PART 5

FINANCIAL INFORMATION ON EDISON E&P

Section A – Accountant's Report

Deloitte.

1 New Street Square
London
EC4A 3HQ

The Board of Directors
on behalf of Energean PLC
Accurist House
44 Baker Street
London
W1U 7AL

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London
E14 4QA

29 June 2020

Dear Sirs/Mesdames

Edison Exploration & Production S.p.A ("**Target**" and, with its subsidiaries, the "**Target Group**")

We report on the financial information for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 relating to the acquisition of the Target set out in Section B of Part 5 of the Class 1 Circular dated 29 June 2020 of Energean PLC (the "**Company**" and, together with its subsidiaries, the "**Group**") (the "**Circular**"). This financial information has been prepared for inclusion in the Circular on the basis of the statement of compliance and basis of preparation set out in the notes to the Historical Financial Information. This report is required by Listing Rule 13.5.21R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the statement of compliance and basis of preparation in the notes to the Historical Financial Information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Circular.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Circular, a true and fair view of the state of affairs of the Target Group as at the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 and of its results, cash flows and changes in equity for the three years ended 31 December 2017, 31 December 2018 and 31 December 2019 in accordance with the basis of preparation set out in the statement of compliance and basis of preparation in the notes to the Historical Financial Information.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.

Section B –Financial Information on Edison E&P

Statement of Financial Position as of 31 December 2019, 2018 and 2017

(in thousands of US$)	Note	31 December 2019	2018	2017
Property, plant and equipment	1	637,733	1,306,224	1,524,628
Intangible assets	2	145,198	200,566	245,173
Equity-accounted investments	3	4	5	5
Other non-current assets	4	1,099	8,424	9,716
Deferred tax assets	5	16,421	279,524	282,615
Non-current assets		**800,455**	**1,794,743**	**2,062,137**
Trade receivables	6	320,257	374,405	399,173
Inventories	7	58,722	54,289	49,616
Current tax assets	8	29	30	28
Other receivables	9	55,654	90,385	62,317
Loans receivables	10	155,364	157,855	33,235
Cash and cash equivalents	11	49,521	23,767	26,868
Current assets		**639,547**	**700,731**	**571,237**
Assets classified as held for sale	12	**464,861**	**—**	**44,114**
TOTAL ASSETS		**1,904,863**	**2,495,474**	**2,677,488**
Share capital	13	572,026	572,026	217,900
Share premium reserve	13	417,604	417,604	286,792
Other reserves	13	241,301	253,428	753,593
Foreign currency translation	13	9,138	28,391	59,878
Retained earnings /(deficit)	13	(739,430)	(125,868)	(1,144,213)
Total equity		**500,639**	**1,145,581**	**173,950**
Borrowings	14	—	69,045	106,488
Provisions	15	715,625	694,978	730,120
Retirement benefit liabilities	16	2,931	3,059	4,152
Other non-current liabilities	17	27,371	4,574	—
Non-current liabilities		**745,927**	**771,656**	**840,760**
Borrowings	14	159,018	336,857	1,405,980
Trade payables	18	169,403	174,972	232,972
Other current liabilities	19	54,015	66,408	23,825
Current liabilities		**382,436**	**578,237**	**1,662,777**
Liabilities directly associated with assets classified as held for sale	12	**275,861**	—	—
TOTAL LIABILITIES AND EQUITY		**1,904,863**	**2,495,474**	**2,677,488**

As explained further in the "Statement of Compliance and Basis of Preparation" section of the notes to the Historical Financial Information before 1 July 2018 the business comprised separate legal entities under common control. As such the Statement of Financial Position as at 31 December 2017 shows the Group (as defined in "Content and format of the consolidation statement" in the notes to the Historical Financial Information) on a combined basis and equity is presented as an aggregation of equity of the individual legal entities. From 1 July 2018 the shareholding of these entities was restructured to create a legal sub group and as such at this point the equity shown above represents the consolidated equity of Group. Accordingly, certain equity balances may not be comparable between the financial periods.

Income Statement for the years ended, 31 December 2019, 2018 and 2017

(in thousands of US$)	Note	31 December* 2019	2018	2017
Continuing operations				
Sales and other operating revenues	20	494,927	599,178	527,986
Cost of sales	21(a)	(410,341)	(404,944)	(363,631)
Gross Profit		**84,586**	**194,234**	**164,355**
Administrative expenses	21(b)	(26,481)	(27,888)	(22,654)
Exploration and evaluation expenses	21(c)	(15,701)	(62,831)	(21,158)
Impairment of property plant and equipment	1	(235,268)	(64,822)	(101,786)
Other expense	21(d)	(7,391)	(5,152)	(9,439)
Other income	21(e)	14,025	9,924	15,787
Operating (loss)/profit		**(186,230)**	**43,465**	**25,105**
Finance income	23	2,608	32,390	10,317
Finance cost	23	(28,429)	(42,915)	(47,045)
Gain on derivative	24	(577)	(71)	5,872
Net foreign exchange gain/(loss)	23	1,534	1,375	(1,304)
Profit from continuing operations before tax		**(211,094)**	**34,244**	**(7,055)**
Taxation income/(expense)	25	(296,016)	(106,912)	(131,256)
Loss from continuing operations		**(507,110)**	**(72,668)**	**(138,311)**
Discontinued Operations				
Post-tax (loss)/profit for the year from discontinued operations	12	(106,452)	6,571	(90,426)
Loss for the year		**(613,562)**	**(66,097)**	**(228,737)**
Attributable to:				
Owners of the parent		(613,562)	(66,097)	(228,737)
Non-controlling interests		—	—	—
		(613,562)	**(66,097)**	**(228,737)**

* *The 2018 and 2017 comparative amounts reflect the reclassification of discontinued operations*

Statement of Comprehensive Income for the years ended 31 December 2019, 2018 and 2017

(in thousands of US$)	31 December		
	2019	**2018**	**2017**
Loss for the year for continuing operations	(507,110)	(72,668)	(138,311)
Items that may be subsequently reclassified to profit or loss:			
- Fair value (losses)/gains on hedging derivatives net of tax	(9,040)	9,498	2,289
- Exchange differences on translation of foreign operations	3,517	8,417	(13,744)
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial (losses)/gains on employee benefits net of tax	(124)	76	(12)
Comprehensive loss for continuing operations	**(512,757)**	**(54,677)**	**(149,778)**
Comprehensive (loss)/income from discontinued operations	**(108,394)**	**8,956**	**(97,593)**
Total Comprehensive loss	**(621,151)**	**(45,721)**	**(247,371)**

All profit/(losses) are fully attributable to the owners of the Parent.

Statement of Changes in Equity as of 31 December 2019, 2018 and 2017

(in thousands of US$)	Share capital	Share premium reserve	Translation reserve	Hedging reserve	Actuarial gains (losses)	Other reserves	Retained earnings	Equity
Balance at 01.01.2017	**217,900**	**286,792**	**40,477**	**—**	**(567)**	**792,198**	**(915,475)**	**421,325**
Owner transactions.............								
– Other movements*	—	—	—	—	—	(40,314)	—	(40,314)
– Retranslation of foreign exchange............................			40,310					40,310
Total owner transactions.....	**217,900**	**286,792**	**80,787**	**—**	**(567)**	**751,884**	**(915,475)**	**421,321**
– Loss for the year	—	—	—	—	—	—	(228,737)	(228,737)
– Other comprehensive income (expense)...............	—	—	(20,911)	2,289	(12)	—	—	(18,634)
Total other comprehensive income (expense).................	—	—	**(20,911)**	**2,289**	**(12)**	—	(228,737)	**(247,371)**
Balance at 31.12.2017..........	**217,900**	**286,792**	**59,876**	**2,289**	**(579)**	**751,884**	**(1,144,212)**	**173,950**
IFRS 9 – first adoption							(13,047)	(13,047)
Balance at 01.01.2018..........	**217,900**	**286,792**	**59,876**	**2,289**	**(579)**	**751,884**	**(1,157,259)**	**160,903**
Owner transactions.............								
– Increase of share capital and share premium*	590,500	427,876	—	—	—	—	—	1,018,376
– Elimination on Group restructuring*.....................	(236,374)	(297,064)	—	—	—	(512,254)	1,097,488	51,796
– Retranslation of foreign exchange............................			(39,776)		—	—	—	(39,776)
Total owner transactions.....	**572,026**	**417,604**	**20,100**	**2,289**	**(579)**	**239,630**	**(59,771)**	**1,191,299**
– Loss for the year	—	—	—	—	—	—	(66,097)	(66,097)
– Other comprehensive income	—	—	8,291	12,012	76	—	—	20,379
Total other comprehensive income (expense).................	**—**	**—**	**8,291**	**12,012**	**76**	**—**	**(66,097)**	**(45,718)**
Balance at 31.12.2018..........	**572,026**	**417,604**	**28,391**	**14,301**	**(503)**	**239,630**	**(125,868)**	**1,145,581**
Owner transactions.............								
– Retranslation of foreign exchange............................	—	—	(23,791)	—	—	—	—	(23,791)
Total owner transactions.....	**572,026**	**417,604**	**4,600**	**14,301**	**(503)**	**239,630**	**(125,868)**	**1,121,790**
– Loss for the year	—	—	—	—	—	—	(613,562)	(613,562)
– Other comprehensive income (expense)...............	—	—	4,537	(12,002)	(124)	—	—	(7,589)
Total other comprehensive income (expense).................	**—**	**—**	**4,537**	**(12,002)**	**(124)**	**—**	**(613,562)**	**(621,151)**
Balance at 31.12.2019..........	**572,026**	**417,604**	**9,137**	**2,299**	**(627)**	**239,630**	**(739,430)**	**500,639**

* *Further detail is given in relation to these items on the next page*

Statement of Changes in Equity as of 31 December 2019, 2018 and 2017 (continued)

As explained further in the "Statement of Compliance and Basis of Preparation" section of the notes to the Historical Financial Information, before 1 July 2018 the business comprised separate legal entities under common control. As such the accounts to this date show the Group (as defined in "Content and format of the consolidation statement" in the notes to the Historical Financial Information) on a combined basis and equity is presented as an aggregation of equity of the individual legal entities. From 1 July 2018 the shareholding of these entities was restructured to create a legal sub group and as such for the years ended 31 December 2018 and 2019 the equity shown above represents the consolidated equity of Edison Exploration & Production S.p.A. and its subsidiaries. Accordingly, certain equity balances may not be comparable between the financial periods.

2017 equity movements

– Included within "other movements" in other reserves, is an amount of US$40.314 million, which refers to the allocation of net assets attributable to the E&P division from the parent company, Edison S.p.A.

