Property, plant and equipment (in millions of euros) | Land and buildings | Plant and machinery | Assets transferable at no cost | Assets under leases IFRS 16 (*) | Other assets | Construction in progress and advances | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 12.31.2019 (A)** | **316** | **2,363** | **112** | **330** | **15** | **176** | **3,312** |
| Changes in 1st half 2020: | | | | | | | |
| - investments (**) | 1 | 11 | 1 | - | - | 105 | 118 |
| - disposals (-) | - | (1) | - | - | - | - | (1) |
| - depreciation (-) (**) | (7) | (117) | (7) | (17) | (2) | - | (150) |
| - other changes (**) | 2 | 127 | 3 | (9) | - | 159 | 282 |
| **Total changes (B)** | **(4)** | **20** | **(3)** | **(26)** | **(2)** | **264** | **249** |
| **Balance at 06.30.2020 (A+B)** | **312** | **2,383** | **109** | **304** | **13** | **440** | **3,561** |

(*) Recorded as required by IFRS 16; relative financial debt is exposed in "Non-current Financial debt" (236 million euros) and in "Current Financial Debt" (32 million euros)

(**) Including E&P assets in Algeria and Norway.

#### Investments



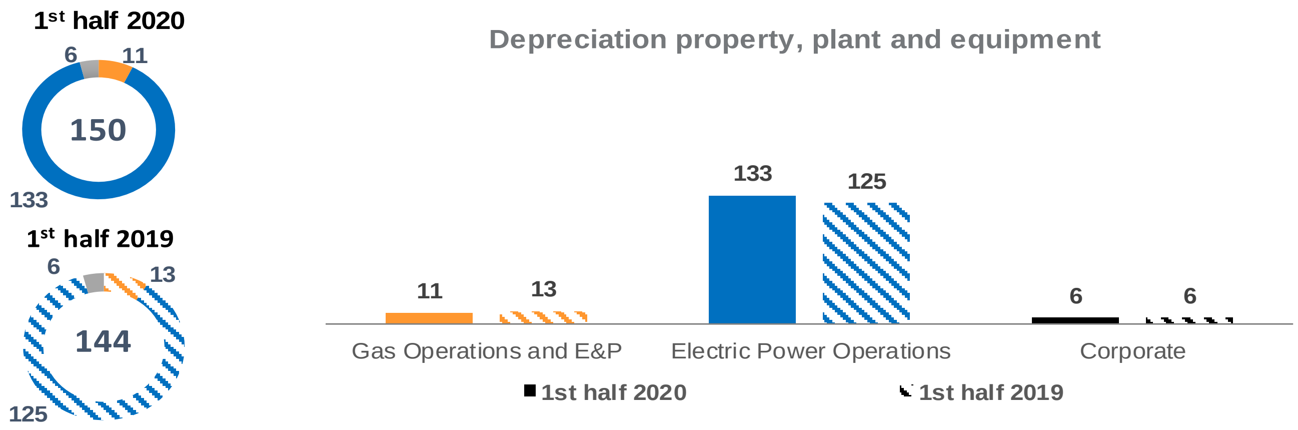

Investments related to **Electric Power Operations** include mainly:

- construction of new combined-cycle gas turbines of the thermoelectric plants of Marghera Levante and Presenzano;
- construction of new plants in the wind sector;
- activities related to energy and environmental services.

As regards the **Gas Operations and E&P**, investments mainly concern E&P activities abroad.

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

**Depreciation**



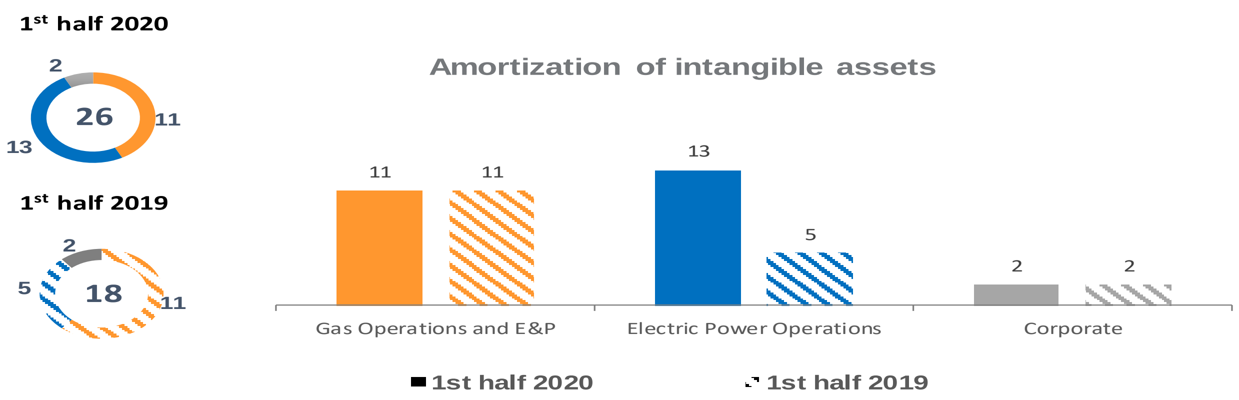

## 5.1.2 Intangible assets

| **Intangible assets** (in millions of euros) | Hydrocarbon concessions | Concessions, licenses, patents and similar rights (*) | Exploration costs | Other intangible assets | Work in progres and advances | Total |
|---|---|---|---|---|---|---|
| **Balance at 12.31.2019 (A)** | **9** | **113** | **-** | **200** | **22** | **344** |
| Changes in 1st half 2020: | | | | | | |
| - investments | - | 4 | 2 | 17 | 6 | 29 |
| - disposals | - | - | - | (1) | - | (1) |
| - amortization (-) | (1) | (5) | (2) | (18) | - | (26) |
| - writedowns (-) | - | - | - | (22) | - | (22) |
| - other changes | - | - | - | - | (4) | (4) |
| **Total changes (B)** | **(1)** | **(1)** | **-** | **(24)** | **2** | **(24)** |
| **Balance at 06.30.2020 (A+B)** | **8** | **112** | **-** | **176** | **24** | **320** |

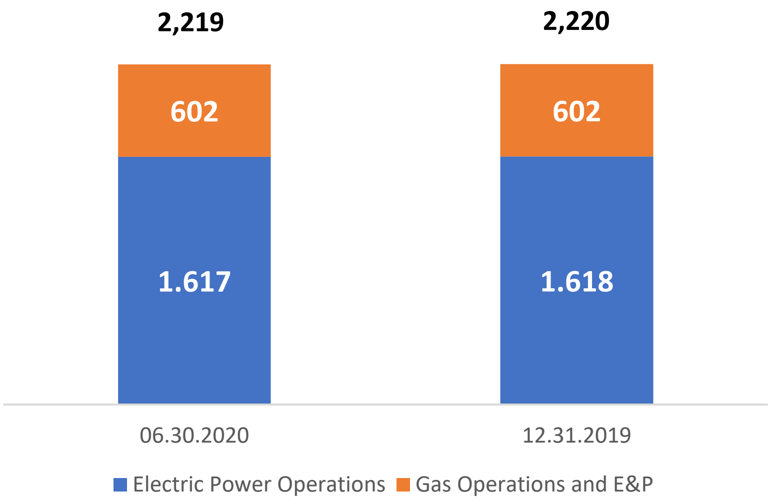
(*) Including the infrastructures used to distribute natural gas (62 concessions) as required by IFRIC 12.

The main changes in the first half 2020 are referred to investments for improvements to third party assets mainly by companies in Energy and Environmental Services Division. For writedowns please refer to the chapter below 5.1.4 Impairment test in accordance with IAS 36.

**Amortization**



### 5.1.3 Goodwill




The change of the period is due to the writedowns, please see the comments in next section 5.1.4 Impairment test in accordance with IAS 36.

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

### 5.1.4 Impairment Test in Accordance with IAS 36

During the first six months of 2020, writedowns totalling 24 million euros were recognized (22 million euros on intangible assets and 2 million euros on goodwill allocated to a specific CGU) all attributable to Electric Power Operations.

The test methodology used for the Condensed Semiannual Financial Statements is consistent with the one used last year; for further details, please see 2019 Consolidated Financial Statements at paragraph 10.3 Criteria and methods.
Aside to the sources of information used for the 2019 impairment test (the 2020 budget approved by the Board of Directors on December 7, 2019; the 2021-2023 Medium-Term Plan approved by the same Board, the long-term plan drawn up by senior management), in the execution of the test has been employed the most recent scenario information available on the market and the update of the 2020-2023 horizon projections developed by the management of the Company. On the other side, the long-term plan (2024-2027) was not updated. In particular, the review of the future cash flows concerned the medium-term plan, in the hypothesis that the Company's ability to face, also from a financial perspective, the actual imbalances of the demand shall be confirmed, being at the present conditions not sufficiently robust conditions to establish, with relative confidence, whether and which will be the long-term impacts on the recoverable amount.

During the first half of the year there has been a strong decline in the energy commodity prices (Brent, TTF, PUN) which in June are showing signs of recovery but are still at levels remarkably lower than in the previous year. The lockdown period ensuing the spread of COVID-19 brought a general reduction in natural gas and electric power consumptions in Italy.

The Authorities responsible for regulating financial markets (CONSOB in Italy, ESMA in Europe) expressed their recommendations to listed companies about the proper representation of COVID-19 and crisis effects on financial statements, specifically on asset valuation paying specific attention on the disclosure of the expected outcomes with a focus on impairment test. ESMA considers the spread of COVID-19 as a possible trigger in IAS 36 view, so it recommends an analysis that, in this climate of uncertainty, should consider multiple scenarios without risking being excessively pessimistic.

In this context, Edison Group performed a preliminary analysis of the potential negative effects on assets and identified the Cash Generating Units (CGUs) most affected by the current situation. On them was performed an assessment - considering the present market uncertainty and the difficulties in formulating forecasts of the recovery times – to check whether, compared to the full test carried out at December 31, 2019, would arise specific critical issues.

Only one CGU in Energy & Environmental Service Division demonstrated a loss of value with a consequential writedown of 24 million euros.

Considering its relevance amongst the non-current asset items and the financial market regulating Authorities' recommendations, the test was performed on goodwill's value, in methodological continuity with what was done at December 2019 and integrating the most recent projections developed by the Company and available on the market, as pointed above.
The discount rates (WACC) used at June 30, 2020 are lightly higher than those of December 31, 2019 in that they incorporate the most recent market evolutions. Reference values are 5.5% for Electric Power Operations (5.2% in 2019) and 7.2% for Gas Operations and E&P (7% in 2019).

Specifically, for the test of the goodwill, aside from the assumptions mentioned above, in determining the terminal value a growth rate of 0.75% was assumed (between 0 and 1.5% in 2019 impairment test).

The test execution was performed using three scenarios:

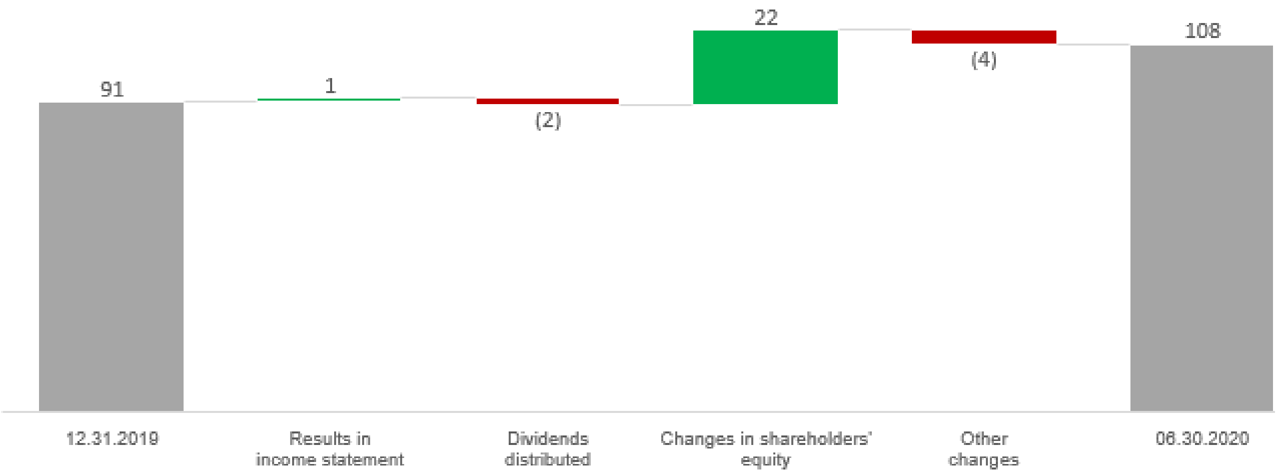
- Forecasted flows 2020-2023 considering commodities forward prices and WACC updated at June 30, 2020.
- Forecasted flows 2020-2023 considering commodities forward prices and WACC updated at June 30, 2020; increased risk premium on discount rate (between 0.8 and 2.4%) to embed the short and medium-term uncertainty over the period 2020-2027 and in the determination of terminal value; terminal value discounted at financial cost of debt.
- Forecasted flows 2020-2023 considering commodities forward prices at March 31, 2020 (date at which was registered a very relevant worsening of the energy scenarios and partially recovered in the following months) and WACC updated at June 30, 2020; increased risk premium on discount rate as in the previous scenario.

The test outcome, in all scenarios, showed a reduction in the recoverable amounts which, in any event, have proved to be higher than the book value without giving rise to any writedown.

## 5.2 Equity investments and other non-current financial assets

### 5.2.1 Investments in companies valued by the equity method

The change during the period is reported below.




The **dividends distributed** refer mainly to the company Ibiritermo. The **changes in shareholders' equity** pertain to the company IGI Poseidon and are linked to the Eastmed pipeline.

### 5.2.2 Other non-current financial assets

These amount to 65 million euros (68 million euros at December 31, 2019) and include mainly:

- for 44 million euros (46 million euros at December 31, 2019) the financial receivable of Edison International Holding NV (EIH) towards the company Elpedison Sa; these amounts are net of a provision of about 10 million euros, unchanged compared to 2019. Note that the capital repayments and the payments of the interest due during the period have been regularly made;
- 6 million euros as restricted bank deposits (11 million euros at December 31, 2019);
- for 7 million euros the investment in the FPCI Electranova - Idinvest Smart City Venture Fund, which concentrates on unlisted companies experiencing rapid growth (from the initial phase to the advanced phase) in the Energies & Cities sector, primarily at EU level. This investment is measured at fair value and any changes in value are booked in the income statement for the period; at June 30, 2020 the fair value is substantially aligned to the cost.

#### Commitments

Guarantees amounting to approximately 46 million euros (48 million euros at December 31, 2019), provided by EIH to financial institutions in the interest of Elpedison, were recognized.

## 5.3 Provisions for risks and employee benefits

| (in millions of euros) | 12.31.2019 | Additions | Utilizations | Financial expenses | Other changes (*) | 06.30.2020 |
|---|---|---|---|---|---|---|
| Employee benefits | 38 | - | (2) | - | - | 36 |
| Provisions for decommissioning and remediation of industrial sites | 163 | - | (1) | 3 | 18 | 183 |
| Provisions for risks and charges | 342 | 9 | (13) | 1 | (76) | 263 |
| **Total** | **543** | **9** | **(16)** | **4** | **(58)** | **482** |

(*) Other changes include the reconsolidation of the E&P assets in Algeria and Norway.

### 5.3.1 Employee benefits

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

### 5.3.2 Provisions for decommissioning and remediation of industrial sites

Include the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites. The change during the period reflects, in particular, the reconsolidation of the E&P assets in Algeria and Norway as commented in paragraphs 1.6 and 9.1 and the increase for the discounting effect, under the income statement item ‘Other net financial income (expense)’.

### 5.3.3 Provisions for risks and charges

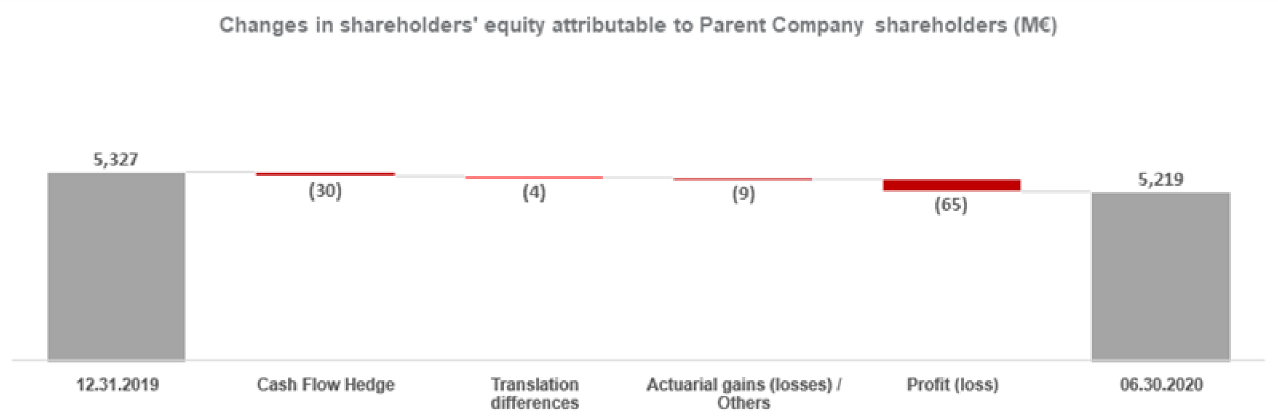
These refer to provisions of a purely industrial nature for the various areas in which the Group operates. In particular, at June 30, 2020 these include, for about 62 million euros (146 million euros at December 31, 2019, used in the period following the purchase of the emission rights for 2019 compliance) the valuation of the need for $CO_2$ emission rights referred to the first half 2020, in addition to some provisions related to the sale of equity investments and tax disputes related to property taxes. These reflect, *inter alia*, the valuation of **probable liabilities** linked to some disputes for which it was possible to reliably estimate the underlying expected obligation, even though the timing of any resulting monetary outlay cannot be objectively predicted.

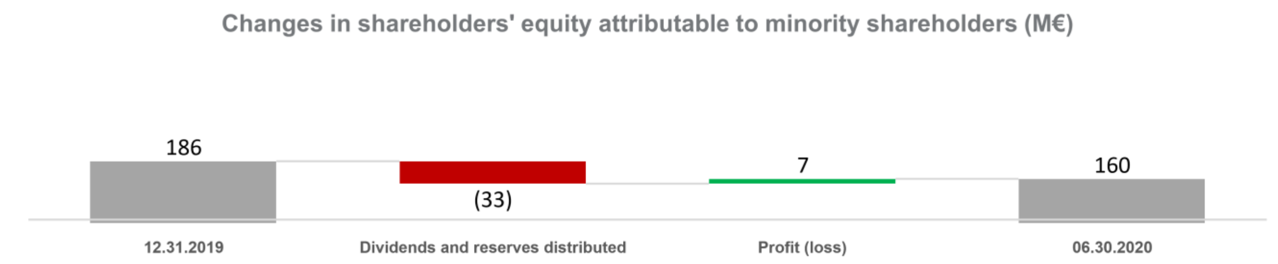
In the period there were no significant updates on existing disputes.

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

## 6.1 Shareholders' equity

The main changes that occurred during the period in shareholders' equity attributable to the shareholders of the Parent Company and in net equity attributable to minority shareholders are presented below. A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity".




Regarding changes in shareholders' equity attributable to minority shareholders, dividends and reserves distributed are mainly related to E2i.

The table below provides a breakdown of the change that occurred in the Cash Flow Hedge reserve due to the adoption of IFRS 9 for the accounting of derivatives. The change refers to the provisional recognition in equity of the effective portion of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rate risk. The amounts recognized directly in equity will be reflected in the income statement concurrently with the economic effects produced by the hedged items.

| Cash Flow Hedge Reserve (in millions of euros) | Gross reserve | Taxes | Net reserve |
|---|---|---|---|
| Reserve at 12.31.2019 | (21) | 7 | (14) |
| Change in the period | (41) | 11 | (30) |
| **Reserve at 06.30.2020** | **(62)** | **18** | **(44)** |

The change that occurred during the period and the reserve at June 30, 2020 are related mainly to the net fair value of the derivatives outstanding to hedge the commodity and foreign exchange risk associated with the formulas used both in sales and procurement contracts entered into by Edison to manage its physical and contractual assets. The figures, down from December 31, 2019, reflect the fall in prices recorded during the period with reference to all commodity markets. However, the effectiveness of the hedge, both in terms of the risk factors hedged and the volumes hedged, guarantees an equivalent

positive change in the expected cash flows associated with the underlying physical contracts (less the ineffective portion appropriately reflected in the income statement). Specifically, with reference to the volumetric forecasts used, the considerations are the same set forth in the comments to the results at the previous section 4.3.1.
Finally, it should be noted that the negative value of these financial derivatives, read together with the expected cash flows relating to the physical contracts hedged, does not represent, as things currently stand, a critical element in terms of forecast margins.

## 6.2 Management of financial resources

Edison defines its financial strategy with the primary objective of guaranteeing the availability of financial resources at the best market conditions and, with the appropriate balancing, to support ordinary business management and the development of investments to sustain future growth.
For this purpose, Edison also, but not exclusively, relies on the controlling company EDF Sa to obtain loans in any technical form, to guarantee flexibility in liquidity and/or coverage of structural needs. For Edison, terms and conditions are in line with the best market conditions.
Concerning treasury, Edison dedicates one of its current bank accounts to a cash-pooling agreement with EDF Sa, which allows significant flexibility thanks to the availability of up to 199 million euros at competitive conditions.
Liquidity management is mainly centralized at the level of Edison Spa, which in general directly manages, or in some cases simply co-ordinates, the treasury operations of its subsidiaries through intercompany current accounts and intra-group loans.
To support certain investment activities, Edison resorts to the market whenever specifically attractive opportunities of financing arise. This is the case of some credit lines granted to Edison by the European Investment Bank (EIB), directly or through EDF Sa. In addition to the lines of credit already received in the past for the development of specific projects in the wind and the gas storage sector, in June 2020 two new loans were taken out for a total of 450 million euros. One loan is dedicated to the Marghera Levante project, for the construction of a new high-efficiency combined cycle gas plant with low environmental impact to replace the old thermoelectric power plant currently being decommissioned. This project contributes towards guaranteeing stability and security in procurement for the national electricity system, in line with the transition phase of the EIB's new Energy Lending Policy. The EU bank has also granted Edison the first Italian Green Framework Loan for the development of a portfolio of energy efficiency projects and renewable plants, supporting the strategy for the company's consolidation as a responsible operator with a sustainable business model, aligned with the objectives laid out in the National Energy and Climate Plan.

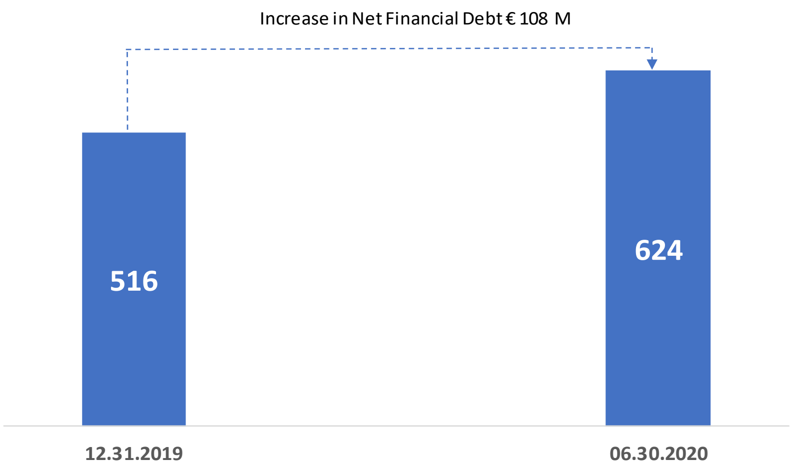
At June 30, 2020 Edison's credit rating is BBB- with a stable outlook for Standard & Poor's and Baa3 with a positive outlook for Moody's.

## 6.3 Net financial debt and cost of debt

Net financial debt at June 30, 2020 amounts to 624 million euros (516 million euros at December 31, 2019).