2018 equity movements

– Included within "increase of share capital and share premium" in share capital and share premium reserve, is an amount of US$1,018,376 million, which refers to the capital increase of Edison E&P S.p.A. coming from the shareholding reconstruction to create a legal sub group completed on 1 July 2018;

– Included within "elimination on group restructuring" is an amount of US$51.796 million, which refers to the difference that arises on moving from a combined HFI with an aggregation of legal entities under common control to a consolidated Group on 1 July 2018. The amount relates to the elimination of the share capital, share premium and equity value of the entities previously aggregated.

Further detail on equity movements is disclosed in the Statement of Compliance and Basis of Preparation section of the notes to the Historical Financial Information.

Statement of Cash Flows as of 31 December 2019, 2018 and 2017

	31 December		
(in thousands of US$)	**2019**	**2018**	**2017**
(Loss)/Profit from continuing operations before tax	**(211,094)**	**34,244**	**(7,055)**
Adjustments for:			
Loss from discontinued operations before tax	(161,978)	(6,524)	(140,968)
Amortisation, depreciation and impairment losses	608,827	392,212	410,317
Depreciation of right-of-use assets	14,337	—	—
Changes in provisions	(14,267)	(2,708)	6,023
(Gains)/losses on the sale of non-current assets	(446)	2,652	534
Fair value gain (losses) on derivatives	577	72	(5,872)
Net foreign exchange (gain) or loss	(3,142)	(1,709)	2,906
Finance cost	31,284	12,929	41,167
Non-cash revenues from Egypt*	(55,517)	(86,160)	(85,697)
	208,581	**345,008**	**221,355**
Changes in working capital:			
Change in trade receivables and other current assets	64,238	(18,416)	37,556
Change in inventories	(5,457)	(6,919)	16,213
Change in trade payables and other current liabilities	(13,564)	(3,789)	14,679
Change in non-current assets	7,183	852	1,533
Change in non-current liabilities	23,426	3,670	(448)
Cash flow generated from operations	**284,407**	**320,406**	**290,888**
Income taxes refunded/(paid)	(4,467)	18,554	46,749
Net cash flow generated by operating activities	**279,940**	**338,960**	**337,637**
Investments in property, plant and equipment	(135,427)	(164,111)	(216,864)
Investments in intangible assets	(51,927)	(36,461)	(102,585)
Disposals of property, plant and equipment and intangible assets	2,400	40,338	3,876
Interest received	1,312	361	256
Net cash flows used in investing activities	**(183,642)**	**(159,873)**	**(315,317)**
Interest paid	(158)	(74)	(114)
Repayment of lease liabilities	(11,143)	—	—
Interest paid for lease liabilities (IFRS 16)	(1,799)	—	—
Repayment of current shareholder borrowings	(71,244)	(292,907)	(183)
Proceed from current shareholder borrowings	106,334	—	—
Repayment of non-current shareholder debt	(77,839)	(1,028,301)	(14,143)
Investments in non-current financial assets	—	1,141,160	—
Net cash flows (used)/from in financing activities	**(55,849)**	**(180,122)**	**(14,440)**
Change in cash and cash equivalents	40,449	(1,035)	7,880
Cash and cash equivalents – opening balance	**23,767**	**26,868**	**20,614**
Effect of exchange rate changes on balance of cash held in foreign currency	(128)	(2,066)	(1,626)
Cash and cash equivalents reclassified to Held for Sale	(14,567)	—	—
Cash and cash equivalents – closing balance	**49,521**	**23,767**	**26,868**

* Non-cash revenues from Egypt arise due to taxes being deducted at source from invoices as such revenue and tax charges are grossed up to reflect this deduction but no cash inflow or outflow results.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

CONTENT AND FORMAT OF THE HISTORICAL FINANCIAL INFORMATION

Content and format of the consolidation statement

Edison Exploration & Production S.p.A. (the "Parent") heads the Group of the same name and has its registered office in Foro Buonaparte 31, Milan.

Prior to 1 July 2018, the Group represents the legal entities included within the Exploration and Production (E&P) business unit of Edison S.p.A. From 1 July 2018, the Group represents Edison Exploration & Production S.p.A and its subsidiaries as disclosed in the Subsidiaries and Joint Ventures paragraph in the Other Information section of the notes to the Historical Financial Information ("HFI"). For the purposes of the HFI the definition of "Group" includes E&P business unit before 1 July 2018 and Edison Exploration & Production S.p.A and its subsidiaries from 1 July 2018.

Statement of compliance and basis of preparation

The Group has not constituted a single legal group that has prepared consolidated financial Results throughout the period presented. Before 1 July 2018, the Group represents the combination of legal entities under common control. Accordingly, the HFI has been prepared specifically for the purpose of this document. The basis of preparation describes how the HFI has been prepared in accordance with the Listing Rules and Prospectus Directive Regulation, together with International Financial Reporting Standards ("IFRS") as adopted by the EU for the period from 1 January 2017 to 31 December 2019, except as described below.

IFRS does not explicitly provide guidance for the preparation of combined HFI and, accordingly, in preparing the HFI, certain accounting conventions permitted for the preparation of HFI for inclusion in investment circulars as described in the Annexure to SIR 2000 have been applied where IFRS does not provide specific accounting treatments. The application of these conventions results in the following material departures from IFRS.

As the Group did not constitute a legal sub-group prior to 1 July 2018 the HFI prior to this date is presented as combined HFI through an aggregation of the results, assets, liabilities and equity of the individual entities. This aggregation has involved the elimination of intra group balances within the Group while the share capital, retained earnings and investment balances have been aggregated in the year ended 31 December 2017. From 1 July 2018 a legal sub group was established and as such at this point the results, assets, liabilities and equity are consolidated with the elimination of the related share capital, retained earnings and investment balances for the Group.

Prior to 1 July 2018, the results of Edison Exploration & Production S.p.A (the "Parent") have been allocated from the E&P business unit from Edison S.p.A. As such prior to this date allocations of central management costs were based on the relative size of the business unit by Edison S.p.A management using relevant parameters such as revenue and employee numbers.

Prior to 1 July 2018 the entities were part of a centralised funding and cash pooling arrangement. As such each entity's current account movements have been combined and shown as part of financing cash flows to reflect the intended basis of these movements.

The HFI has been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

The HFI is presented in US$ and all values are rounded to the nearest thousand dollars except where otherwise indicated. US$ has been chosen as the presentation currency for the Group to align with the accounting policies of the Acquirer as required by Listing Rule 13.5.4.

Going concern

The Edison E&P Group carefully manages its risk to a shortage of funds by monitoring its funding position and its liquidity risk. Cash forecast are regularly produced and sensitivities run for different scenarios including change in Brent 7 gas prices, different production rates and future capital expenditure investment profile.

Short-term cash forecasts have been stress-tested in light of the significant oil price reduction seen from March 2020. In these scenarios, the Edison E&P Group has also considered mitigations actions available to it.

These forecasts indicate that the Edison E&P Group has sufficient financial resources for at least 12 months from the date of approval of the Historical Financial Information.

The Edison E&P Group is actively monitoring the impact of the ongoing COVID-19 outbreak, accessing the advice by the World Health Organisation and Public Health England to ensure that best-practice precautions are being applied. Clear information and health precautions on how employees should protect themselves and reduce exposure to, and transmission of, a range of illnesses along with general advice has been communicated across the organisation. Appropriate restrictions on offshore travel have been implemented, such as self-declaration by, and isolation of, individuals who have been to affected areas and pre-mobilisation temperature checking is in operation.

While it is difficult to forecast precisely the impact of COVID-19, at the time of publication of Historical Financial Information, the Edison E&P Group's day-to-day operations continue without being materially affected. The Edison E&P Group has reviewed each of its assets and related spending plans in light of the current lower oil price environment

The Directors have a reasonable expectation that the Edison E&P Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing the HFI.

Consolidation scope

From 1 July 2018, the HFI is consolidated to include the financial information at 31 December 2018 and 2019 of the Parent, Edison Exploration & Production S.p.A., and its Italian and foreign subsidiaries (Edison International S.p.A., Edison Idrocarburi Sicilia S.r.l., Edison E&P UK Ltd, Euroil Exploration Limited, Edison North Sea Ltd, Edison Norge AS and Edison Egypt Energy Service j.s.c.). Further details in relation to the subsidiaries are given in note 31.

On 2 April 2020 and 28 June 2020 amendments to the SPA were agreed in relation to agreed terms of transfer of the Algerian Interest and the Norwegian Subsidiary to Edison (or a subsidiary thereof), Energean has taken the economic risk and reward in respect of the Algerian Interest and the Norwegian Subsidiary for 2019, while Edison will take the economic risk and reward in respect of the Algerian Interest and the Norwegian Subsidiary from 1 January 2020 until completion of the transfer of the Algerian Interest and the Norwegian Subsidiary. As such in line with the requirements of SIR 2000 Annexure paragraph 53, these Interests have been shown as discontinued operations within the HFI.

BASIS OF CONSOLIDATION

The consolidated HFI incorporates the financial information of the Parent and entities controlled by the Company (its subsidiaries). Specifically, the Group controls an investee if and only if the Group has:

– power over the investee
– exposure, or rights, to variable returns from its involvement with the investee, and
– the ability to use its power over the investee to affect the amount of the investor's returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

– the contractual arrangement with the other vote holders of the investee;
– rights arising from other contractual arrangements;
– the Group's voting rights and potential voting rights;
– the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
– any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated HFI from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income (OCI) are attributed to owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture upon acquisition is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial information of the joint venture is prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount (i.e., the higher of the value in use and fair value net of selling costs) of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Statements of financial position

Assets and liabilities are presented as current or non-current as required by IAS 1.

An asset or liability is classified as current when it meets one of the following criteria:

- The Group expects to realise the asset or settle the liability, or intends to sell or consume it, in its normal operating cycle; or
- It holds the asset or liability primarily for the purpose of trading; or
- It expects to realise the asset or settle the liability within twelve months after the reporting period.

All other assets and liabilities are classified as non-current.

Income statement

The group has opted to present the income statement classifying items by function rather than their nature, as this best represents the transactions undertaken during the year and its business structure. This approach is consistent with the Group's internal management reporting system. The Group presents the income statement and other comprehensive income as two statements.

Statement of Comprehensive Income

This statement, prepared in accordance with the IFRS, presents other items of comprehensive income that are recognised directly in equity.

Statement of Cash Flows

The Group prepares this statement using the indirect method. Cash and cash equivalents included herein comprise the statement of financial position balances at the reporting period. Income taxes paid or refunded are included in the cash flows generated by operating activities. The Group presents cash flows from operating activities and investing activities and changes in non-current financial position, current liabilities and current financial assets separately. Exchange differences are classified in the operating activities as they refer to the translation of trade receivable and payables into US$.