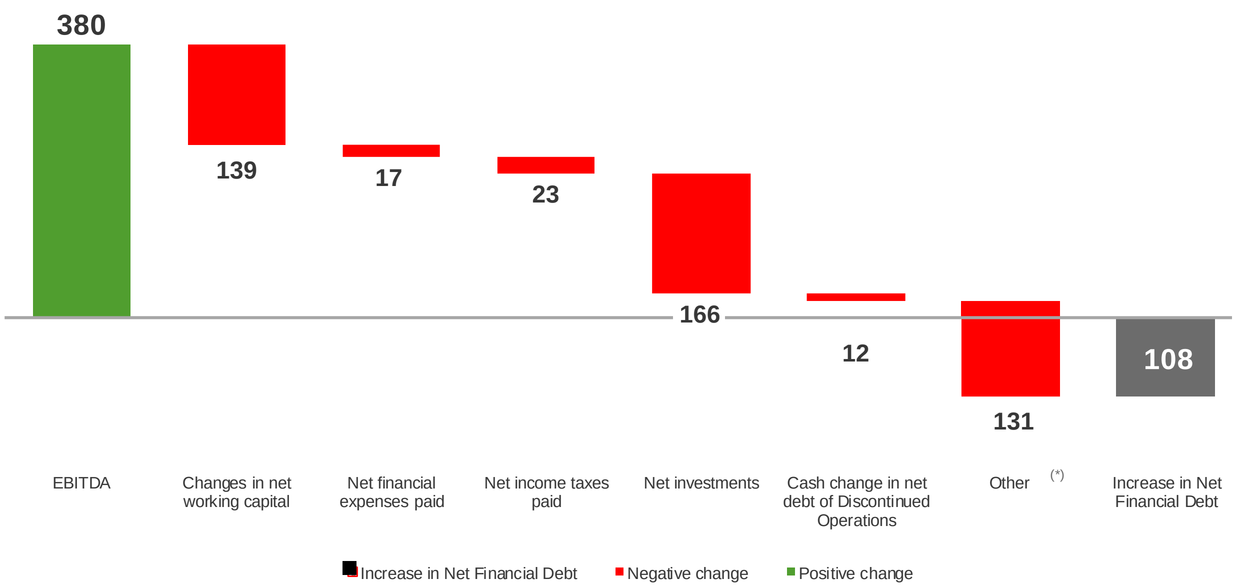
### Change in net financial debt

(in millions of euros)




An analysis of change in net financial debt is reported below.

(in millions of euros)




(*) Including non-monetary items in EBITDA for 94 M€

The main cash flows of the period derive from the positive operating performance, previously commented, the cash absorption of working capital and net investments, which include:

- capital expenditures (145 million euros), mainly for the construction of combined cycle gas turbines in the thermoelectric plants of Marghera Levante (24 million euros) and Presenzano (16 million euros) and the environmental and energy services (33 million euros). They include also investments in the activity of Exploration & Production not in the perimeter of disposal (34 million euros); and

- investments in non-current financial assets (22 million euros) referred to a capital contribution in the company IGI Poseidon Sa linked to Eastmed pipeline.

The change in net financial debt is also affected by the payment of dividends to minority shareholders for 30 million euros as well as the payment of $CO_2$ emission rights referred to 2019 compliance. These effects are reflected in the item Other (negative by 131 million euros) which includes also the elimination of the use of the 2019 $CO_2$ provision, carried out in March 2020, following the physical delivery of the emission rights (146 million euros).

Net financial debt can be broken down as follows:

## Net financial debt

| (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Non-current financial debt | 569 | 615 | (46) |
| - Due to banks | 330 | 318 | 12 |
| - Due to EDF Group companies | - | 34 | (34) |
| - Debt for leasing | 236 | 259 | (23) |
| - Due to other lenders | 3 | 4 | (1) |
| Assets for financial leasing | (2) | (2) | - |
| **Non-current net financial debt** | **567** | **613** | **(46)** |
| Current financial debt | 320 | 358 | (38) |
| - Due to banks | 79 | 49 | 30 |
| - Due to EDF Group companies | 1 | 14 | (13) |
| - Debt for leasing | 32 | 33 | (1) |
| - Debt for valuation of Cash Flow Hedge derivatives | 14 | 16 | (2) |
| - Due to other lenders (°) | 194 | 246 | (52) |
| Current financial assets (°°) | (146) | (347) | 201 |
| Cash and cash equivalents | (126) | (283) | 157 |
| **Current net financial debt** | **48** | **(272)** | **320** |
| **Net financial debt Assets held for sale** | **9** | **175** | **(166)** |
| **Net financial debt** | **624** | **516** | **108** |
| of which: | | | |
| **Gross financial debt** | **795** | **869** | **(74)** |
| **Cash and cash equivalents and financial assets** | **(171)** | **(353)** | **182** |

(°) Include financial debt versus Assets held for sale for 128 million euros (138 million euros at December 31, 2019).
(°°) Include financial receivables versus Assets held for sale for 132 million euros (341million euros at December 31, 2019).

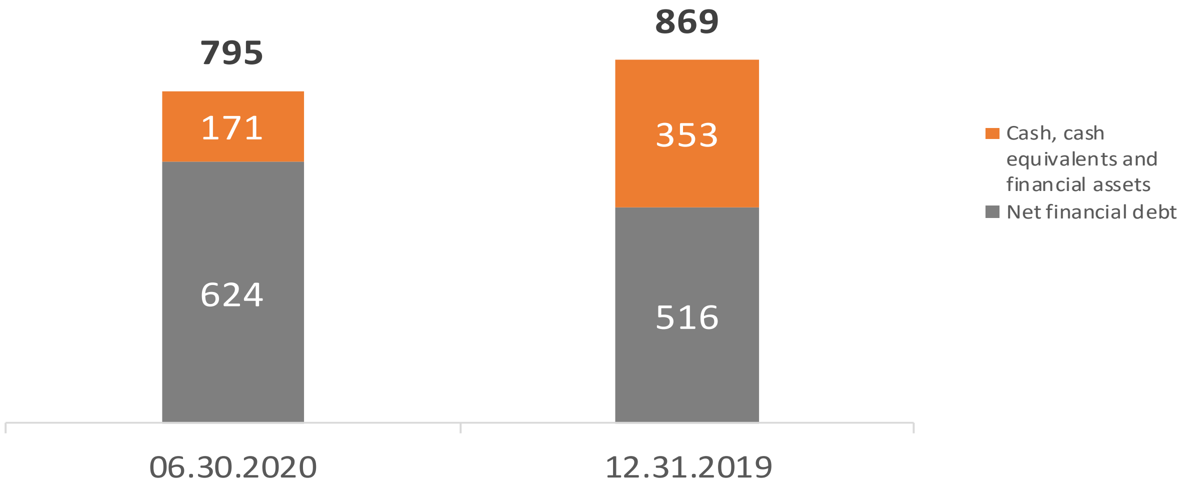
The reduction in **non-current net financial debt** is due mainly to the debt refinancing process of EDF EN Italia (now merged into Edison Renewables Srl, which therefore now owns all assets and liabilities of EDF EN Italia) and its subsidiaries which began in the last quarter of 2019. In the first half of 2020, the loan granted by EDF Investissement Groupe (EDF IG) to Bonorva Windenergy, a subsidiary of Edison Renewables (recognised for 34 million euros in non-current debts and for 6 million euros in current debts at December 31, 2019), was repaid early. Furthermore some leases were repaid early and maturing instalments were paid for a total of 20 million euros. Amounts due to banks increased as a result of a new utilisation of 20 million euros on the E2i Club Deal loan.

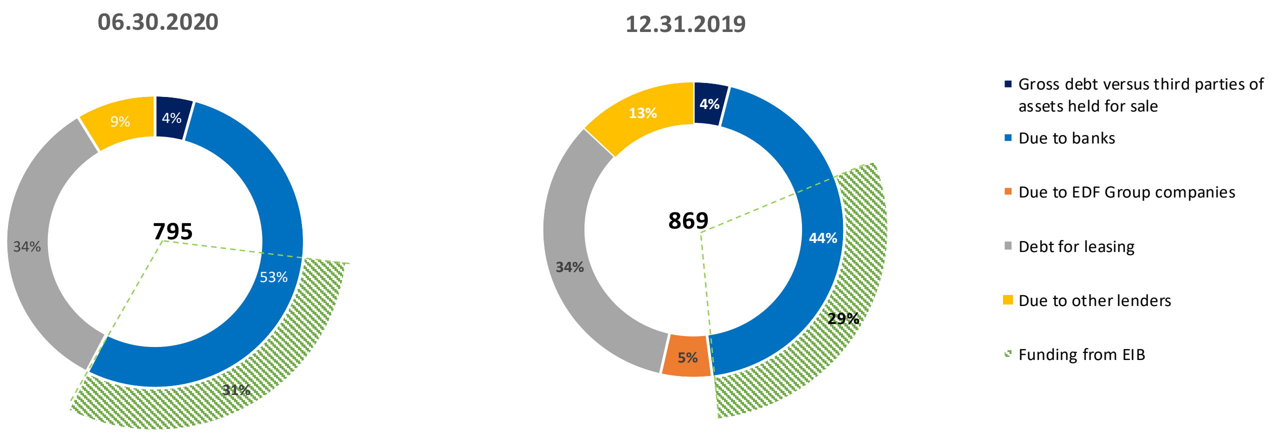
The **current net financial debt** was impacted primarily by the reduction of 209 million euros on the balance of current financial receivables versus discontinued operations, due nearly exclusively to the change in the scope of discontinued operations and which corresponds to a reduction in the net financial debt of Assets held for sale. Please also note the reabsorption of excess cash compared to the end of 2019.

**Cash and cash equivalents**, include for 47 million euros (156 million euros at December 31, 2019) available funds held in the current accounts with EDF Sa and 79 million euros in bank current account balances (127 million euros at December 31, 2019) consisting mainly of the cash balances in the current accounts of companies with non-centralised cash management systems.

## Gross financial debt and breakdown by financial source (*)

(in millions of euros)

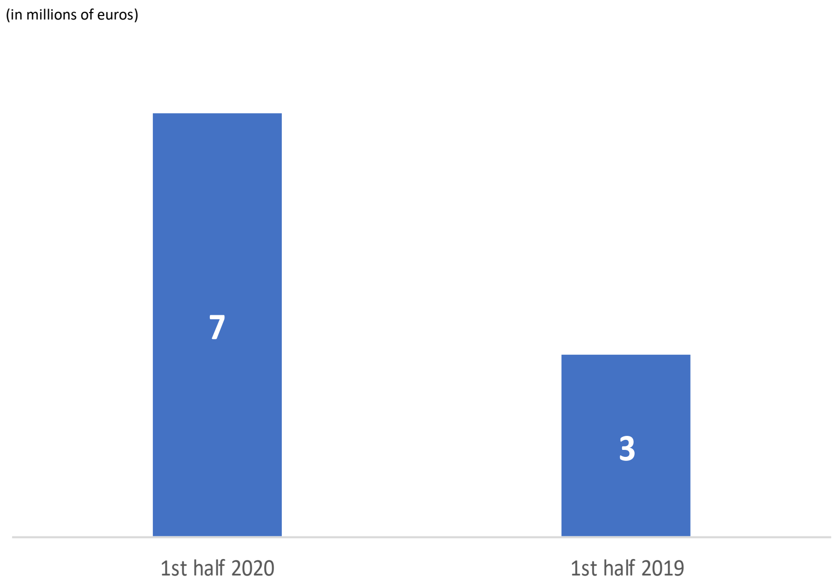



(*) Amounts related to Assets held for sale are included

The composition of gross financial debt at the end of the first half of 2020 is changed compared with December 31, 2019 due to the early repayment of the medium-long term loan granted by EDF IG to Bonorva Windenergy.
The bank facilities used include primarily long-term loans for the development of specific projects in the wind sector and gas storage granted directly to Edison by the EIB and the Club Deal loan provided to E2i by a pool of banks and Cassa Depositi e Prestiti, whose utilization increased by 20 million euros in the first half of 2020.

## Net financial expense on debt




Net financial expense on debt increased as a result of the consolidation of EDF EN Italia (now Edison Renewables Srl) and the one-off costs incurred for the early repayment of the loans of its subsidiaries, subsequently refinanced by intra-Group loans at more competitive costs.
For the analysis of interest rate risks, please refer to paragraph 6.4 – section 6.4.1 below.

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

| (in millions of euros) | 12.31.2019 | Cash Flow (*) | Non-cash flows | | | | 06.30.2020 |
|---|---|---|---|---|---|---|---|
| | | | IFRS 5 effects (**) | Currency differences | Changes in fair value (***) | Other changes | |
| Financial debt (non-current and current) | 957 | (79) | - | (8) | - | 5 | 875 |
| Fair value on interest rate derivatives | 16 | - | - | - | (2) | - | 14 |
| Assets for financial leasing | (2) | - | - | - | - | - | (2) |
| Current financial assets | (347) | 5 | 197 | 1 | - | (2) | (146) |
| **Net liabilities resulting from financing activities** | **624** | **(74)** | 197 | (7) | (2) | 3 | **741** |
| Cash and cash equivalents (*) | (283) | 168 | (12) | 1 | - | - | (126) |
| **Net financial debt Assets held for sale** | 175 | **12** | **(185)** | **8** | - | **(1)** | **9** |
| **Net financial debt** | **516** | **106** | - | 2 | (2) | 2 | **624** |

(*) Flows shown in the Cash Flow Statement.
(**) Related to change in the perimeter of Discontinued Operations.
(***) Related to hedging contracts on interest rate risk (IRS).