Statement of Changes in Equity

This statement shows changes in the equity captions related to:

- allocation of the profit or loss for the period of the parent;
- each profit or loss item, net of the related tax effects, that is recognised either directly in equity (gain or loss on the repurchase/sale of treasury shares) , pursuant to the IFRS;
- changes in the hedging reserve, net of the related tax effects;
- the effect of the application of any new standards

Summary of Standards applied

IFRS 15 Revenue from Contracts with Customers

The Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial information are described below. There was no adjustment required to be recognised.

The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil or gas to its customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a change from the Group's previous accounting policy for recognizing revenue from sales to customers. The revenue is recorded when the oil or gas has been physically delivered. An overlift payable or underlift receivable is recognised at the balance sheet date within trade payables or trade receivables measured at the market value with movements in the period recognised in cost of sales.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on/or after 1 January 2018.

The transition provision of IFRS 9 allow an entity not to restate comparatives. The Group decided not to restate comparative in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

1) the classification and measurement of financial assets and financial liabilities;

2) impairment of financial assets; and

3) general hedge accounting.

Newly applied standards require:

a) **classification of financial assets**: in the determination of the classification of financial assets the business model adopted by the Group and the characteristics of cash inflows were taken into account. In particular, the trade receivables were classified as held-to-collect; the other receivables were classified as held to collect;

b) **expected credit losses model**: the new methodology is based on a predictive approach, based on the probability of default of the counterparty and the recovery capacity in the event in which the default event is verified (so called loss given default). In estimating the impairment of receivables (i) were used official ratings, when available, or internal ratings already used in making decisions about granting credit to customers, to determine the probability of the counterparties; ii) was identified the recovery capacity in the case of counterparty default based on previous experience and different recovery methods than can be employed.

c) **hedge accounting**: the new guidelines include with reference to the previous standard applied till 31 December 2017, changes of the rules regulating the hedge accounting relationships, aligning their assessment logics to those used by the Group's risk management activity. The new principle allow, indeed, to apply the hedge accounting on prospective basis from 1 January 2018, also to group of the items and to risk components of non-financial items (e.g., items included in commodities' price formula) only in case the hedged item could be reliably measured.

   In transition, the existing hedge relationships were analysed with regard to the new principle and the previous hedge relationships were reviewed and extended in line with the risk management objectives. Specifically, the hedge relationships so designed under IAS 39 and which were equally defined under IFRS 9 were not impacted in the transition.

The IFRS 9 impairment model requires the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39. The adoption of IFRS 9 entailed a reduction in the Group's shareholders' equity at 1 January 2018 of US$13.047 million net of the associated tax effect of US$4.120 million referring primarily to the adoption of the expected credit losses model, in accordance with the simplified model for trade receivables.

The prospective application of the hedge accounting entailed the re-assessment of the existing hedge accounting relationships which, in some cases, were reviewed and extended in coherence with the risk management objectives. This change in application requirements did not have a material impact at the transition date.

The reconciliation between the ending provision for impairment in accordance with IAS 39 to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 January 2018 is disclosed above and in note 6.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosure about the Group's exposure to credit risk in the HFI, this has been included in the "Risk and Financial Instruments" section of the Accounting Policies.

IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which were previously classified as 'operating leases' under the principles of IAS 17 Leases. Refer to Accounting policies note below *Leases* for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Accounting policies note below *Leases* for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Group has identified lease portfolios for for land and buildings and other assets . If the Group is an operator and has the primary responsibility for the obligations, the Group shows the entire amount of the liability in the HFI.

Impact on assets, liabilities and equity at 1 January 2019

(in thousands of US$)	**As previously reported**	**IFRS 16 adjustments**	**At 1 January 2019**
Property, plant and equipment	1,327,932	43,665	1,371,598
Other current assets	90,386	(89)	90,297
Total gross value on transition		**43,577**	
Current financial liabilities	66,408	11,316	77,724
Non-current financial liabilities	4,574	32,261	36,835
Net impact on total liabilities		**43,577**	

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	US$'000
Operating lease commitments as at 31 December 2018	**74,047**
Weighted average incremental borrowing rate as at 1 January 2019	4.13%
Discounted operating lease commitments at 1 January 2019	**(6,467)**
Less:	
Commitments relating to short-term leases	**(24,826)**
Add:	
Payments in optional extension periods relating to leases included in operating lease commitments at 31 December 2018	0
Lease liabilities as at 1 January 2019	**42,754**

The tables below show the amount of adjustment for each HFI line item affected by the application of IFRS 16 for the year ended 31 December 2019.

Impact on profit or loss

	US$'000 31 December 2019
Increase in depreciation of right-of- use asset	12,173
Increase in finance cost	3,238
Decrease in other expenses	(12,828)
Increase in loss for the year	**2,583**

Impact on assets, liabilities and equity at 31 December 2019

(in thousands of US$)	As previously reported	IFRS 16 adjustments	As restated
Property, plant and equipment	907,315	34,452	941,766
Net impact on total assets		**34,452**	
Current financial liabilities	44,429	9,586	54,015
Non-current financial liabilities	0	27,370	27,371
Net impact on total liabilities		**36,956**	

The table below summarizes the maturity profile of the Group lease liabilities:

(in thousands of US$)	Total	Within one year	From one to five years	After five years
Lease liabilities IFRS 16	36,956	9,586	25,768	1,602
Total lease liabilities	**36,956**	**9,586**	**25,768**	**1,602**

Financial impact of the transition to IFRS 16

Income statement

Property leases: These lease payments were included as administrative expenses. On transition to IFRS 16 the expense decreased, offset by an increase in finance costs and depreciation of other fixed assets.

Oil and gas production and support equipment leases: These lease payments were either treated as operating costs or capitalised as property, plant and equipment. On transition to IFRS 16, operating costs decreased, offset by an increase in finance costs and depletion and amortisation of oil and gas assets.

Other vehicles: These lease payments were included as administrative expenses. On transition to IFRS 16, these expenses decreased, offset by an increase in finance costs and depreciation of other fixed assets.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Balance sheet

The impact of the transition has resulted in higher property, plant and equipment and current and non-current lease liabilities.

Several other amendments and interpretations were applied for the first time in 2018, but did not have any significant impact on the HFI of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

ACCOUNTING POLICIES

The principal accounting policies and measurement bases used in the preparation of the HFI are set out below. These policies have been consistently applied to all periods presented in the HFI unless otherwise stated.

REVENUE AND COSTS

Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of crude oil and by products

Sales revenues represents the sales value together with the gain/loss on realisation of cash flow hedges.

Revenues from sale of crude oil and by products is recognised when performance obligation have been met, which is typically when goods are delivered and title has passed.

Rendering of services

The Group recognises revenue from technical advisory services, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Interest

Revenue and expenses are recognised on an accruals basis in line with the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest method.

Dividends

They are recognised when shareholder's right to receive payment is established, which normally takes place when the shareholders pass the related resolution. The dividend distribution is recognised as a liability in the period in which the shareholders approve such distribution

Equity

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Prior to 1 July 2018 share capital and share premium are the totals of all share capital and share premium of all of the subsidiaries included within the HFI. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Reserves

Other components of equity include the following:

– translation reserve

– hedging reserve

– actuarial gains (losses)

– other reserves

– retained earnings

All transactions with owners of the parent are recorded separately within equity. Further detail in relation to these reserves is given in note 13.

Income taxes

Income tax expense represents the sum of current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the HFI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the HFI and the corresponding tax bases used in the computation of taxable profit, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax assets and corresponding liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Translation criteria

Functional and presentational currency

Items included in the HFI of the Company and its subsidiaries entities are measured using the currency of the primary economic environment in which each entity operates (''the functional currency'').

The functional currency of the Company is the Euro. The Euro is the currency that mainly influences sales prices, revenue estimates and has a significant effect on Company's operations. The functional currencies of the Group's main subsidiaries are Euro and US Dollar.

The presentational currency for the Group is US $ dollars to align with the presentation currency of the Acquirer.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Such monetary assets and liabilities are translated at year end foreign exchange rates. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation to presentation currency

For the purpose of presenting HFI, the assets and liabilities of the Group are expressed in US$. The Company and its subsidiaries' assets and liabilities are translated using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates have fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

  Or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 14. All other notes to the historical financial information include amounts for continuing operations, unless indicated otherwise.

Property, plant and equipment

Other property, plant and equipment comprises Hydrocarbon concessions, land and buildings, plant and machinery, manufacturer and distribution equipment and other assets.

Initial recognition

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Depreciation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by group of fields which are reliant on common infrastructure. Costs included in the unit of

production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Depreciation of all non oil & gas related assets in property, plant and equipment is calculated on the straight-line method so as to write-off the cost amount of each asset to its residual value, over its estimated useful life. Depreciation of the assets in the course of construction commences when the assets are ready for their intended use, on the same basis as other assets of the same class.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The table that follows shows the ranges of the depreciation rates applied to non oil & gas assets:

Buildings	2% – 5%
Plant and machinery	3% – 36%
Other assets	5% – 37%

Land is not depreciated.

Impairments

The group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the group's assumptions about commodity prices, low field utilisation, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the group makes an estimate of the asset's or CGU's recoverable amount.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the group and not applicable to entities in general.

In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's post tax Weighted Average Cost of Capital (WACC). The Group then adds any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

The reversal is limited such that the carrying amount of the asset exceeds neither its recoverable amount, nor the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Repairs, maintenance, and renovations

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount (which is the higher of fair value less costs to sell and value in use) of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows. For oil and gas assets,

the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, oil prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price, estimates of reserves, estimates of development costs and discount rates. A change in the assumptions could materially change the recoverable amount.

Hydrocarbon reserve and resource estimates

The Group's oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to developed and undeveloped proved and probable commercial reserves (2P undeveloped at 50%) which are estimated to be recoverable with existing and future developed facilities using current operating methods, determined in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's oil and gas properties has been impaired. As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results and include:

– depreciation and amortisation charges in profit or loss may change where such charges are determined using the unit of production method, or where the useful life of the related assets change;

– impairment charges in profit or loss;

– provisions for decommissioning may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;

– the recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The impact upon commercial reserves and the aggregate depletion charge for the year of a fluctuation of the forward oil and gas commodity prices assumption as well as the Group's carrying amount of oil and gas properties for all periods. Management monitors the impact on the commercial reserves and the depletion charge on a Group level.

INTANGIBLE ASSETS

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised as intangible assets by field or exploration area, as appropriate. These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Intangible assets having definite useful life are systematically amortised from the time when the asset is available for use over its estimated useful life.

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- financial assets at fair value through profit or loss.

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment of financial assets

According to IFRS 9, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. In the ECLs the Group consider forward looking information on the base of macroeconomic indicators and ratings. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

According to IAS 39, which was applied for all periods before 1 January 2018, the Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up. Subsequent reversals of impairment losses are recognised in profit or loss except in the case of equity instrument for which the reversal is recognised in equity.

Inventories

Inventories comprise crude oil, gas and consumables.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the monthly weighted average cost method.

The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. It does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Spare parts consumed within a year are carried as inventory and recognised in profit or loss when consumed.

The Group assesses the net realisable value of the inventories at the end of each year and recognises in the statement of profit or loss the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realisable value due to a change in the economic circumstances, the amount thereof is reversed.

Trade receivables

They are defined financial instruments. Their initial amount is recognised at fair value; concerning trade receivables which do not include a material financial component, the value of initial recognition is the price of transaction.

According to IFRS 9, the assessment of their recoverability is performed using the Expected Credit Losses model.

According to IAS 39, their carrying amount is adjusted to their estimated realisable amount through the allowance for impairment, that comprises Management's estimates about credit losses on receivables.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, demand deposits with a maturity of three months or less that are subject to an insignificant risk of changes in their fair value.

Employee benefits

This caption includes the Italian post-employment benefits ("TFR") and other employee benefits covered by IAS 19 – Employee benefits. As a defined benefit plan, independent actuaries calculate the TFR at the end of each reporting period. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. These benefits are calculated using the project unit defined benefit obligation at the end of the reporting period. These benefits are calculated using the project unit credit method. Law n° 296 changed the Italian post-employment benefits scheme and benefits accrued after January 1, 2007 now classify as defined contribution plans regardless of whether the employee decides to have them transferred to INPS' (the Italian social institution) treasury fund or an external pension plan. Benefits vested up until December 31, 2006 continue to be recognised as part of a defined benefit plan and are subject to actuarial valuation, excluding the future salary increase component. The Group does not have plan assets. It recognises actuarial gains and losses in the period in which they arise. Pursuant to IAS 19 (revised), they have been recognised directly in other comprehensive income starting from 2015.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Decommissioning provision

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment.

The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

Trade payable and other current liabilities

The trade payables and other current liabilities are measured at amortised cost.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

Accounting policy applicable prior to 1 January 2019

(a) Group as a lessee

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as a lessee (applicable from 1 January 2019)

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings leases: 1 to 3 years
- Other assets 1 to 12 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future

payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, modified and through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Excluded from the above capitalisation policy are any qualifying assets that are inventories that are produced in large quantities on a repetitive basis.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. There is no borrowing cost capitalised in the three year period 2017 – 2019.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

– fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

– cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;

– hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

– there is 'an economic relationship' between the hedged item and the hedging instrument.

– the effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

– the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward commodity contracts is recognised in revenue or cost of sales.

From 1 January 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the

hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Ordinary shares

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value are recognised as share premium within equity. Associated issue costs are deducted from share premium.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the HFI, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

– Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

– Level 2: Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable

– Level 3: Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the HFI on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Risk and financial instruments

The principles in this standard supplement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 – Financial instruments: presentation, IAS 39 -Financial instruments: recognition and measurement and IFRS 9 – Financial instruments. This section sets out the disclosures required by IFRS 7. The accounting policies applied to measure financial instruments are described in the section on the "Accounting policies".

The Group's operations expose it to a number of financial risks that can affect its financial position, financial performance and cash flows due to the impact on its financial instruments.

These risks include:

a) credit risk;

b) liquidity risk;

c) market risk (currency risk, interest rate risk and other price risk).

The parent's board of directors has overall responsibility for the design and monitoring of a financial risk management system. It is assisted by the various departments involved in the operations generating the different types of risk.

The departments establish tools and techniques to protect the Group against the above risks and/or transfer them to third parties (through insurance policies) and they assess the risks that are neither hedged nor insured pursuant to the guidelines established by the board of directors for each specific risk.

The degree of the Group's exposure to the different financial risk categories is set out below.

Credit risk

The Group operates on various national markets with a high number of medium and large-sized customers.

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.

The following table shows a breakdown of trade receivables by past due bracket:

	31 December 2019		**31 December 2018**		**31 December 2017**	
(in thousands of US$)	**Trade receivables**	**Allowance**	**Trade receivables**	**Allowance**	**Trade receivables**	**Allowance**
Not yet due	141,574	(6,536)	217,790	(7,442)	177,602	(257)
Past due by less than one month	26,944 (52)		4,750	(200)	5,659	—
Past due by one to three months	7,660	(650)	16,310	(1,356)	37,742	(949)
Past due by three to six months	1,405 (0)		22,360	(2,011)	36,607	(603)
Past due by more than six months	178,933	(29,021)	152,798	(28,595)	161,043	(17,681)
Total	**356,516**	**(36,259)**	**414,008**	**(39,604)**	**418,653**	**(19,490)**

In 2017 trade receivables included long term receivables coming from the Egyptian General Petroleum Corporation overdue which have been discounted for an amount of US$34.1 million, due to the expectation of a long repayment time.

During 2018 the discount effect was released due to the reduction in average DSO to less than one year.

The adoption of IFRS 9 entailed a reduction in the Group's shareholders' equity at 1 January 2018 of about US$13.047 million net of the associated tax effect of US$4.12 million referring primarily to the adoption of the expected credit losses model. For further details on loss allowance refer to note 6.

Liquidity risk

The liquidity risk has to do with the possibility that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The policy to manage this risk is designed to ensure that the Edison Group has access to sufficient credit facilities to meet financial needs, while at the same time consolidating its funding sources, with margins of flexibility such as not to compromise the balance of the Group in case of unforeseen needs. In addition the liquidity risk is managed considering the operating cash flow from operations.

As required by IFRS 7, the table below summarises the maturity profile of the Group financial liabilities based on contractual undiscounted payments:

Cash flows of the Groups financial liabilities by maturity as of December 31, 2019

(in thousands of US$)	**Total**	**Total cash flow**	**Within one year**	**From one to five years**	**After five years**
Non non current lease liabilities IFRS 16	27,371	**33,928**	—	20,966	12,962
Other non current liabilities	**27,371**	**33,928**	**—**	**20,966**	**12,962**
Bank borrowings at amortised cost	140	**140**	140	—	—
Current account parent company	102,577	**102,577**	102,577	—	—
Other financial debt parent company	56,301	**57,883**	57,883	—	—
Current financial liabilities	**159,018**	**160,600**	**160,600**	**—**	**—**
Current lease liabilities IFRS 16	9,586	**14,687**	14,687	—	—
Other current liabilities	44,429	**44,429**	44,429	—	—
Other current liabilities	**54,015**	**59,116**	**59,116**	**—**	**—**

Cash flows of the Groups financial liabilities by maturity as of December 31, 2018

(in thousands of US$)	**Total**	**Total cash flow**	**Within one year**	**From one to five years**	**After five years**
Other financial debt parent company	69,046	71,317	—	47,848	23,469
Non-current financial liabilities	**69,046**	**71,317**	**—**	**47,848**	**23,469**
Other non current liabilities	4,574	**4,574**	—	4,574	
Other non current liabilities	**4,574**	**4,574**	**—**	**4,574**	**—**
Bank borrowings at amortised cost	172	172	172	—	—
Current account parent company	167,161	167,161	167,161	—	—
Other financial debt parent company	169,524	177,135	177,135	—	—
Current financial liabilities	**336,857**	**344,468**	**344,468**	**—**	**—**
Other current liabilities	66,408	**66,408**	66,408	—	—
Other current liabilities	**66,408**	**66,408**	**66,408**	**—**	**—**

Cash flows of the Groups financial liabilities by maturity as of December 31, 2017

(in thousands of US$)	**Total**	**Total cash flow**	**Within one year**	**From one to five years**	**After five years**
Other financial debt parent company	106,489	—	—	75,585	—
Non-current financial liabilities	**106,489**	**—**	**—**	**75,585**	**—**
Bank borrowings at amortised cost	138	138	138	—	—
Current account parent company	299,460	299,460	299,460	—	—
Other financial debt parent company	1,106,382	1,129,281	1,129,281	—	—
Current financial liabilities	**1,405,980**	**1,428,880**	**1,428,880**	**—**	**—**
Other current liabilities	23,824	**23,824**	23,824	—	—
Other current liabilities	**23,824**	**23,824**	**23,824**	**—**	**—**

The main part of payables and derivatives has a maturity of 1 year. For the maturity of lease liabilities refer to par. *"IFRS 16 Leases"*.

Market risk

Currency risk

As the Group sells its products in various countries around the world, it is exposed to the risk deriving from changes in foreign exchange rates. This risk mainly arises on sales in currencies like the US Dollar, Pound Sterling, and Norwegian Krone.

	31 December 2019					
(in thousands of US$)	**EUR**	**$**	**GBP**	**NOK**	**Total**	**Held for Sale**
Total assets	1,196,257	858	242,886	—	**1,440,002**	464,861
Total liabilities	869,244	34	259,085	—	**1,128,363**	275,861

	31 December 2018					
(in thousands of US$)	**EUR**	**$**	**GBP**	**NOK**	**Total**	**Held for Sale**
Total assets	2,045,583	1,000	235,799	234,802	**2,517,183**	—
Total liabilities	983,039	55	222,999	143,801	**1,349,893**	—

	31 December 2017					
(in thousands of US$)	**EUR**	**$**	**GBP**	**NOK**	**Total**	**Held for Sale**
Total assets	2,327,693	1,091	110,591	238,113	**2,677,488**	—
Total liabilities	2,096,408	16	231,634	175,479	**2,503,537**	—

The next table shows a sensitivity analysis of the risk arising on the translation of foreign currency on the historical financial information of the Group assuming a 10% increase or decrease in the average annual exchange rate against Euro. The effect is calculated considering the impact of this increase or decrease on the revenue and profit before tax:

		31 December 2019			31 December 2018			31 December 2017		
Revenue	**Exchange rate**	**Average annual rate**	**Rate +10%**	**Rate -10%**	**Average annual rate**	**Rate +10%**	**Rate -10%**	**Average annual rate**	**Rate +10%**	**Rate -10%**
Euro	$/EUR	149,056	135,505	165,618	150,411	136,737	167,123	137,800	125,273	153,111
US Dollar	na	294,884	294,884	294,884	384,673	384,673	384,673	324,958	324,958	324,958
Pound Sterling	$/GBP	48,207	43,825	53,564	—	—	—	—	—	—
Norwegian Krone	$/NOK	571	519	635	—	—	—	—	—	—
Profit before tax										
Euro	$/EUR	140,371	127,610	155,968	(224,429)	(204,026)	(249,366)	(208,087)	(189,170)	(231,208)
US Dollar	na	(60,428)	(60,428)	(60,428)	291,191	291,191	291,191	227,435	227,435	227,435
Pound Sterling	$/GBP	498	453	553	(4,666)	(4,244)	(5,187)	(19,070)	(17,337)	(21,190)
Kuna	$/HRK	(9,789)	(8,899)	(10,877)	(5,455)	(4,961)	(6,064)	(7,332)	(6,666)	(8,148)

In the framework of the hedging strategy put in place by Edison, the Group agrees currency hedges to set the exchange rate in line with forecast sales and purchases volumes to protect itself against currency fluctuations with respect to its foreign currency transactions. The hedges are based on the Group's net exposure using currency forwards and/or plain vanilla options in line with its financial policy. The hedged risk is part of the global risk and the hedges are not speculative. For further details refer to Other Information – Financial Instrument section.