## 6.4 Financial risk management

### 6.4.1 Interest rate risk

The Edison Group's exposure to interest rate risk remained substantially stable. Please remember that fixed-rate debts are represented in good portion by IFRS 16 leases and consequently the remaining debt is mainly indexed at a variable rate (primarily the Euribor rate). Edison assesses its exposure to the risk of fluctuations in interest rates on a regular basis and manages it mainly by selecting the modality to use the loans. Please recall that the direct EIB loans offer the option between a variable and fixed rate every time the loan is utilized.

| Gross Financial Debt | 06.30.2020 | | | 12.31.2019 | | |
|---|---|---|---|---|---|---|
| Mix fixed and variable rate:<br>(in millions of euros) | without derivatives | with derivatives | % with derivatives | without derivatives | with derivatives | % with derivatives |
| - fixed rate portion (*) | 252 | 390 | 49% | 314 | 464 | 53% |
| - variable rate portion | 543 | 405 | 51% | 555 | 405 | 47% |
| **Total gross financial debt (*)** | **795** | **795** | **100%** | **869** | **869** | **100%** |

(*) Includes the effects of application of accounting standard IFRS 16.

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 2020 and provides a comparison with the corresponding data for 2019.

| Sensitivity analysis<br>(in millions of euros) | **1st half 2020<br>Impact on financial expense** | | | 1st half 2019<br>Impact on financial expense | | |
|---|---|---|---|---|---|---|
| | **+50 bps** | **base** | **-50 bps** | +50 bps | base | -50 bps |
| **Edison Group** | **11** | **10** | **11** | 3 | 2 | 2 |

### 6.4.2 Liquidity risk

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

The following table provides a prudential assessment of the total outstanding liabilities at the time the financial statements were prepared until their natural expiry. It includes:
- in addition to principal and accrued interest, all future interest payments estimated for the entire duration of the underlying debt obligation; where applicable, the effect of interest rate derivative contracts is also included;
- financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

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

| Cash flow projections (*) (in millions of euros) | 06.30.2020 1 to 3 months | 06.30.2020 More than 3 months and up to 1 year | 06.30.2020 After 1 year | 12.31.2019 1 to 3 months | 12.31.2019 More than 3 months and up to 1 year | 12.31.2019 After 1 year |
|---|---|---|---|---|---|---|
| Financial debt (**) | 75 | 50 | 632 | 37 | 77 | 696 |
| Trade payables | 960 | 98 | - | 1,356 | 69 | - |
| **Total debt** | **1,035** | **148** | **632** | **1,393** | **146** | **696** |
| **Guarantees provided to third parties (***)** | **-** | **1** | **45** | **-** | **1** | **47** |
| **Cash and cash equivalents** | **126** | **-** | **-** | **283** | **-** | **-** |

(*) The amounts exclude debt attributable to E&P business held for sale and include the effects of application of accounting standard IFRS 16.

(**) Excluding debt due to other lenders

(***) These guarantees have been issued to lenders of unconsolidated companies.

The future cash outflows are compared with available resources below.

The **financial debt due within one year**, amounting to 125 million euros (114 million euros at December 31, 2019) relates mainly to accounting overdrafts on current accounts, margin-setting accounts dedicated to transactions on commodities of the Industrial Portfolio and, to a lesser extent, the principal and interest on long-term loans falling due.
**Financial debt due after one year** (632 million euros) decreased compared with December 31, 2019 (696 million euros) mainly for the refinancing of the debt of Edison Renewables and its subsidiaries, as well as for the normal repayment plan for existing loans.These changes were partly offset by the new utilization (20 million euros) of E2i Club Deal loan.

At June 30, 2020, the Edison Group also had cash and cash equivalents of 126 million euros, of which 47 million euros on the treasury current account with EDF Sa.

At June 30, 2020, Edison had unused committed lines of credit totalling 1,110 million euros, represented:

- by the two-year revolving credit line (600 million euros) signed with EDF Sa on April 9, 2019 to replace a similar credit line signed by Edison in 2017;
- by the remaining available portion of the Club Deal granted in 2018 to E2i by a pool of banks and Cassa Depositi e Prestiti for an original amount of 100 million euros, increased to 130 million euros in 2019 (used for 70 million euros at June 30, 2020);
- by the loan for 150 million euros granted by the EIB in mid-June 2020 to upgrade the latest-generation combined cycle plant in Marghera Levante (Venice). The loan will have a duration of 15 years and will be disbursed in a minimum of four tranches, primarily at a fixed rate, at very competitive levels;
- by the Green Framework Loan for 300 million euros granted by the EIB at the end of June 2020 to finance the creation of a portfolio of projects throughout Italy for energy efficiency and for the construction of renewable energy plants. The line of credit has a duration of 15 years and may be used over the next four years.

### 6.4.3 Risk of anticipated reimbursement of loans

The financial covenants apply to certain bank loans granted to some subsidiaries (mainly to bank loans granted to E2i). Their non-compliance can entail an early repayment of the loan. As for the loans held by the subsidiaries of EDF EN Italia, now Edison Renewables, they have the typical financial obligations characteristic of project finance; part of these loans, with a nominal value of about 83 million euros, was repaid (70 million in 2019 and 13 million in the first half of 2020, respectively), while the others are being restructured or renegotiated.

As at June 30, 2020, the covenants were adequately respected for all Edison Group companies, with the exception of one, with completely irrelevant impacts at Group level and with respect to which corrective measures are currently being taken.

| Financial covenant | Covenant observed | Adequacy margin |
|---|---|---|
| NFD/EBITDA | ✓ | ✓ |

For an explanation of the effects that a change in control of Edison could have on outstanding loans, please refer to the discussion in the 2019 Report on Corporate Governance and on the Company's Ownership Structure, in the paragraph Change of Control clauses.

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

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

At the time of the Semiannual Financial Statements are prepared, there are no situations of default.

# 7. TAXATION

## 7.1 Tax risk management

Starting from 2018, a tax risk management and reporting system was adopted (so-called the Tax Control Framework or TCF), which is integrated within the Group's overall control system. The TCF adopted consists of a Tax Policy and General Rules applicable to all Group companies, as well as matrices, coordinated with the provisions of Saving Law 262, to monitor activities with potential tax impacts on the main business processes and the Group's results.

## 7.2 Taxes

### 7.2.1. Income taxes and tax rate

| Income taxes (in millions of euros) | 1st half 2020 | 1st half 2019 | Change |
|---|---|---|---|
| Current taxes | (3) | (28) | 25 |
| Net deferred tax liabilities / assets | (33) | (7) | (26) |
| Other | - | 1 | (1) |
| **Total** | **(36)** | **(34)** | **(2)** |
| **Tax rate** | **25.7%** | **20.9%** | **n.a.** |

The Group's tax rate is slightly worse compared to first half of 2019, as this latter benefited from the income recognized in the Consolidated Income Tax Return by the controlling company Transalpina di Energia (TDE) for the use of tax losses carried forward, that were not fully valued in deferred tax-assets.

During the first half of 2020, following the introduction in Norway of transitional provisions in the E&P sector for the COVID-19 emergency, a credit for current taxes was determined for a total of 33 million euros due to tax deductibility recognized to the investment operations and a consequent reduction of 25 million euros in related deferred tax assets.

The calculation of taxes was performed on the assumption that the sale of the companies in the E&P business (discontinued operations) will be completed during the current year.

### 7.2.2. Income taxes paid

Net income taxes paid amounted to 23 million euros and include mainly 12 million euros for IRAP, 6 million euros for IRES (for those companies that are excluded from the Consolidated Income Tax Return) and 4 million euros for the tranche of payments related to certain tax disputes that were included in the scope of application of the so-called "pace fiscale" (provided for by Decree Law no. 119/2018 "Urgent provisions in tax and financial matters", as converted into Law 136 of 2018).

## 7.3 Tax assets and liabilities

### 7.3.1. Current and non-current tax receivables and payables

At June 30, 2020, net payables of 55 million euros were recognized (43 million euros at December 31, 2019); details are provided in the following table.

| Current and non-current tax receivables and payables (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Non-current tax receivables | 35 | 35 | - |
| Current tax receivables | 8 | 7 | 1 |
| Receivables owed by the controlling company in connection with the filing of the consolidated income tax return | 18 | 19 | (1) |
| **Total tax receivables (A)** | **61** | **61** | **-** |
| Current tax payables | 17 | 26 | (9) |
| Liabilities owed to the controlling company in connection with the filing of the consolidated income tax return | 99 | 78 | 21 |
| **Total tax payables (B)** | **116** | **104** | **12** |
| **Current and non-current tax receivables (payables) (A-B)** | **(55)** | **(43)** | **(12)** |

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

### 7.3.2. Deferred-tax assets and deferred-tax liabilities

At June 30, 2020, net assets of 159 million euros were recognized (net assets of 121 million euros at December 31, 2019); details are provided below.

| Deferred-tax asset (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Tax loss carryforward | 6 | - | 6 |
| Taxed provision for risks | 120 | 139 | (19) |
| Adoption of IFRS 9 with impact: | | | |
| - on shareholders' equity | 25 | 12 | 13 |
| Valuation differences of fixed assets | 79 | 57 | 22 |
| Others | 14 | 8 | 6 |
| **Deferred-tax assets** | **244** | **216** | **28** |

Deferred tax assets were valued based on the likelihood that they would be realized and their possible tax benefits recovered within the limited time horizon consistent with the business plans of the various companies.
The increase of the first half 2020 includes, among other changes, the reconsolidation of the E&P assets in Algeria and Norway.
The following table shows a breakdown of deferred-tax-liabilities by type of underlying temporary difference and the deferred tax assets used as an offset when they meet the requirements of IAS 12.

| Deferred-tax liabilities (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| **Deferred-tax liabilities:** | | | |
| - Valuation differences of fixed assets | 83 | 96 | (13) |
| - Others | 2 | 4 | (2) |
| **Total deferred-tax liabilities (A)** | **85** | **100** | **(15)** |
| **Deferred-tax assets usable for offset purposes:** | | | |
| - Valuation differences of fixed assets | - | 5 | (5) |
| **Total Deferred-tax assets (B)** | **-** | **5** | **(5)** |
| **Deferred-tax liabilities (A-B)** | **85** | **95** | **(10)** |

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# 8. NON-ENERGY ACTIVITIES

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

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

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

**Net expenses for first half of 2020 amounted to 19 million euros (net expenses of 15 million euros in the same period of the previous year).**

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

| (in millions of euros) | 12.31.2019 | Additions | Utilizations | Financial expenses | 06.30.2020 |
|---|---|---|---|---|---|
| A) Risks for disputes, litigations and contracts | 140 | - | (1) | 1 | 140 |
| B) Charges for contractual guarantees on sale of equity investments | 52 | - | - | - | 52 |
| C) Environmental risks | 71 | 18 | (4) | - | 85 |
| D) Disputed tax items | 3 | - | - | - | 3 |
| **Provisions for risks and charges for non-Energy activities** | **266** | **18** | **(5)** | **1** | **280** |

Concerning the events that determined the booking of the above-mentioned risk provision, please refer to the 2019 Consolidated Financial Statements.
As an update at June 30, 2020, it is worth of mentioning:

**Mantua – Administrative proceedings**
In the past years the Province of Mantua served Edison with several orders for remediation (eight) of areas sold by Montedison to ENI Group in 1990 (Petrolchimico di Mantova), despite the matter had been disciplined by two different transaction agreements, respectively signed with ENI and the Ministry of the Environment.
Against all these orders, Edison filed complaints before Lombardy Regional Administrative Court – Brescia section, which in August 2018 rejected them.

Edison, then, promptly appealed the ruling before the Council of State. On April 1st, 2020, the appeal proposed by Edison has been turned down and the first instance's statement has been confirmed. Edison has already appealed before the Court of Cassation and the Council of State against this decision.