The main part of derivatives hedging currency risk will be settled within 1 year.

Interest rate risk

Because it is exposed to fluctuations in interest rates primarily with regard to the measurement of debt service costs, the 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.

Other market and/or price risk

The 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 present limits.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of HFI in conformity with IFRS as amended by SIR 2000 requires the use of the accounting estimates and assumptions, and also requires management to exercise its judgment, in the process of applying the Group's accounting policies.

Estimates, assumptions and judgment applied are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates, assumptions and judgments are based on management's best knowledge of current events and actions, actual results may ultimately differ.

Critical judgments in applying the Group's accounting policies

The following are significant management judgments in applying the accounting policies of the Group that have the most significant effect on the HFI.

Identification of cash generating units

In considering, the requirement for impairment of its property, plant and equipment and intangible assets the Group has to make a critical judgement in relation to the identification of the smallest cash generating units (CGUs) to which those assets are allocated. These assets have a combined net book value of US$564 million as at 31 December 2019. In making this judgment the Group has considered the ability of the assets to generate stand-alone cash flows. In all countries except for Italy the CGU is considered to be at the concession level, as both cash inflows and outflows can be identified at this level. In Italy the concessions are connected via a shared pipeline with different points of entry, which allows production to be changed from one concession to another. In view of this shared infrastructure that exists in Italy, and the ability to move sales between assets, as well as the management of spare parts and the organisational structure of the Italian entities, the Group has identified the cash generating units in Italy to be at the country and commodity level (Italy gas and oil) .

Carrying value of intangible exploration and evaluation assets

Amounts carried under intangible exploration and evaluation assets (31 December 2019: US$136 million) represent active exploration projects. Capitalised costs will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement.

The key areas in which management has applied judgement are as follows: the Group's intention to proceed with a future work programme; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and the success of a well result or geological or geophysical survey.

Key sources of estimation uncertainty

The preparation of these HFI in conformity with IFRS as amended by SIR 2000, requires the use of accounting estimates and assumptions in the process of applying the Group's accounting policies.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ.

The following are the key sources of estimation uncertainty that have been identified in the preparation of the HFI:

Carrying value of property, plant and equipment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount (which is the higher of fair value less costs to sell and value in use) of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows. For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, oil prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price, estimates of reserves, estimates of development costs and discount rates. A change in the assumptions could materially change the recoverable amount of a CGU. Details on the impact of these key estimates and judgements including information on sensitivities applied to impairment model can be found in note 1.

Provisions for decommissioning

The assessment of the future liabilities arising from the obligation of decommissioning (31 December 2019: US$692.2 million) is a complex process based on technical and financial estimates performed by Management and supported, when necessary, by independent expert's appraisals. These liabilities reflect the estimated costs of dismantling, removal and restoration that the Group will incur at the end of the production to restore the environmental conditions according to the standards required by national legislation and/or specific contractual clauses.

The initial evaluation of the remediation costs, deducted from the estimated revenues arising from the sale of any recoverable part, is assessed considering the present value at the risk free rate. The evaluation is made on assumptions considering the market conditions and the legal and technological framework at the time of the assessment. The initial amount is then recorded with the carrying amount of the industrial asset to be remediated and it is subject to depreciation; as counter-item is booked a provision for decommissioning for the same amount. Considering the time component of the provision, the amount is updated yearly by its financial component and the charge is booked in income statement in financial expenses.

At the end of any reporting period, Management re-evaluate if any information is available, which would require a change to the provision with the aim to guarantee that the amounts recognised are the best estimate of the potential future cost and, in case of material adjustment, the amounts are revised. The main drivers potentially determining a revision are: a change in the useful life of the production site, market scenarios, technological progress, changes in the environmental rules and fluctuations of discount and inflation rates. If no such items are noted, Management will perform a full re-evaluation of the provision on a tri-annual basis.

In this context, it is worth mentioning the specificity of the hydrocarbons Exploration & Production sector which is impacted by the oil market scenario, the estimates of reserves, the technological complexity and the dedicated legislation. These activities are usually performed in joint ventures and defined by specific contractual clauses which may include the decommissioning phase.

Hydrocarbon reserve and resource estimates

The Group's oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to developed and undeveloped proved and probable commercial reserves (2P developed and undeveloped) which are estimated to be recoverable with existing and future developed facilities using current operating methods, determined in accordance with the Petroleum Resources

Management System published by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's oil and gas properties has been impaired. As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results and include:

- depreciation and amortisation charges in profit or loss may change where such charges are determined using the unit of production method, or where the useful life of the related assets change
- impairment charges in profit or loss
- provisions for decommissioning may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- the recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

The impact upon commercial reserves and the aggregate depletion charge for the year of a fluctuation of the forward Brent oil and gas price assumption as well as the Group's carrying amount of oil and gas properties for all periods is shown in note 1. Management monitors the impact on the commercial reserves and the depletion charge on a Group level.

Income taxes

The Group has recognised deferred tax assets of US$12.9 million in respect of tax losses and US$3.5 million in respect of other temporary difference at 31 December 2019 (excluding deferred tax recognised in relation to assets classified as held-for-sale).

These balances have been recognised to the extent that it is probable that there will be future taxable profits against which the tax losses and other temporary differences can be utilised. The Group reviews the carrying value at each balance sheet date by re-assessing whether sufficient future taxable profits will be generated in future periods such that these deferred tax assets can be recovered. The Group considers all available evidence including approved budgets, forecasts, and business plans, in evaluating whether or not it is probable that sufficient taxable profits will be generated in future periods. Where tax losses are subject to expiration, the forecasts take into account the expected reversal patterns of taxable temporary differences and the expecting timing for the reversal of deductible temporary differences.

Following Edison International S.p.A's exit from the wider Edison S.p.A Italian tax consolidation group in September 2019 (effective from 1 January 2019), the Group has written-off US$90.1 million of deferred tax assets relating to timing difference on fixed assets used in its Abu Qir operation on the basis that it is not probable that sufficient future taxable profits exist in the company. The Group has written-off a further US$115.7 million in relation to deferred tax assets on decommissioning, and an additional US$8.3 million in relation to other various deferred tax assets due to an assessment that forecast future taxable profits in respect of the Italian entities no longer support DTA recognition to the same extent as prior periods.

Allowance for impairment of receivables

This allowance comprises Management's estimates about credit losses on receivables from end customers and the sales network. In particular, at 31 December 2019 and 2018, the Group holds US$126 million and US$137 million, respectively, of receivables past due but not impaired. Management estimates the allowance on the basis of the expected losses, considering past experience for similar receivables, current and historical past due amounts, losses and collections, the careful monitoring of credit quality and projections about the economy and market conditions. An extension and worsening in the current economic and financial crisis could trigger an additional deterioration of the financial conditions of the Group's debtors compared to the deterioration already considered when calculating the allowances recognised in the HFI.

Note to the statement of financial position

1 Property, plant and equipment

(in thousands of US$)	Hydrocarbon concessions	Land and buildings	Plant and machinery	Manufact. and distrib. equipment and commercial equipment	Other assets	Assets under construction and payments on account	Total
Balance at 1 January 2017	**400,947**	**304**	**522,881**	**238**	**3,365**	**529,313**	**1,457,048**
Historical cost	1,186,577	2,659	1,833,139	1,201	8,814	529,313	3,542,163
- Accumulated depreciation	(785,630)	(2,355)	(1,310,258)	(963)	(5,449)	—	(2,085,115)
Changes in 2017:						—	
– Additions	—	—	160,639	—	15	56,244	216,898
– Depreciation	(48,201)	(14)	(114,129)	(156)	(699)	—	(163,199)
– Reclassifications	—	—	432,353	—	—	(438,010)	(5,657)
– Impairment losses	(32,874)	—	(98,320)	(14)	(149)	—	(131,357)
– Disposals	(1,482)	—	(112)	—	(31)	—	(1,625)
– Other movements	1,482	—	—	—	—	—	1,482
– Reclassification to asset held for sale	—	—	(41,554)	—	—	—	(41,554)
– Change in decommissioning provision	—	—	9,145	—	—	—	9,145
– Foreign exchange impact	50,193	39	88,756	22	386	44,051	183,447
Total changes	**(30,882)**	**25**	**436,778**	**(148)**	**(478)**	**(337,715)**	67,580
Balance at December 31, 2017	**370,065**	**329**	**959,659**	**90**	**2,887**	**191,598**	**1,524,628**
including:							
– Historical cost	1,236,771	2,697	2,484,281	1,224	9,184	191,598	3,925,753
– Accumulated depreciation	(866,706)	(2,368)	(1,524,622)	(1,134)	(6,297)	—	(2,401,125)
Changes in 2018:							
– Additions	—	—	82,192	28	216	81,674	164,110
– Depreciation	(50,527)	(15)	(158,026)	(97)	(594)	—	(209,259)
– Reclassifications	—	—	29,807	73	33	(29,913)	—
– Impairment losses	(20,434)	—	(93,845)	—	—	—	(114,279)
– Disposals	—	—	(424)	—	(307)	—	(731)
– Other movements	—	—	—	—	151	—	151
– Change in decommissioning provision	—	—	9,095	—	—	—	9,095
– Foreign exchange impact	(14,592)	(14)	(39,868)	(4)	(113)	(12,900)	(67,491)
Total changes	**(85,553)**	**(29)**	**(171,069)**	**—**	**(614)**	**38,861**	**(218,404)**
Balance at December 31, 2018	**284,512**	**300**	**788,590**	**90**	**2,273**	**230,459**	**1,306,224**
including:							
– Historical cost	1,222,178	2,684	2,562,918	1,321	9,164	230,459	4,028,724
– Accumulated depreciation	(937,666)	(2,384)	(1,774,328)	(1,231)	(6,891)	—	(2,722,500)

(in thousands of US$)	Hydrocarbon concessions	Land and buildings	Land and buildings (IFRS 16)	Plant and machinery	Manufact. and distrib. equipment and commercial equipment	Other assets	Other assets (IFRS 16)	Assets under construction and payments on account	Total
Balance at December 31, 2018	**284,512**	**300**	**—**	**788,590**	**90**	**2,273**	**—**	**230,459**	**1,306,224**
Historical cost	1,222,178	2,684	—	2,562,918	1,321	9,164	—	230,459	4,028,724
- Accumulated depreciation	(937,666)	(2,384)	—	(1,774,328)	(1,231)	(6,891)	—	—	(2,722,500)
Changes in 2019:				—					
– Additions	—	—	—	21,186	83	8	—	25,583	46,860
– Depreciation	(43,770)	(9)	(2,876)	(146,429)	(57)	(431)	(8,516)	—	(202,088)
– Reclassifications	—	—	—	6,614	44	—	—	(6,658)	—
– Impairment losses	(186,326)	—	—	(48,943)	—	—	—	—	(235,269)
– Disposals	—	—	—	(27)	—	—	—	—	(27)
– Adjustment on adoption of IFRS 16 leases	—	—	19,327	(75)	—	—	26,407	—	45,659
– Reclassification to asset held for sale	—	(23)	—	(221,517)	—	(129)	—	(109,013)	(330,682)
– Change in decommissioning provision	—	—	—	23,580	—	—	—	—	23,580
– Foreign exchange impact	(6,174)	(5)	48	(8,184)	(1)	(42)	63	(2,229)	(16,524)
Total changes	**(236,270)**	**(37)**	**16,499**	**(373,795)**	**69**	**(594)**	**17,954**	**(92,313)**	**(668,489)**
Balance at December 31, 2019	**48,242**	**263**	**16,499**	**414,795**	**159**	**1,679**	**17,954**	**138,142**	**637,733**
including:									
– Historical cost	1,216,004	2,635	19,375	2,368,110	1,446	7,951	26,470	138,142	3,780,133
– Accumulated depreciation	(1,167,762)	(2,372)	(2,876)	(1,953,315)	(1,287)	(6,272)	(8,516)	—	(3,142,400)

The Group's property, plant and equipment were not mortgaged or pledged in any of the periods.

The Group did not capitalise borrowing costs, in any period presented.

Property, plant and equipment by geography

(in thousands of US$)	2019	2018	2017
Italy	287,537	289,481	330,919
United Kingdom	41,078	44,675	53,874
Norway	—	108,505	53,147
Algeria	—	222,174	283,798
Croatia	104	5,931	25,940
Egypt	308,999	635,458	776,950
Other Countries (*)	15	—	—
Property, Plant and Equipment by geography	**637,733**	**1,306,224**	**1,524,628**

IMPAIRMENT

Property, plant and equipment and intangible assets, are recognised in the HFI for a value no higher than their recoverable amount ("impairment testing"). The impairment testing process calls for testing the sustainability of the value of individual assets broken down into Cash Generating Units (CGUs).

IAS 36 defines the recoverable amount as the higher of the fair value of an asset or cash generating unit, less costs to sell, and its value in use. Thus, the recoverability of the value of fixed assets is verified by comparing the carrying amount recorded in HFI with the related recoverable value, after deducting from both the values of any risk provision recognised for costs to decommission and remediate sites.

The CGUs have been identified as the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

At each reporting date, the Group verifies whether there is any indication that an asset may have suffered a loss in value (impairment indicator).

The recoverable amount is calculated as the value in use through the discounting of cash flows expected from the use of the asset or a CGU as well as the amount expected from its disposal at the end of its useful life. This process entails the use of estimates and assumptions to determine both the amount of future cash flows and the corresponding discounting rates. Future cash flows are based on the most recent economic-financial plans developed by the management with reference to the functioning of productive assets (production, operating and capital expenses, useful life of the assets), the market environment (sales, prices of reference commodities, margins) and the evolution of the regulatory and legislative framework. In particular, in developing future cash flows, reference was made to:

– the budget approved by the Board of Directors;

– the 3 year Medium-Term Plan presented to the Board;

– the long-term plan drawn up by senior management

When the valuation entails estimation beyond the forecast period included in the economic-financial plans developed every year by the management, projections based on long-term growth assumptions are used (0% – 2%).

The valuation of assets entailed an estimation of cash flows until the end of the useful life of the fixed assets including, if present, a residual value when activities are completed.

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

– the price of oil commodities, natural gas and EUR/$ exchange scenarios;

– the discount rate used

The discount rates are calculated through the determination of the weighted average cost of capital (WACC), considering the specific risks of the activities and countries in which the Group operates and are based on data observable in the financial markets.

WACC (%)	**2019**	**2018**	**2017**
Egypt	11.7	10.7	10.6
Algeria	NA	8.7	NA
Croatia	NA	7.7	7.8
UK	8.0	6.0	6.3
Norway	NA	5.5	NA
Italy	8.8	7.2	6.9

In the table below is reported the breakdown of write-down recognised during the years by country and asset class:

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Egypt	**186,326**	**89.831**	**40.556**
Tangibles	186,326	47.331	40.173
Intangibles	—	42.500	383
Algeria	**NA**	**50.074**	**—**
Tangibles	NA	50.074	—
Croatia	**2,274**	**16.298**	**—**
Tangibles	2,274	16.298	—
UK	**29,858**	**6.020**	**16.650**
Tangibles	29,858	—	15.929
Intangibles	—	6.020	721
Norway	**NA**	**7.415**	**127.882**
Tangibles	NA	—	30.088
Intangibles	NA	7.415	97.794
Italy	**16,810**	**575**	**45.301**
Tangibles	16,810	575	45.167
Intangibles	—	—	134
Other Countries (*)	**5,516**	—	—
Tangibles	5,516	—	—
Total tangibles	**235,268**	**114,278**	**131,357**
Total intangibles	**5,516**	**55,935**	**99,032**

(*) Israel, Denmark

Sensitivities

The Group used the value in use in determining the recoverable amount of the cash-generating unit using discounted future cash flows. The Group's recoverable value of assets is highly sensitive, *inter alia*, to oil & gas prices achieved, discount rate and production volumes.

A reduction in the oil & gas commodity prices for the year 2020 by 35% per boe and 10% per boe thereafter, based on the current fall in the oil price and on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil & gas commodity prices specified above would increase the impairment charge by US$155.1 million. A 1 per cent increase in the post-tax discount rate would increase the impairment by US$39.3 million. The Group believes a 1 per cent change in the post tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

(in thousands of US$)	**+1% WACC scenario**	**35% reduction in oil and gas commodities prices for 2020 and 10% down thereafter**
Italy	19,660	103,183
Egypt	14,659	30,164
UK	5,015	21,714
Increase in impairment charges	**39,334**	**155,061**

2 Intangible assets

(in thousands of US$)	Patents, licences and similar rights	Other intangibles assets	Exploration and evaluation costs	Total
Balance at 1 January 2017	**1,872**	**20,097**	**209,917**	**231,886**
Historical cost	14,514	62,557	869,855	946,926
– Accumulated depreciation	(12,642)	(42,460)	(659,938)	(715,040)
Changes in 2017:				
– Additions	859	690	101,036	102,585
– Depreciation	(1,194)	(5,621)	(9,905)	(16,720)
– Reclassifications	—	7,334	(1,678)	5,656
– Impairment losses	(134)	(383)	(98,514)	(99,031)
– Disposal (historical costs)	—	—	(507)	(507)
– Foreign exchange impact	168	2,893	18,243	21,304
Total changes	**(301)**	**4,913**	**8,675**	**13,287**
Balance at 31 December 2017	**1,571**	**25,010**	**218,592**	**245,173**
including:				
– Historical cost	15,541	73,475	986,950	1,075,966
– Accumulated depreciation	(13,970)	(48,465)	(768,358)	(830,793)
Changes in 2018:				
– Additions	796	745	35,134	36,675
– Depreciation	(1,068)	(10,924)	(691)	(12,683)
– Reclassifications	215	—	(215)	—
– Impairment losses	—	(619)	(55,316)	(55,935)
– Disposal (historical costs)	—	—	(1,561)	(1,561)
– Foreign exchange impact	(79)	(803)	(10,221)	(11,103)
Total changes	**(136)**	**(11,601)**	**(32,870)**	**(44,607)**
Balance at December 31, 2018	**1,435**	**13,409**	**185,722**	**200,566**
including:				
– Historical cost	16,473	73,417	1,010,087	1,099,977
– Accumulated depreciation	(15,038)	(60,008)	(824,365)	(899,411)
Balance at December 31, 2018	**1,435**	**13,409**	**185,722**	**200,566**
Historical cost	16,473	73,417	1,010,087	1,099,977
– Accumulated depreciation	(15,038)	(60,008)	(824,365)	(899,411)
Changes in 2019:	—			
– Additions	226	1	41,606	41,833
– Depreciation	(398)	(3,963)	(709)	(5,070)
– Impairment losses	—	—	(5,516)	(5,516)
– Disposals (historical costs)	—	(1,224)	(2,119)	(3,343)
– Other movements	—	952	196	1,148
– Reclassification to asset for disposal	(604)	—	(83,080)	(83,684)
– Foreign exchange impact	(14)	(268)	(454)	(736)
Total changes	**(790)**	**(4,502)**	**(50,076)**	**(55,368)**
Balance at December 31, 2019	**645**	**8,908**	**135,646**	**145,198**
including:				
– Historical cost	12,878	72,878	966,236	1,051,992
– Accumulated depreciation	(12,233)	(63,970)	(830,590)	(906,793)

Intangible assets by geography

(in thousands of US$)	2019	2018	2017
Italy	1,123	826	771
United Kingdom	31,927	20,525	9,107
Norway	—	83,683	92,622
Egypt	100,406	79,989	128,553
Denmark	—	3,364	2,856
Greece	8,661	6,952	5,867
Israel	—	2,087	2,109
United Arab Emirates	3,081	3,140	3,288
Intangible Assets by geography	**145,198**	**200,566**	**245,173**

3 Equity-accounted investments

At 31 December 2019, equity-accounted investments were US$ 5,000compared to US$5,000 at 31 December 2018 and 2017. It may be analysed as follows:

			US$'000		
Investee	**Registered office**	**Investment %**	**2016**	**Increase**	**2017**
Abu Qir Petroleum Company	Alexandria (Egypt)	50%	1	—	1
Ed-Ina d.o.o.	Zagreb (Croatia)	50%	1	—	1
Rashid Petroleum Company – Rashpetco	Cairo (Egypt)	50%	1	—	1
Fayoum Petroleum Co – PetroFayoum	Cairo (Egypt)	30%	—	—	—
North Idku Petroleum Company	Cairo (Egypt)	50%	—	2	2
Total			**3**	**2**	**5**

			US$'000		
Investee	**Registered office**	**Investment %**	**2017**	**Increase**	**2018**
Abu Qir Petroleum Company	Alexandria (Egypt)	50%	1	—	1
Ed-Ina d.o.o.	Zagreb (Croatia)	50%	1	—	1
Rashid Petroleum Company – Rashpetco	Cairo (Egypt)	50%	1	—	1
Fayoum Petroleum Co – PetroFayoum	Cairo (Egypt)	30%	—	—	—
North Idku Petroleum Company	Cairo (Egypt)	50%	2	—	2
Total			**5**	**—**	**5**

			US$'000		
Investee	**Registered office**	**Investment %**	**2018**	**Increase**	**2019**
Abu Qir Petroleum Company	Alexandria (Egypt)	50%	1	—	1
Ed-Ina d.o.o.	Zagreb (Croatia)	50%	1	—	1
Rashid Petroleum Company – Rashpetco	Cairo (Egypt)	50%	1	—	1
Fayoum Petroleum Co – PetroFayoum	Cairo (Egypt)	30%	—	—	—
North Idku Petroleum Company	Cairo (Egypt)	50%	2	—	2
Total			**5**	**—**	**5**

4 Other non-current assets

At 31 December 2019, this caption amounted to US$1.099 million, compared to US$8.424 million and US$9.716 million at 31 December 2018 and 2017 respectively, and they refer to derivatives and receivables for bank deposits.