**Ausimont - Bussi sul Tirino – Administrative proceedings of remediation of so-called "Solvay External Areas", areas "2A" and "2B"**

On February 28, 2018 the Province of Pescara communicated to the companies Solvay Specialty Polymers Italy Spa and Edison Spa the initiation of proceedings pursuant to Title V Part IV of Legislative Decree No. 152/2006 for the identification of the responsible for the contamination of the so-called "Solvay External Areas" in Bussi sul Tirino, dumping areas 2A and 2B and neighboring. Subsequently, on June 26, 2018, the Province of Pescara communicated to Edison by order in accordance with the article 244 of Legislative Decree No. 152/2006 (Environmental Code) for the removal of all waste abandoned over time in the aforementioned areas of the Bussi site.

With regard to this provision it should be noted that: i) such portions of land had been conferred to Ausimont since it was incorporated in 1981; ii) Ausimont, solely and exclusively, has obtained the authorization to operate, has realized, has managed and has closed the landfills called 2A and 2B on these portions of land; iii) the shares of Ausimont were transferred to Solvay Solexis Spa, today Solvay Specialty Polymers Italy Spa, in May 2002; iv) Ausimont was merged in Solvay Solexis in November 2002, with consequent succession of the latter in the legal, active and passive position, belonging to the company Ausimont.

Edison challenged the order before the Regional Administrative Court of Pescara, which dismissed the company's appeal. Edison has therefore filed an appeal before the Council of State.

With a ruling published on April 6, 2020, the Council of State confirmed, although qualifying its scope and content, the decision of the Province of Pescara and the subsequent ruling of the Pescara Regional Administrative Court in relation to the proceedings of remediation for the so-called "North" areas called 2A and 2B of the Bussi sul Tirino industrial site. The Council of State postponed to a subsequent administrative procedure the definition of any obligations; therefore, at the moment, it is not possible to determine any further economic commitments related to the decision. The Company considers this ruling to be arbitrary and has already appealed before the Court of Cassation and the Council of State against this decision.

**Bussi – "Tre Monti" area**

As part of the remediation procedure in the "Tre Monti" area in the Bussi "National Interest Site" (SIN), in light of the recent case law on remediation activities in areas characterized by historical pollution, the Company decided it would be appropriate to update the operational provision for site clean-up.

For further information, please refer to the 2019 Consolidated Financial Statements.

# 9. OTHER NOTES

## 9.1 Disclosure pursuant to IFRS 5

As described above in paragraph 1.6 Application of accounting standard IFRS 5, in these Condensed Consolidated Semiannual Financial Statements, the E&P perimeter remaining in the scope of the sale to Energean, including the assets, mining rights and equity investments in the hydrocarbon sector of Edison Exploration and Production in Italy, Egypt, Greece, UK and Croatia, has been treated as discontinued operations.

### Classification

With regard to the rationale that led, in line with the previous year, to the classification of the aforementioned E&P perimeter as Assets held for sale (discontinued operation) in accordance with IFRS 5, it should be noted, in particular, that:

- E&P business, represented by several significant CGUs, has an important economic and equity weight within the Edison Group;
- the E&P business operates in the exploration, development and production of hydrocarbons in Italy and abroad; these activities have unique risk characteristics compared with the other activities carried out by the Edison Group;
- in July 2019, an agreement was announced for the sale of Edison's E&P business to Energean; afterward this agreement was revised on April 2, 2020 and on June 28, 2020, envisaging, among other things, the exclusion from the scope of the transaction of E&P assets located in Algeria and of Edison Norge AS, which owns the E&P assets located in Norway, in addition to some revisions of the consideration and to the renouncement of interests accrued on said consideration, formerly envisaged starting from January 1, 2019 (reference date of the transaction) and up to the closing of the transaction itself;
- at present, although some government approvals are still lacking, the closing with Energean, relative to the new E&P perimeter described above, is expected within the year.

It should be noted that at June 30, 2020, the E&P assets not included in the scope of the sale to Energean and that will be subject to specific carve-out from the original perimeter, represented by the assets located in Algeria and by Edison Norge, are consolidated between continuing operations since Edison will retain the ownership until market conditions will allow their full valorisation. As concern their representation pursuant to IFRS 5, please see paragraph 1.6.

### Evaluation of the E&P business held for sale

IFRS 5 requires assets and liabilities held for sale to be measured at the lower of the book value and the fair value less costs to sell. In the valuation of the E&P perimeter under disposal, the fair value was estimated taking as a reference the contractual sale agreements in place with Energean, including the amendments signed in 2020, which provide, among other things, for a fixed consideration, determined through a locked box mechanism, equal to USD 398 million (USD 509 million at December 31, 2019), comparable with the equity value before carve-out of Algeria and Norway, as well as for an additional consideration up to USD 100 million, contingent on the commissioning of Cassiopea and variable on the basis of gas prices (PSV) observed at that date.
The difference between the estimated fair value and the carrying amount (it should be remembered that in 2019 the E&P business was subject to a negative adjustment of 584 million euros, including for 178 million euros a portion of the indistinct goodwill of the Hydrocarbons Operations – where the E&P CGUs were consolidated- allocated in accordance with IAS 36 par. 86) determined in the first half 2020 a negative adjustment of the value of the business under disposal for 115 million euros. This writedown is augmented by expected charges for risks and costs related to the sale; please see below.

### Presentation of existing relationships between continuing operations and discontinued operations

Please note that neither IFRS 5 nor IAS 1 provide guidance on how to present transactions between continuing and discontinued operations. The method chosen has led to the representation of such transactions as if the discontinued operation had already been removed from the scope of consolidation of the Edison Group, and, therefore, as if the transaction had already taken place on the date of these Condensed Consolidated Semiannual Financial Statements. Therefore, in the Consolidated Financial Statements: (i) the individual income statement and balance sheet items relating to the continuing operations have been shown without taking into account the elimination of intercompany transactions between the two operations; (ii) the income statement and balance sheet items relating to the discontinued operations also include the effect of consolidation eliminations of the relationships between the two operations.

## 2019 Comparative data

In this document:

- all the income statement and flow data for the first half of 2019 have been restated to allow a homogeneous comparison with those for the first half of 2020 and now include only the E&P perimeter in the scope of the sale to Energean;
- the balance sheet figures at December 31, 2019 are, instead, those published in the 2019 Consolidated Financial Statements and therefore include under Assets and Liabilities held for sale also the amounts relative to Algerian assets and Edison Norge (consolidated prospectively in the balance sheet under the continuing operations, starting from the date of the termination of the discontinuing).

Below is provided the contribution of the discontinued operations to profit (loss) and to assets, liabilities and financial position of Edison Group.

| Income Statement (in millions of euros) | 1st half 2020 | | | 1st half 2019 | | |
|---|---|---|---|---|---|---|
| | Discontinued operations E&P | Eliminations from and versus continuing operations | **Application of accounting standard IFRS 5** | Discontinued operations E&P | Eliminations from and versus continuing operations | **Application of accounting standard IFRS 5** |
| Sales revenues | 147 | (18) | 129 | 233 | (38) | 195 |
| Other revenues and income | 10 | (3) | 7 | 10 | (4) | 6 |
| **Total net revenues** | **157** | **(21)** | **136** | **243** | **(42)** | **201** |
| Commodity and logistic costs (-) | (14) | 13 | (1) | (21) | 34 | 13 |
| Other costs and services used (-) | (57) | 8 | (49) | (59) | 8 | (51) |
| Labor costs (-) | (24) | - | (24) | (24) | - | (24) |
| Receivables (writedowns)/reversals | (1) | - | (1) | - | - | - |
| Other costs (-) | (2) | - | (2) | (4) | - | (4) |
| **EBITDA** | **59** | **-** | **59** | **135** | **-** | **135** |
| Net change in fair value of derivatives (commodity and exchange rate risk) | 1 | | 1 | - | | - |
| Depreciation and amortization (-) | (56) | - | (56) | (73) | - | (73) |
| (Writedowns) and reversals | - | - | - | - | - | - |
| **EBIT** | **4** | **-** | **4** | **62** | **-** | **62** |
| Net financial income (expense) | (10) | - | (10) | (12) | - | (12) |
| **Profit (Loss) before taxes** | **(6)** | **-** | **(6)** | **50** | **-** | **50** |
| Income taxes | (27) | - | (27) | (40) | - | (40) |
| **Profit (Loss) from discontinued operations** | **(33)** | **-** | **(33)** | **10** | **-** | **10** |
| Value adjustment discontinued operations | (115) | - | (115) | (498) | - | (498) |
| **Profit (Loss)** | **(148)** | **-** | **(148)** | **(488)** | **-** | **(488)** |
| Broken down as follows: | | | | | | |
| Minority interest in profit (loss) | - | - | - | - | - | - |
| **Group interest in profit (loss)** | **(148)** | **-** | **(148)** | **(488)** | **-** | **(488)** |

In the first half of 2020, the overall profit (loss) from discontinued operations was negative by 162 million euros (negative by 518 million euros in the first half of 2019), as it includes, in addition to the items listed above concerning the E&P business and its alignment to the expected disposal value, costs incurred by Edison Spa for about 9 million euros (30 million euros in the first half of 2019) relative to provisions for risks and other costs linked to the sale, as well as for 5 million euros the results of cash flow hedges derivatives put in place to reduce the EUR/USD exchange rate risk on the sale price. These were recognized as an adjustment to profit (loss) from discontinued operations, which is in part variable depending on exchange rate trends.

An analysis of the operating performance for the period is provided in the Semiannual Report on Operations.

As from the date of application of IFRS 5 (June 30, 2019), in accordance with the requirements of the standard itself, depreciation and amortization on fixed assets have been stopped, which justifies a decrease in value compared to the first half of 2019. Depreciation and amortisation in the first half of 2020 include, almost exclusively, exploration costs

Net financial expenses also include those related to financial transactions with continuing operations.

| **Balance sheet discontinued operations E&P**<br>(in millions of euros) | **06.30.2020** |
|---|---|
| Non-current non-financial assets | 807 |
| Non-current financial assets | - |
| Current non-financial assets | 350 |
| Current financial assets versus continuing operations | 128 |
| Other current financial assets | 29 |
| Eliminations of financial assets from and versus Assets held for sale | (260) |
| Eliminations of non-financial assets from and versus Assets held for sale (*) | (16) |
| **Assets held for sale** | **1,038** |
| Non-current non-financial liabilities | 803 |
| Non-current financial liabilities | 19 |
| Current non-financial liabilities | 154 |
| Current financial liabilities versus continuing operations | 132 |
| Other current financial liabilities | 15 |
| Eliminations of financial liabilities from and versus Assets held for sale | (260) |
| Eliminations of non-financial liabilities from and versus Assets held for sale (*) | (16) |
| **Liabilities held for sale** | **847** |
| **Net financial debt of Assets held for sale** | **9** |

(*) of which -11 million euros relating to eliminations of balances within Gas Operations and E&P.

The amounts included in the above table also include Assets and Liabilities held for sale booked in Edison Spa.

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

| Cash flow statement discontinued operations E&P (in millions of euros) | 1st half 2020 | 1st half 2019 |
|---|---|---|
| A. Operating cash flow from discontinued operations | 59 | 89 |
| B. Cash used in investing activities from discontinued operations | (71) | (29) |
| C. Cash used in financing activities from discontinued operations | (7) | (61) |
| **D. Net cash flow for the period from discontinued operations (A+B+C)** | **(19)** | **(1)** |
| E. Cash and cash equivalents at the beginning of the period from discontinued operations | 48 | 24 |
| F. Cash and cash equivalents at the end of the period from discontinued operations | 29 | 23 |

The cash flow from operating activities refers to ordinary operations and includes foreign taxes paid; the cash flow from investing activities includes exploration costs, which are fully amortized when incurred, and other net investments in fixed assets; the cash flow from financing activities is mainly related to the cash flow with the Continuing Operations, particularly with the Corporate segment.
For details on investment activities, please refer to the comments in the Semiannual Report on Operations.

## Liabilities referred to E&P business

For a comprehensive analysis please refer to 2019 Consolidated Financial Statements.
With reference to disputes involving Edison for municipal property taxes (ICI and IMU) on offshore hydrocarbon production platforms it should be noted that the existing risk provision has been properly adjusted depending on the phase of the proceedings.

## 9.2 Other commitments

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

| (in millions of euros) | 06.30.2020 | 12.31.2019 | Change |
|---|---|---|---|
| Guarantees provided | 936 | 1,002 | (66) |
| Other commitments and risks | 258 | 240 | 18 |
| **Total for the Group** | **1,194** | **1,242** | **(48)** |

**Guarantees provided** (936 million euros) were determined based on the undiscounted amount of contingent commitments on the end of reporting period. They consist mainly of guarantees provided by the Group's parent company or by banks with the parent company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They also include, guarantees issued to third parties concerning activities on the Power Exchange, in particular to the GME, plus sureties issued to the individual operators with which the Group carries out electricity and gas purchases and sales.

Please also note that with regard to **other commitments and risks** are considered also:

- the procurement of $CO_2$ certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2013-2020 period; Edison Spa signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period;
- 111 million euros, against a 7-year long-term stipulated with the Japanese shipowner Nippon Yusen Kabushiki Kaisha for the hire of an LNG vessel. The vessel is under construction and will be delivered by the first quarter of 2023 at the latest.

Considering the guarantees and other commitments linked to **E&P business in discontinued operations**, please also note that:

- the **Guarantees provided** include guarantees, provided by the Group's parent company or by banks with the parent company's counter-guarantee, for an amount of about 57 million euros;
- the **Other commitments and risks** include an amount of 74 million euros, mainly linked to the completion of investment projects in progress in Italy and abroad.

### Unrecognized commitments and risks

The main commitments and risks that were unrecognized, pertaining to Gas Operations and E&P, are in relation to contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 12.4 billion cubic meters of natural gas a year. These contracts typically have an extended duration (at June 30, 2020 have terms ranging from 1 to 15 years) therefore their margins are susceptible to change over time as conditions change in the economic and external competitive context and the commodities scenarios used as a reference in the purchase cost/sale price indexing formulas. The presence of procurement price renegotiation clauses as well as revisions of flexibility conditions thus represent important elements to partially mitigate the risk noted above to which the parties may make recourse during contractual windows that open periodically. Please note that linked to Qatar contract price renegotiation, an arbitration proceeding has been activated by the counterparty.

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

| | | within 1 year | from 2 to 5 years | over 5 years | Total |
|---|---|---|---|---|---|
| Natural gas | Billions of $m^3$ | 11.4 | 43.9 | 74.3 | **129.6** |

The economic data are based on prospective pricing formulas.

Please also note the expected medium-term launch of two additional long-term supplies that will significantly contribute to the diversification and competitiveness of the Edison gas supply portfolio, or:

- the supply of 1 billion cubic metres/year of gas from the Azerbaijan Shah Deniz II gas field, through the Trans Adriatic Pipeline (TAP);
- the agreement developed with Venture Global for 1 million tonnes per year of LNG for 20 years (equivalent to roughly 1.4 billion cubic metres/year of natural gas) coming from the Calcasieu Pass plant (Cameron Parish, Louisiana, USA) based on a contract for the hire of an LNG vessel that is currently being built.

Furthermore, based on the outstanding contract in place with Terminale GNL Adriatico, Edison benefits from 80% of the terminal's regasification capacity until 2034.

## 9.3 Intercompany and related-party transactions

In line with the Group policies, the economic, equity and financial transactions in place as at June 30, 2020 with related parties are shown below, in accordance with the disclosure required by IAS 24. These transactions are implemented under the scope of normal operations and regulated at contractual conditions established by the parties in line with ordinary market practices.

| (in millions of euros) | Related parties pursuant to IAS 24 | | | Total for related parties | Total for financial statement item | Impact % |
|---|---|---|---|---|---|---|
| | With unconsolidated Edison Group companies | With controlling companies | With other EDF Group companies | | | |
| **Balance Sheet transactions:** | | | | | | |
| Investments in companies valued by equity method | 108 | - | - | **108** | **108** | **100.0%** |
| Non-current financial assets | 46 | - | - | **46** | **65** | **70.8%** |
| Trade receivables | - | - | 82 | **82** | **896** | **9.2%** |
| Current tax receivables | - | 18 | - | **18** | **26** | **69.2%** |
| Other current assets | 5 | 11 | 7 | **23** | **325** | **7.1%** |
| Current financial assets | 10 | - | - | **10** | **146** | **6.8%** |
| Cash and cash equivalents | - | 47 | - | **47** | **126** | **37.3%** |
| Trade payables | - | 1 | 44 | **45** | **1,058** | **4.3%** |
| Current tax payble | - | 99 | - | **99** | **116** | **85.3%** |
| Other current liabilities | - | 4 | 21 | **25** | **211** | **11.8%** |
| Current financial debt | 13 | 1 | - | **14** | **306** | **4.6%** |
| **Income Statement transactions:** | | | | | | |
| Sales revenues | 2 | 2 | 393 | **397** | **3,107** | **12.8%** |
| Other revenues and income | 1 | - | 4 | **5** | **52** | **9.6%** |
| Commodity and logistic costs | (5) | - | (289) | **(294)** | **(2,321)** | **12.7%** |
| Other costs and services used | - | (9) | (4) | **(13)** | **(246)** | **5.3%** |
| Net financial income (expense) on debt | - | (1) | (3) | **(4)** | **(7)** | **57.1%** |
| Other net financial income (expense) | 1 | 1 | - | **2** | **(11)** | **n.s.** |

### A) Transactions with unconsolidated Edison Group companies

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

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

Relating to Investments in companies valued by the equity method and Non-current financial assets please refer to the chapter 5. Fixed assets and Provisions.

## B) Transactions with controlling companies

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

**Consolidated Corporate Income Tax (IRES) Return Filed by TdE**

In 2019, main Group companies renewed option for next three-year period (2019-2021) for corporate income tax (IRES) purposes pursuant to art. 117 et seq. of the Uniform Income Tax Code - known as the National Consolidated Tax Return - which is filed by the controlling company TdE. Consequently, the companies included in the return must determine their IRES liability in coordination with the controlling company TdE and mutually agreed commitments and actions are governed by new bilateral agreements executed by TdE and the individual companies.

**Intercompany current account**

At June 30, 2020, the current account established by Edison Spa with TdE had a debit balance of 1 million euros (8 million euros at December 31, 2019).

### B.2. Transactions with EDF Sa

**Cash-pooling**

At June 30, 2020, the Edison Spa current account dedicated to cash pooling with EDF Sa had a credit balance of 47 million euros (156 million euros at December 31, 2019).

**Credit Lines**

The revolving credit line granted to Edison by EDF SA in April 2019, with a two-year duration, for a nominal value of 600 million euros is fully available at June 30, 2020.

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

**Other transactions**

Considering the economic transactions please consider:

- costs of period for 9 million euros referred mainly to insurance cost, royalties for the utilization of the brand, services rendered and the recharges of corporate costs mainly referred to the compensation of the Board of Directors;
- sales revenue and other income for a total of 2 million euros referred mainly to the services provided in the activity relating to gas portfolio.

As part of financial transactions, Edison entered into transactions to hedge exchange rate risk that, affected by currency trends, generated net realized financial income and cost for about zero (net realized financial income for 4 million euros in the first half of 2019). During the period, as also during the second semester 2019, hedging transactions were also undertaken to hedge the Euro/USD exchange rate risk associated with the price expected for the sale of the E&P business, for which please refer to the comments in paragraph 9.1 Disclosure pursuant to IFRS 5.

## C) Transactions with other EDF Group companies

### C.1 Loans

During the first half of 2020 the loan granted by EDF IG to Bonorva Windenergy, a subsidiary of EDF EN Italia (now Edison Renewables), that was recognized for 34 million euros as non-current debt and 6 million euros as current debt at December 31, 2019, has been early repaid. This transaction determined financial expenses for about 3 million euros.

More detailed information is provided in chapter 6. Shareholders' equity, financial debt and cost of debt.

## C.2 Other operating transactions

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

| (in millions of euros) | EDF Trading Ltd | Citelum | Others | **Total** |
|---|---|---|---|---|
| **Balance Sheet transactions:** | | | | |
| Trade receivables | 71 | 11 | - | **82** |
| Other current assets | 4 | - | 3 | **7** |
| Trade payables | 40 | - | 4 | **44** |
| Other current liabilities | 21 | - | - | **21** |
| **Income Statement transactions:** | | | | |
| **Sales revenues** | **381** | **12** | **-** | **393** |
| Electric power and natural gas | 490 | 12 | - | 502 |
| Realized commodity derivatives | (109) | - | - | (109) |
| Margin on physical trading activities | - | - | - | - |
| Other revenues | - | - | - | - |
| **Other revenues and income** | **4** | **-** | **-** | **4** |
| **Commodity and logistic costs** | **(289)** | **-** | **-** | **(289)** |
| Electric power and natural gas | (278) | - | - | (278) |
| Realized commodity derivatives | (9) | - | - | (9) |
| Sundry items | (2) | - | - | (2) |
| **Other costs and services used** | **-** | **-** | **(4)** | **(4)** |
| Maintenance | - | - | - | - |
| Professional services | - | - | (4) | (4) |

Referring to EDF Trading it is worth mentioning that from the September 1st, 2017, is in force the MASA (Trading Joint Venture and Market Access Services Agreement); the so-called profit sharing (remuneration mechanism) is booked in “Other revenue and income” for about 4 million euros.

# 10. CRITERIA AND METHODS

## 10.1 Comparability

As already described in paragraphs 1.6 Application of IFRS 5 and 9.1 Disclosure pursuant to IFRS 5, in light of the amendments to the agreement for the sale of the E&P business to Energean, signed on April 2, 2020 and June 28, 2020, which called for, inter alia, the exclusion from the scope of the disposal of assets located in Algeria and Edison Norge, and Edison's intention to maintain ownership of those assets until market conditions allow for their full valorisation, the disposal of such assets is not deemed highly likely in the short term. As a result, in compliance with the provisions of IFRS 5, the Algerian and Edison Norge assets, recognised in the Condensed Consolidated Semiannual Financial Statements at June 30, 2019 and in the 2019 Consolidated Financial Statements under Discontinued Operations, were reclassified in these Condensed Consolidated Semiannual Financial Statements to Continuing Operations.

As required by IFRS 5, the comparative data relating to the income statement and the cash flow statement were restated to identify the contribution of the E&P assets currently being disposed of. The following tables show the reconciliation between the values published in the Condensed Consolidated Semiannual Financial Statements at June 30, 2019 and those now exposed in this document.

## CONSOLIDATED INCOME STATEMENT

| (in millions of euros) | 1st half 2019 published | Application of IFRS 5 Perimeter change of Discontinued Operations | 1st half 2019 restated |
|---|---|---|---|
| Sales revenues | 4,307 | 14 | 4,321 |
| Other revenues and income | 56 | 5 | 61 |
| **Total net revenues** | **4,363** | **19** | **4,382** |
| Commodity and logistic costs (-) | (3,566) | 0 | (3,566) |
| Other costs and services used (-) | (259) | (4) | (263) |
| Labor costs (-) | (150) | (2) | (152) |
| Receivables (writedowns) / reversals | (14) | - | (14) |
| Other costs (-) | (46) | - | (46) |
| **EBITDA** | **328** | **13** | **341** |
| Net change in fair value of derivatives (commodity and exchange rate risk) | 8 | - | 8 |
| Depreciation and amortization (-) | (154) | (8) | (162) |
| (Writedowns) and reversals | - | - | - |
| Other income (expense) non Energy activities | (15) | - | (15) |
| **EBIT** | **167** | **5** | **172** |
| Net financial income (expense) on debt | (3) | - | (3) |
| Other net financial income (expense) | 3 | (1) | 2 |
| Net financial income (expense) on assigned trade receivables without recourse | (10) | - | (10) |
| Income from (Expense on) equity investments | 2 | - | 2 |
| **Profit (Loss) before taxes** | **159** | **4** | **163** |
| Income taxes | (38) | 4 | (34) |
| **Profit (Loss) from continuing operations** | **121** | **8** | **129** |
| Profit (Loss) from discontinued operations | (518) | - | (518) |
| **Profit (Loss)** | **(397)** | **8** | **(389)** |
| Broken down as follows: | | | |
| Minority interest in profit (loss) | 9 | - | 9 |
| **Group interest in profit (loss)** | **(406)** | **8** | **(398)** |

It should be noted that EBITDA of E&P operations in Algeria and Norway in the first half of 2020 amounted to 12 million euros.