5 Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated taxes using the tax rates enacted or substantially enacted in the countries where it operates when the temporary difference reverse. Deferred tax liabilities and assets recognised by the Group and movements thereon during the review period is as follows:

(in thousands of US$)	Fixed asset timing differences	Decommissioning	Tax losses	Foreign exchange translation reserve	Other temporary differences	Total
At 1 January 2017	**137,015**	**112,196**	**21,079**	**(7,620)**	**7,025**	**269,695**
Charged to the income statement	9,761	(6,918)	(4,679)	—	(409)	(2,245)
Other movements	—	(248)	—	—	—	(248)
Netting DTA/DTL	(53,177)	—	29,051	—	85	(24,041)
Charge direct to equity	18,067	14,651	1,917	4,645	174	39,454
At 31 December 2017	**111,666**	**119,681**	**47,368**	**(2,975)**	**6,875**	**282,615**
Charged to the income statement	(20,742)	20,597	9,339	—	1,216	10,411
Other movements	9	—	—	—	7,130	7,139
Charge direct to equity	(3,724)	(6,210)	(3,211)	(6,412)	(1,084)	(20,641)
At 31 December 2018	**87,209**	**134,068**	**53,496**	**(9,387)**	**14,137**	**279,524**
Charged to the income statement	(120,441)	(115,290)	3,062	0	(14,940)	(247,609)
Charge direct to equity	(22,970)	12,638	5,282	3,001	547	(1,502)
Reclassified as held for sale	50,998	(15,222)	(48,938)	0	(830)	(13,992)
At 31 December 2019	**(5,204)**	**16,194**	**12,902**	**(6,386)**	**(1,086)**	**16,421**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group has recognised deferred tax assets of US$12.9 million in respect of tax losses and US$3.5 million in respect of other temporary differences at 31 December 2019 (excluding deferred tax recognised in relation to assets classified as held-for-sale).

These balances have been recognised to the extent that it is probable that there will be future taxable profits against which the tax losses and other temporary differences can be utilised. The Group reviews the carrying value at each balance sheet date by re-assessing whether sufficient future taxable profits will be generated in future periods such that these deferred tax assets can be recovered. The Group considers all available evidence including approved budgets, forecasts, and business plans, in evaluating whether or not it is probable that sufficient taxable profits will be generated in future periods. Where tax losses are subject to expiration, the forecasts take into account the expected reversal patterns of taxable temporary differences and the expecting timing for the reversal of deductible temporary differences.

Following Edison International S.p.A's exit from the wider Edison S.p.A Italian tax consolidation group in September 2019 (effective from 1 January 2019), the Group has written-off US$90.1 million of deferred tax assets relating to timing difference on fixed assets used in its Abu Qir operation on the basis that it is not probable that sufficient future taxable profits exist in the company. The Group has written-off a further US$115.7 million in relation to deferred tax assets on decommissioning, and an additional US$8.3 million in relation to other various deferred tax assets due to an assessment that forecast future taxable profits in respect of the Italian entities no longer support DTA recognition to the same extent as prior periods

6 Trade receivables

At 31 December 2019, this caption amounted to US$349.342 million compared to US$414.007 million at 31 December 2018 and US$418.662 million at 31 December 2017 respectively.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

It may be analysed as follows:

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Trade receivables	**356,517**	414,007	418,663
Allowance for aged receivables	**(36,260)**	(39,602)	(19,490)
Total	**320,257**	**374,405**	**399,173**

Trade receivables by geography

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Italy	83,970	76,997	84,160
United Kingdom	7,822	7,472	4,352
Norway	—	9,406	14,618
Egypt	262,037	280,709	310,337
Algeria	—	35,605	1,175
Falkland	1,854	1,854	1,821
Croatia	597	1,462	2,366
Other Countries (*)	237	502	(166)
Total	**356,517**	**414,007**	**418,663**

In 2017 the allowance for impairment was calculated under IAS 39 and comprised Management's estimates about credit losses on receivables from end customers and the sales network. Management estimates the allowance on the basis of the expected losses, considering past experience for similar receivables, current and historical past due amounts, losses and collections, the careful monitoring of credit quality and projections about the economy and market conditions.

At the end of 2016, the balance of trade receivables included a discounting item which reduced its value by 30.4 million dollars; this amount increased further by 3,7 million dollars in 2017, although the Egyptian overdue items declined by 31.8% compared to the balance in 2016 and collections, as noted previously, were considerably higher than those in the previous year. The discounting value deteriorated nonetheless as a result of the worsening of the average DSO (Days Sales Outstanding) on part of the Egyptian receivables due to agreements entered into by the company with EGAS (Egyptian Natural Gas Holding Company) for the development of several exploration licences acquired. Indeed, such agreements establish that the EGPC (Egyptian General Petroleum Corporation) trade receivables not yet collected will be pledged to secure future investment commitments that the company has undertaken with respect to the Egyptian state. The amount of such commitments comes to US$115.5 million, and the duration of the exploratory period to be guaranteed is roughly 2 years; this means that the amount of such trade receivables may be collected only at the end of this period. As of May 2020 the amount related to financial commitment is about US$91 million and the duration of the exploratory period to be guaranteed is roughly 1 year

The adoption of IFRS 9 (starting from January 1, 2018) introduced a new methodology, based on a predictive approach, based on the probability of default of the counterparty and the recovery capacity in the event in which the default event is verified (so-called loss given default). For further detail please refer to "IFRS 9 Financial Instruments" section of the accounting policies.

The allowance for impairment at the end of 2019 was US$36.290 million, at the end 2018 it was US$39.602 million and at the end of 2017 was US$19.490 million. The impact at equity level of the first-time adoption of IFRS 9 was US$13.047 million (net of DTA).

(in thousands of US$)	**31 December 2017**	**Accruals**	**Utilisation**	**Foreign Exchange Translation**	**First Time Adoption IFRS 9**	**HFS Reclass**	**31 December 2016**
Allowance for impairment	(19,489)	(2,264)	128	(2,217)	—	—	(15,136)

(in thousands of US$)	**31 December 2018**	**Accruals**	**Utilisation**	**Foreign Exchange Translation**	**First Time Adoption IFRS 9**	**HFS Reclass**	**31 December 2017**
Allowance for impairment	(39,602)	(9,740)	1,133	1,542	(13,047)	—	(19,489)

(in thousands of US$)	**31 December 2019**	**Accruals**	**Utilisation**	**Foreign Exchange Translation**	**First Time Adoption IFRS 9**	**HFS Reclass**	**31 December 2018**
Allowance for impairment	(36,260)	(395)	2,980	756			(39,602)

7 Inventories

At 31 December 2019 this caption amounted to US$58.672 million compared to US$54.289 million and US$49.616 million at 31 December 2018 and 2017 respectively. It may be analysed as follows:

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Production consumables	46,031	36,623	34,940
Writedown of production consumables	(2,866)	(1,878)	(1,970)
Stored crude oil	15,557	18,500	15,585
Stored natural gas	—	1,044	1,061
Total	**58,722**	**54,289**	**49,616**

The cost of production consumables recognised as an expense was US$4.045 million at 31 December 2019, compared to US$1.126 million and US$2.687 million at 31 December 2018 and 2017 respectively.

The Group recognised an allowance for inventory write-down to cover the difference between the cost and estimated realisable value of obsolete production consumables.

8 Current tax assets

This caption includes current direct tax assets.

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
IRAP	29	30	28
Total	**29**	**30**	**28**

9 Other receivables

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Financial other receivables			
Cash flow hedge derivatives	13,615	24,382	—
Prepayments	4,493	5,567	5,059
Related party receivables	6,190	17,715	1,540
Other receivables	17,825	20,755	21,055
Allowance for doubtful accounts of non-commercial receivables	(405)	(411)	(360)
Total financial	**41,718**	**68,007**	**27,294**
Non-financial other receivables			
Advances paid to suppliers	4,220	6,830	3,756
Public institutions and local entities	333	294	542
Amounts payable to employees	35	120	265
VAT pool	1,735	2,214	199
Tax refund receivables	796	8,008	18,332
Receivables from Income taxes	6,818	4,911	11,929
Total non-financial	**13,937**	**22,377**	**35,023**
Total	**55,654**	**90,385**	**62,317**

Included within other receivables are amounts due to related parties as disclosed in the related parties note (note 29).

10 Loan receivables

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Short-term financial deposits	—	1,151	1,205
Amounts due from related parties	155,364	156,703	32,030
Total	**155,364**	**157,854**	**33,235**

Amounts due from related parties refer to the intercompany current accounts with Edison S.p.A. See Related Party Transactions note (note 29) for further details.

Short-term financial deposits refer to the short-term loan granted to EdF Energie Nouvelles by Edison International. It was renewed every year and was totally reimbursed in the first half of 2019.

11 Cash and equivalents

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Banks and postal accounts	49,506	23,744	26,858
Cash on hand	15	23	10
Total	**49,521**	**23,767**	**26,868**

12 Asset held for disposal

This caption amounted to US$44.114 million at 31 December 2017. In 2017 the Company signed an agreement for the selling of 3.5% of the participating interest of Edison Norge AS in the gas pipeline Polarled; the completion date for the transaction took place on 31 January 2018, with a disposal price of NOK 362 million.

On 4 July 2019 Edison S.p.A entered into a conditional sale and purchase agreement ("SPA") with Energean Oil & Gas plc to sell Edison E&P S.p.A. The transaction remains subject to relevant government approvals, including the consent of the relevant Algerian authorities in respect of the Edison E&P assets located in Algeria (the "Algerian Interest"). On 2 April 2020 Energean and Edison S.p.A entered into a formal amendment to the SPA in which the Algerian Interest shall be transferred to Edison S.p.A for an adjustment to the total consideration of US$100 million as at the locked box date of 31 December 2019. Energean shall retain the economic reward attributable to the Algerian Interest for the period to 31 December 2019. On 28 June 2020 Energean and Edison have entered into a further amendment to the SPA in which the Norwegian Subsidiary shall be transferred to Edison for an adjustment to the total consideration of US$89.2 million as at the locked box date of 31 December 2019.