# CASH FLOW STATEMENT

| (in millions of euros) | 1st half 2019 published | Application of IFRS 5 Perimeter change of Discontinued Operations | 1st half 2019 restated |
|---|---|---|---|
| **Profit (Loss) before taxes** | **159** | **4** | **163** |
| Depreciation, amortization and writedowns | 154 | 8 | 162 |
| Net additions to provisions for risks | 11 | - | 11 |
| Interest in the result of companies valued by the equity method (-) | (2) | - | (2) |
| Dividends received from companies valued by the equity method | 1 | - | 1 |
| (Gains) Losses on the sale of non-current assets | (2) | - | (2) |
| Change in employee benefits | (2) | - | (2) |
| Change in fair value recorded in EBIT | (8) | - | (8) |
| Change in operating working capital | 30 | 26 | 56 |
| Change in non-operating working capital | (26) | - | (26) |
| Change in other operating assets and liabilities | 43 | 3 | 46 |
| Net financial (income) expense | 10 | 1 | 11 |
| Net financial income (expense) paid | (7) | (2) | (9) |
| Net income taxes paid | (15) | - | (15) |
| Operating cash flow from discontinued operations | 129 | (40) | 89 |
| **A. Operating cash flow** | **475** | **-** | **475** |
| Additions to intangibles and property, plant and equipment (-) | (78) | (40) | (118) |
| Additions to non-current financial assets ( -) | (6) | - | (6) |
| Net price paid on business combinations | (2) | - | (2) |
| Cash and cash equivalents disposed | (1) | - | (1) |
| Proceeds from the sale of intangibles and property, plant and equipment | 3 | - | 3 |
| Proceeds from the sale of non-current financial assets | 4 | - | 4 |
| Cash used in investing activities from discontinued operations | (69) | 40 | (29) |
| **B. Cash used in investing activities** | **(149)** | **-** | **(149)** |
| Receipt of new medium-term and long-term loans | - | - | - |
| Redemption of medium-term and long-term loans (-) | (26) | - | (26) |
| Other net change in financial debt | 9 | - | 9 |
| Change in current financial assets | 57 | - | 57 |
| Net liabilities resulting from financing activities | 40 | - | 40 |
| Capital and reserves contributions (+) | - | - | - |
| Dividends and reserves paid to controlling companies or minority shareholders (-) | (32) | - | (32) |
| Cash used in financing activities from discontinued operations | (61) | - | (61) |
| **C. Cash used in financing activities** | **(53)** | **-** | **(53)** |
| **D. Net currency translation differences** | **-** | **-** | **-** |
| **E. Net cash flow for the period (A+B+C+D)** | **273** | **-** | **273** |
| **F. Cash and cash equivalents at the beginning of the year** | **149** | **-** | **149** |
| **G. Cash and cash equivalents at the end of the period (E+F)** | **422** | **-** | **422** |
| **H. Cash and cash equivalents at the end of the period Discontinued Operations** | **23** | **-** | **23** |
| **I. Cash and cash equivalents at the end of the period Continuing Operations (G-H)** | **399** | **-** | **399** |

# 11. OTHER INFORMATION

## 11.1 Significant non-recurring events and transactions

In accordance with CONSOB Communication n° DEM/6064293 of 28 July 2006, we note that during the first half of 2020, no significant non-recurring events and transactions are reported.

## 11.2 Transactions resulting from atypical and/or unusual activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in the first half of 2020 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

# SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2020

No significant events occurred after June 30, 2020.

**Milan, July 29, 2020**
**The Board of Directors**
**By Nicola Monti**
**Chief Executive Officer**

# SCOPE OF CONSOLIDATION AT JUNE 30, 2020

# SCOPE OF CONSOLIDATION AT JUNE 30, 2020

## LIST OF EQUITY INVESTMENTS

## A) Investments in companies included in the scope of consolidation

### Companies consolidated line by line

| Company name | Head office | Currency | Share capital | Consolidated Group interest (a) 06.30.2020 | Consolidated Group interest (a) 12.31.2019 | Interest held in share capital % (b) | Interest held in share capital by | Type of investment relationship (c) | Notes |
|---|---|---|---|---|---|---|---|---|---|
| **Group Parent Company** | | | | | | | | | |
| Edison Spa | Milan (IT) | EUR | 5,377,000,671 | | | | | | |
| **Electric Power Operations** | | | | | | | | | |
| A.EN.B. Srl Azienda Energetica Buschese (single shareholder) | Rivoli (TO) (IT) | EUR | 12,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| A.EN.W. Srl Antilia Energy Wood Srl (single shareholder) | Rivoli (TO) (IT) | EUR | 1,116,026 | 100.00 | 100.00 | 100.00 | A.EN.B. Srl Azienda Energetica Buschese (single shareholder) | S | (x) |
| Ambyenta Campania Spa | Rivoli (TO) (IT) | EUR | 1,000,000 | 95.00 | - | 95.00 | Sersys Ambiente Srl (single shareholder) | S | |
| Assistenza Casa Spa (single shareholder) - Electric Power Activities | Milan (IT) | EUR | 50,000 | 100.00 | 100.00 | 100.00 | Edison Energia Spa (single shareholder) | S | (i) |
| Bargenergia Srl (single shareholder) | Milan (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Comat Energia Srl (single shareholder) | S | (v) |
| Bonorva Windenergy Srl (single shareholder) | Cagliari (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | 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 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Conef Solutions Slu | Madrid (E) | EUR | 3,001 | 100.00 | 100.00 | 100.00 | EDF Fenice Iberica Slu | S | - |
| Consorzio Esco Energy | Milan (IT) | EUR | 10,000 | 51.00 | 51.00 | 51.00 | Edison Facility Solutions Spa (single shareholder) | S | (v) |
| Consorzio SST Scarl | Trento (IT) | EUR | 10,000 | 51.00 | 51.00 | 51.00 | Edison Facility Solutions Spa (single shareholder) | S | (ix) |
| Dolomiti Edison Energy Srl | Trento (IT) | EUR | 5,000,000 | 49.00 | 49.00 | 49.00 | Edison Spa | S | (viii) |
| E2i Energie Speciali Srl | Milan (IT) | EUR | 4,200,000 | 30.00 | 30.00 | 30.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | - |
| Ecologica Marche Srl (single shareholder) | Monsano (AN) (IT) | EUR | 20,000 | 100.00 | 100.00 | 100.00 | Sersys Ambiente Srl (single shareholder) | S | (v) |
| Ecotermica Cirié Srl | Rivoli (TO) (IT) | EUR | 10,000 | 60.00 | 60.00 | 60.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| EDF EN Services Italia Srl (single shareholder) | Bologna (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| 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<br>0.03 | EDF Fenice Iberica Slu<br>Fenice Qualità per l'Ambiente Spa (single shareholder) | S | - |
| EDF Fenice Services Iberica Sl | Madrid (E) | EUR | 6,010 | 100.00 | 100.00 | 100.00 | EDF Fenice Iberica Slu | S | - |
| Edison Energia Spa (single shareholder) - Electric Power Activities | Milan (IT) | EUR | 40,000,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Edison Energy Solutions Spa (single shareholder) - Electric Power Activities | Milan (IT) | EUR | 5,000,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder) | Trento (IT) | EUR | 5,650,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | Milan (IT) | EUR | 16,660,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Edisonsolar Srl (single shareholder) ex Fotosolare Srl (single shareholder) | Cagliari (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Edisonwind Srl (single shareholder) ex Green Energy Srl (single shareholder) | Milan (IT) | EUR | 50,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Elio Sicilia Srl (single shareholder) | Palermo (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Energie Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Eolica Forenza Srl (single shareholder) | Rome (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |

# LIST OF EQUITY INVESTMENTS (continued)

| Company name | Head office | Currency | Share capital | Consolidated Group interest (a) 06.30.2020 | Consolidated Group interest (a) 12.31.2019 | Interest held in share capital % (b) | Interest held in share capital by | Type of investment relationship (c) | Notes |
|---|---|---|---|---|---|---|---|---|---|
| Eolo Energia Srl | Milan (IT) | EUR | 10,000 | 65.70 | 65.70 | 49.00<br>51.00 | E2i Energie Speciali Srl<br>Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Fenice Assets Iberica Sl | Madrid (E) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | EDF Fenice Iberica Slu | S | - |
| Fenice Poland Sp.z.o.o. | Bielsko Biala (PL) | PLZ | 30,000,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | - |
| Fenice Qualità per l'Ambiente Spa (single shareholder) | Rivoli (TO) (IT) | EUR | 330,500,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Fenice Services Polska | Bielsko Biala (PL) | PLZ | 600,000 | 100.00 | 100.00 | 100.00 | Fenice Poland Sp.z.o.o. | S | - |
| Fompedraza Cogeneracion Sa | Fompedraza (Valladolid) (E) | EUR | 113,400 | 90.00 | 90.00 | 90.00 | EDF Fenice Iberica Slu | S | - |
| Fotosolare Sesta Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Fotosolare Settima Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Frendy Energy Spa | Milan (IT) | EUR | 14,829,312 | 72.93 | 72.93 | 72.93 | Edison Spa | S | (i) |
| FRI-EL Murge Srl (single shareholder) | Bolzano (IT) | EUR | 5,810,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| FRI-EL Nurri Srl (single shareholder) | Bolzano (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | FRI-EL Sardegna Srl (single shareholder) | S | (i) |
| FRI-EL Sardegna Srl (single shareholder) | Bolzano (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Idroblu Srl | Milan (IT) | EUR | 100,000 | 37.19 | 37.19 | 51.00 | Frendy Energy Spa | S | (vi) |
| Idrocarrù Srl | Milan (IT) | EUR | 20,410 | 37.20 | 37.20 | 51.00 | Frendy Energy Spa | S | (vi) |
| Idroelettrica Brusson Srl (single shareholder) | Aosta (IT) | EUR | 20,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Idroelettrica Cervino Srl (single shareholder) | Aosta (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Idroelettrica Saint-Barth Basso Srl (single shareholder) | Aosta (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Interecogen Srl (single shareholder) | Rivoli (TO) (IT) | EUR | 110,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Jesi Energia Spa | Milan (IT) | EUR | 5,350,000 | 70.00 | 70.00 | 70.00 | Edison Spa | S | (i) |
| Magnoli & Partners Srl | Cremona (IT) | EUR | 10,000 | 60.00 | 60.00 | 60.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Murgeolica Srl (single shareholder) | Bolzano (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | FRI-EL Murge Srl (single shareholder) | S | (i) |
| Pavoni Rossano Srl (single shareholder) | Rivoli (TO) (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Sersys Ambiente Srl (single shareholder) | S | (v) |
| Prima Aviv Energy Technologies Ltd | Ramat Gan (IL) | ILS | 1,000 | 100.00 | 100.00 | 100.00 | Edison Facility Solutions Spa (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) |
| Santa Luce Srl (single shareholder) | Rome (IT) | EUR | 240,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Serra Carpaneto 3 Srl (single shareholder) | Rome (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Sersys Ambiente Srl (single shareholder) | Rivoli (TO) (IT) | EUR | 1,000,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| Sistemi di Energia Spa | Milan (IT) | EUR | 10,083,205 | 88.28 | 88.28 | 88.28 | Edison Spa | S | (i) |
| Società Idroelettrica Calabrese Srl (single shareholder) | Milan (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Solar Green Energy Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Solaren Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Solareolica Seconda Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |

## LIST OF EQUITY INVESTMENTS (continued)

| Company name | Head office | Currency | Share capital | Consolidated Group interest (a) | | Interest held in share capital | | Type of investment relationship (c) | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 06.30.2020 | 12.31.2019 | % (b) | by | | |
| Solareolica Srl (single shareholder) | Rome (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Sunflower Srl | Rome (IT) | EUR | 10,000 | 70.00 | 70.00 | 70.00 | Edison Renewables Srl (single shareholder) ex Edison Partecipazioni Energie Rinnovabili Srl | S | (i) |
| Tabacchi Srl (single shareholder) | Milan (IT) | EUR | 500,000 | 100.00 | 100.00 | 100.00 | Edison Facility Solutions Spa (single shareholder) | S | (ix) |
| Termica Cologno Srl | Milan (IT) | EUR | 1,000,000 | 65.00 | 65.00 | 65.00 | Edison Spa | S | (i) |
| Vernante Nuova Energia Srl (single shareholder) | Rivoli (TO) (IT) | EUR | 10,000 | 100.00 | 100.00 | 100.00 | Fenice Qualità per l'Ambiente Spa (single shareholder) | S | (v) |
| **Hydrocarbons Operations** | | | | | | | | | |
| Amg Gas Srl | Palermo (IT) | EUR | 100,000 | 80.00 | 80.00 | 80.00 | Edison Energia Spa (single shareholder) | S | (i) |
| Assistenza Casa Spa (single shareholder) - Hydrocarbons Activities | Milan (IT) | EUR | 50,000 | 100.00 | 100.00 | 100.00 | Edison Energia Spa (single shareholder) | S | (i) |
| Attiva Spa (single shareholder) | Milan (IT) | EUR | 200,000 | 100.00 | 100.00 | 100.00 | Edison Energia Spa (single shareholder) | S | (i) |
| Edison Energia Spa (single shareholder) - Hydrocarbons Activities | Milan (IT) | EUR | 40,000,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Edison Norge As | Stavanger (N) | NOK | 4,000,000 | 100.00 | 100.00 | 100.00 | Edison International Spa (single shareholder) | S | |
| Edison Reggane Spa (single shareholder) | Milan (IT) | EUR | 200,000 | 100.00 | - | 100.00 | Edison Spa | S | |
| Edison Stoccaggio Spa (single shareholder) | Milan (IT) | EUR | 90,000,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Infrastrutture Distribuzione Gas Spa (single shareholder) | Selvazzano Dentro (PD) (IT) | EUR | 460,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| **Corporate Activities** | | | | | | | | | |
| Atema Dac | Dublin 2 (IRL) | EUR | 1,500,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | - |
| Edison Hellas Sa | Athens (GR) | EUR | 263,700 | 100.00 | 100.00 | 100.00 | Edison Spa | S | - |
| Edison International Development Bv | Amsterdam (NL) | EUR | 18,018,000 | 100.00 | 100.00 | 100.00 | Edison International Holding Nv | S | - |
| Edison International Holding Nv | Amsterdam (NL) | EUR | 123,500,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | - |
| Nuova Alba Srl (single shareholder) | Milan (IT) | EUR | 2,016,457 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Tremonti Srl (single shareholder) | Milan (IT) | EUR | 100,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | - |
| **Discontinued Operations** | | | | | | | | | |
| **Hydrocarbons Operations** | | | | | | | | | |
| Edison E&P UK Ltd | London (GB) | GBP | 81,867,411 | 100.00 | 100.00 | 100.00 | Edison Exploration & Production Spa (single shareholder) | S | - |
| Edison Egypt-Energy Service J.s.c. | New Cairo (ET) | EGP | 20,000,000 | 100.00 | 100.00 | 1.00<br>98.00<br>1.00 | Edison International Holding Nv<br>Edison International Spa (single shareholder)<br>Edison Exploration & Production Spa (single shareholder) | S | - |
| Edison Exploration & Production Spa (single shareholder) | Milan (IT) | EUR | 500,000,000 | 100.00 | 100.00 | 100.00 | Edison Spa | S | (i) |
| Edison Idrocarburi Sicilia Srl (single shareholder) | Ragusa (IT) | EUR | 1,000,000 | 100.00 | 100.00 | 100.00 | Edison Exploration & Production Spa (single shareholder) | S | (i) |
| Edison International E&P Spa (single shareholder) | Milano (IT) | EUR | 200,000 | 100.00 | - | 100.00 | Edison Exploration & Production Spa (single shareholder) | S | |
| Edison International Spa (single shareholder) | Milan (IT) | EUR | 75,000,000 | 100.00 | 100.00 | 100.00 | Edison Exploration & Production Spa (single shareholder) | S | (i) |
| Edison Norge As | Stavanger (N) | NOK | 3,000,000 | 100.00 | 100.00 | 100.00 | Edison International Spa (single shareholder) | S | - |
| Euroil Exploration Ltd | London (GB) | GBP | 9,250,000 | 100.00 | 100.00 | 100.00 | Edison Exploration & Production Spa (single shareholder) | S | - |

# LIST OF EQUITY INVESTMENTS (continued)

| Company name | Head office | Currency | Share capital | Consolidated Group interest (a) 12.31.2019 | Interest held in share capital % (b) | by | Carring value (in millions of euros) (d) | Type of investment relationship (c) | Notes |
|---|---|---|---|---|---|---|---|---|---|
| **B) Investments in companies valued by the equity method** | | | | | | | | | |
| Elpedison Bv (*) | Amsterdam (NL) | EUR | 1,000,000 | | 50.00 | Edison International Holding Nv | 10.2 | JV | (iii) |
| Ibiritermo Sa | Ibirité - Estado de Minas Gerais (BR) | BRL | 7,651,814 | | 50.00 | Edison Spa | 8.2 | JV | (iii) |
| IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**) | Herakleio Attiki (GR) | EUR | 128,850,000 | | 50.00 | Edison International Holding Nv | 47.4 | JV | (iii) |
| Consorzio Barchetta | Jesi (AN) (IT) | EUR | 2,100 | | 47.62 | Jesi Energia Spa | - | AC | - |
| Depositi Italiani GNL Spa | Ravenna (IT) | EUR | 20,000,000 | | 49.00 | Edison Spa | 9.8 | AC | - |
| EL.IT.E Spa | Milan (IT) | EUR | 3,888,500 | | 48.45 | Edison Spa | 3.5 | AC | - |
| Esco Primiero | Primiero San Martino di Castrozza (IT) | EUR | 50,460 | | 22.59 | Edison Facility Solutions Spa (single shareholder) | | AC | - |
| Iniziativa Universitaria 1991 Spa | Varese (IT) | EUR | 16,120,000 | | 32.26 | Edison Spa | 4.4 | AC | - |
| Italia Servizi Integrati Spa | Milan (IT) di Castrozza (IT) | EUR | 1,000,000 | | 40.00 | Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder) | 0.1 | AC | - |
| Kraftwerke Hinterrhein Ag | Thusis (CH) | CHF | 100,000,000 | | 20.00 | Edison Spa | 22.7 | AC | - |
| Palmanova Servizi Energetici Scarl | Zola Predosa (BO) (IT) | EUR | 10,000 | | 40.00 | Edison Facility Solutions Spa (single shareholder) | - | AC | - |
| Prometeo Spa | Osimo (AN) (IT) | EUR | 2,826,285 | | 20.91 | Edison Spa | 2.1 | AC | (vii) |
| San Gerardo Servizi Scarl | Zola Predosa (BO) (IT) | EUR | 10,000 | | 40.00 | Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder) | - | AC | - |
| Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa | Milan (IT) | EUR | 37,419,179 | | 23.53 | Edison Spa | - | AC | - |
| Syremont Spa | Rose (CS) (IT) | EUR | 1,325,000 | | 22.64 | Edison Spa | - | AC | (ii) |
| T.E.S.I. Engineering Srl | Trento (IT) | EUR | 104,000 | | 24.00 | Energon Facility Solutions Spa (single shareholder) | - | AC | - |
| **Total investments in companies valued by the equity method** | | | | | | | **108.4** | | |
| **Discontinued Operations** | | | | | | | | | |
| Abu Qir Petroleum Company | Alexandria (ET) | EGP | 20,000 | | 50.00 | Edison International Spa (single shareholder) | - | JV | (iii)(iv) |
| Ed-Ina D.o.o. | Zagreb (HR) | HRK | 20,000 | | 50.00 | Edison International Spa (single shareholder) | - | JV | (iii) |
| North Amryia Petroleum Company | New Cairo (ET) | EGP | 20,000 | | 50.00 | Edison International Spa (single shareholder) | - | JV | (iv) |
| North Idku Petroleum Company | Cairo (ET) | EGP | 20,000 | | 50.00 | Edison International Spa (single shareholder) | - | JV | (iv) |

| Company name | Head office | Currency | Share capital | Consolidated Group interest (a) 12.31.2019 | Interest held in share capital % (b) | by | Type of investment relationship (c) | Notes |
|---|---|---|---|---|---|---|---|---|
| **(*) The carrying value includes the valuation of Elpedison Sa** | | | | | | | | |
| Elpedison Sa | Marousi Athens (GR) | EUR | 99,633,600 | | 100.00 | Elpedison Bv | JV | (iii) |
| **(**) The carrying value includes the valuation of ICGB AD** | | | | | | | | |
| ICGB AD | Sofia (BG) | BGL | 115,980,740 | | 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) 12.31.2019 | 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 | - |
| E.E.S.CO. Srl (in liquidation) | Marcallo con Casone (MI) (IT) | EUR | 150,000 | | 30.17 | Edison Facility Solutions 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<br>in Euros | 150,000,000<br>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<br>in Euros | 300,000,000<br>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 through profit and loss** | | | | | | | | | |
| Amsc-American Superconductor | Devens (MA) (USA) | USD | 226,367 | | 0.07 | Edison Spa | 0.1 | NG | - |
| Città Salute Ricerca Milano Spa | Milan (IT) | EUR | 5,000,000 | | 10.00 | Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder) | 0.5 | NG | - |
| Esco Brixia Srl | Bovegno (BS) (IT) | EUR | 45,000 | | 10.00 | Edison Facility Solutions Spa (single shareholder) | - | NG | - |
| European Energy Exchange Ag - Eex | Lipsia (D) | EUR | 60,075,000 | | 0.50(*) | Edison Spa | 0.7 | NG | - |
| Reggente Spa | Lucera (FG) (IT) | EUR | 260,000 | | 5.21 | Edison Spa | | | |
| Renit Group Srl | Giulianova (TE) (IT) | EUR | 300,000 | | 19.49 | Edison Facility Solutions Spa (single shareholder) ex West Tide Srl (single shareholder) | 0.4 | NG | - |
| Synchron Nuovo San Gerardo Spa | Zola Pedrosa (BO) (IT) | EUR | 8,160,000 | | 6.85 | Edison Facility Solutions Spa (single shareholder) ex Zephyro Spa (single shareholder) | 0.6 | NG | - |
| **Total investments in other companies valued at fair value through profit and loss** | | | | | | | **2.3** | | |
| **Discontinued Operations** | | | | | | | | | |
| Rashid Petroleum Company - Rashpetco | Cairo (ET) | EGP | 20,000 | | 10.00 | Edison International Spa (single shareholder) | - | NG | - |
| **Total equity investments** | | | | | | | **113.1** | | |

(*) Percentage of voting securities held with exercisable voting rights in Ordinary Shareholders' Meeting 0,76.

## 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.
(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.
(c) S = subsidiary; JO = joint operation; JV = joint venture; AC = affiliated company; NG = non-Group company.
(d) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.
(i) Company subject to the oversight and coordination of Edison Spa.
(ii) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.
(iii) From January 1, 2014, company valuated with equity method according to IFRS 11.
(iv) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreement continue to be consolidated line by line through the separated financial statements of the company.
(v) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente Spa (single shareholder).
(vi) Company subject to the oversight and coordination of Frendy Energy Spa.
(vii) Of which n. 183.699 of common shares and n. 407.136 of common share cat. A.
(viii) Company subject to the oversight and coordination of Dolomiti Energia Holding Spa.
(ix) Company subject to the oversight and coordination of Edison Facility Solutions Spa (single shareholder).
(x) Company subject to the oversight and coordination of A.EN.B. Srl.

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

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

## Certification of the Condensed Semiannual Financial Statements Pursuant to Art. 81-ter of CONSOB Regulation No. 11971 of May 14, 1999, as Amended

1. The undersigned Nicola Monti, as "Chief Executive Officer", Didier Calvez and Roberto Buccelli, as "Dirigenti Preposti alla redazione dei documenti contabili societari" of Edison Spa, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 of February 24, 1998, hereby certify the following:

    - the adequacy in relation of the characteristics of the business and
    - the effective application,

    of administrative and accounting procedures for the preparation of the Condensed Semiannual Financial Statements for the period January 1 - June 30, 2020.

2. We further certify that:

2.1. the Condensed Semiannual Financial Statements (Condensed Consolidated Semiannual Financial Statements):

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

2.2 the 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 29, 2020

The Chief Executive Officer

Nicola Monti

The "Dirigenti Preposti alla redazione dei documenti contabili societari"

Didier Calvez
Roberto Buccelli

KPMG S.p.A.
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**(Translation from the Italian original which remains the definitive version)**

# Report on review of condensed interim consolidated financial statements

To the Shareholders of
Edison S.p.A.

## Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Edison S.p.A. and subsidiaries (the "Edison Group") comprising the consolidated income statement, other components of the comprehensive income statement, the consolidated balance sheet, the cash flow statement, the changes in consolidated shareholders' equity and notes thereto, as at and for the six months ended 30 June 2020. The company's Edison S.p.A. directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of Edison Group as at and for the six months ended 30 June 2020 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

## Other Matter

The consolidated financial statements of the previous year and the condensed interim consolidated financial statements as at and for the six months ended 30 June 2019 have been respectively audited and reviewed by another auditor who expressed an unmodified opinion on the consolidated financial statements and an unmodified conclusion on the condensed interim consolidated financial statements on 26 February 2020 and on 31 July 2019, respectively.

Milan, 30 July 2020

KPMG S.p.A.

(signed on the original)

Umberto Scaccabarozzi
Director of Audit