The results of the Algerian Interest for the last three year period are presented below:

(in thousands of US$)	**Period ended 31 December 2019**	**Period ended 31 December 2018**	**Period ended 31 December 2017**
Revenue	33,800	29,167	462
Other income	7,436	52,146	—
Expenses	(22,239)	(68,472)	(218)
Impairment	(114,378)	—	—
Profit before tax	(94,170)	13,186	78
Attributable tax expense	—	—	—
Net (loss)/gain attributable to discontinued operations	**(94,170)**	**13,186**	**78**

The results of the Norwegian Subsidiary for the last three year period are presented below:

(in thousands of US$)	**Period ended 31 December 2019**	**Period ended 31 December 2018**	**Period ended 31 December 2017**
Revenue	—	—	1,310
Other income	1,698	2,961	2,543
Expenses	(37,135)	(20,257)	(139,023)
Impairment	(27,305)	—	—
Profit before tax	(67,807)	(19,710)	(141,046)
Attributable tax expense	55,526	13,095	50,543
Net (loss)/gain attributable to discontinued operations	**(12,281)**	**(6,615)**	**(90,504)**

The major classes of assets and liabilities of the Algerian Interest and the Norwegian Subsidiary classified as held for sale as at 31 December are, as follows:

(in thousands of US$)	**Algeria**	**Norway**	**Total period ended 31 December 2019**
Property, plant and equipment	96,636	162,931	259,567
Intangible assets	—	79,949	79,949
Deferred tax assets	—	72,984	72,984
Trade receivables	9,305	14,621	23,926
Other receivables	—	13,817	13,817
Cash and cash equivalents	—	14,618	14,618
Total assets classified as held for sale	**105,941**	**358,920**	**464,861**
Borrowings	—	221,332	221,332
Provisions	5,941	7,485	13,426
Deferred tax liabilities	—	18,282	18,282
Trade payables	—	20,344	20,344
Other liabilities	—	2,477	2,477
Total liabilities associated with assets classified as held for sale	**5,941**	**269,920**	**275,861**
Net assets of disposal group	**100,000**	**89,000**	**189,000**

The net cash flows incurred by the Algerian Interest are, as follows:

(in thousands of US$)	**Period ended 31 December 2019**	**Period ended 31 December 2018**	**Period ended 31 December 2017**
Cash flows from operating activities	64,831	38,848	120
Cash flows from investing activities	(11,989)	(15,705)	(43,144)
Cash flows from financing activities	(52,842)	(23,143)	43,024
Net increase (decrease) in cash & cash equivalents	—	—	—

The net cash flows incurred by the Norwegian Subsidiary are, as follows:

(in thousands of US$)	**Period ended 31 December 2019**	**Period ended 31 December 2018**	**Period ended 31 December 2017**
Cash flows from operating activities	(22,255)	16,662	36,908
Cash flows from investing activities	(87,020)	(25,626)	(59,218)
Cash flows from financing activities	111,843	14,864	19,925
Net increase (decrease) in cash & cash equivalents	2,569	5,900	(2,384)
Cash and cash equivalents at beginning of period	12,049	6,149	8,533
Cash and cash equivalents at end of period	14,618	12,049	6,149

13 Equity

In 2017 the equity shown is an aggregation of the equity of the individual legal entities that have been included within the combined HFI. There are no non-controlling interests throughout the HFI period.

The parent company, Edison Exploration & Production S.p.A. was established on February 21, 2018 with a share capital of 343,216 dollars divided into 300,000 shares. On 1 July 2018, the E&P business of Edison S.p.A. was transferred to the Parent Company for an amount of 986,172,824 dollars intended to increase the share capital to 571,682,784.4 dollars and the share premium reserve for the remaining amount. For this

reason, from 1 July 2018, a legal sub group is established and as such at this point, the equity became the consolidated equity of the Group.

From 1 July 2018, the Company has one class of ordinary shares which carry no right to fixed income. As at 31 December 2018 and 30 June 2019 parent's fully paid-up and authorised share capital consists of 500,000,000 ordinary shares with a nominal amount of US$1.144 (€ 1.00) each.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations which relate to subsidiaries only, from their functional currency in to the parent's functional currency are recognised directly in the Translation reserve.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit and loss only when the hedged transaction impacts the profit or loss.

Other reserves:

Business restructuring reserve refer mainly to the allocation of assets and liabilities referring to E&P business but not included in the statutory financial statements of E&P entities and to a 2015 reserve originated by the transfer of the Norwegian branch to Edison Norge AS.

14 Borrowings

This caption may be analysed as follows:

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Bank borrowings at amortised cost	140	172	138
Current account parent company	102,577	167,161	299,460
Related party – parent company debt	56,301	169,524	1,106,382
Current financial liabilities	**159,018**	**336,857**	**1,405,980**

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Other financial debt parent company	—	69,046	106,489
Non-current financial liabilities	**—**	**69,046**	**106,489**

The following tables provide the breakdown of "Other financial debt parent company" with the splitting between current and non-current maturities. Due to the short-term nature of the current financial liabilities, their carrying amount is considered to be the same as their fair value.

Other financial debt parent company as of 31 December 2017

Counterpart	Currency	Original amount	Maturity	Interest rate	Terms	Outstanding liability	Current	Non-current
Edison S.p.A (Edison International)............	EURO	900,000	2018	Floating	Euribor 6M – 0,219 if floor 0,00 + Spread 2,05%	1,081,215	1,081,215	—
Edison S.p.A (Edison Norge)......................	NOK	873,750	2017	Floating	Nibor 3M 1,19% + Spread 2,7%	106,489	—	106,489
Edison S.p.A (Edison E&P UK).................	GBP	18,520	2018	Floating	Libor GBP 3M 0,40238% + Spread 2,5%	25,167	25,167	—
Total.........................						**1,212,871**	**1,106,382**	**106,489**

Other financial debt parent company as of 31 December 2018

Counterpart	Currency	Original amount	Maturity	Interest rate	Terms	Outstanding liability	Current	Non-current
Edison S.p.A (Edison International)............	EURO	900,000	2018	Floating	Euribor 6M – 0,254 if floor 0,00 + Spread 2,05%	57,384	57,384	—
Edison S.p.A (Edison Norge)......................	NOK	873,750	2019	Floating	Nibor 3M 0,78% + Spread 2,2%	100,564	100,564	—
Edison S.p.A (Edison E&P UK).................	GBP	18,520	2018	Floating	Libor GBP 3M 0,4224% + Spread 2,5%	126	126	—
Edison S.p.A (Edison E&P)........................	EURO	70,000	2023	Floating	Euribor 6M -0,238 + Spread 0,85%	80,496	11,450	69,046
Total.........................						**238,570**	**169,524**	**69,046**

Other financial debt parent company as of 31 December 2019

Counterpart	Currency	Original amount	Maturity	Interest rate	Terms	Outstanding liability	Current	Non-current
Edison S.p.A (Edison International)............	EURO	50,000	2020	Floating	Euribor 6M – 0,343 if negative floor + Spread 3%	56,301	56,301	
Total.........................						**56,301**	**56,301**	**—**

(in thousands of US$)	31 December 2017	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2016
Bank loans at amortised cost	—	(13,295)	—	744	—	12,551
Bank borrowings at amortised cost..	138	(348)	—	(311)	—	797
Current account parent company................................	299,460	14,144	—	32,396	—	252,921
Other financial debt parent company................................	1,106,382	—	(105,830)	137,615	—	1,074,597
Current financial liabilities.	**1,405,980**	**500**	**(105,830)**	**170,444**	**—**	**1,340,866**

(in thousands of US$)	31 December 2018	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2017
Bank borrowings at amortised cost	172	41	—	(8)	—	138
Current account parent company	167,161	(115,783)	—	(16,517)	—	299,460
Other financial debt parent company	169,524	(14,522)	(896,333)	(26,003)	—	1,106,382
Current financial liabilities	**336,857**	**(130,263)**	**(896,333)**	**(42,527)**	**—**	**1,405,980**

(in thousands of US$)	31 December 2019	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2018
Bank borrowings at amortised cost	—	—		—	—	—
Current account parent company	139	(29)		(3)	—	172
Other financial debt parent company	102,578	(40,258)		(2,544)	(21,781)	167,161
Current financial liabilities	56,302	(11,195)		(3,582)	(98,445)	169,524

(in thousands of US$)	31 December 2017	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2016
Other financial debt parent company	106,489	—	105,830	659	—	—
Non-current financial liabilities	**106,489**	**—**	**105,830**	**659**	**—**	**—**

(in thousands of US$)	31 December 2018	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2017
Other financial debt parent company	69,046	71,217	(107,517)	(1,143)	—	106,489
Non-current financial liabilities	**69,046**	**71,217**	**(107,517)**	**(1,143)**	**—**	**106,489**

(in thousands of US$)	31 December 2019	Net cash flows	Reclassification	Change in translation reserve	HFS Reclass	31 December 2018
Other financial debt parent company	—	(67,507)	—	(1,539)	—	69,046
Non-current financial liabilities	**—**	**(67,507)**	**—**	**(1,539)**	**—**	**69,046**

15 Provisions

At 31 December 2019, the non-current portion of the provisions for risks amounted to US$715.6 million, while at December 31, 2018 and 2017 it amounted to US$695.0 million and US$730.1 million respectively.

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Provision for decommissioning and remediation of industrial sites	692,229	662,795	669,969
Other risks and charges	23,396	24,981	25,778
Disputed tax items	—	7,202	32,939
Risks for disputes, litigation and contracts	—	—	1,434
Total	**715,625**	**694,978**	**730,120**

The caption "Provision for decommissioning and remediation of industrial sites" is broken down in the following table:

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Italy	459,584	450,372	459,264
Croatia	17,205	16,829	15,310
UK	215,440	188,834	189,791
Norway	—	948	—
Algeria	—	5,812	5,604
Total	**692,229**	**662,795**	**669,969**

The following table shows changes in this caption, where the column "Other" refers to the effect deriving from the review of the decommissioning provision's estimate, which is capitalised as part of PPE and not transferred to the income statement:

(in thousands of US$)	**31 December 2017**	**Accruals**	**Utilisation**	**Reversals**	**Other**	**Foreign exchange translation**	**31 December 2016**
Provision for decommissioning and remediation of industrial sites	**669,969**	21,159	(1,427)	—	9,672	73,366	567,199
Other risks and charges	**25,778**	3,833	(1,243)	—	—	2,948	20,240
Disputed tax items	**32,939**	23,227	—	—	—	2,433	7,279
Risks for disputes, litigation and contracts	**1,434**	—	—	—	—	173	1,261
Total	**730,120**	**48,219**	**(2,670)**	**—**	**9,672**	**78,920**	595,979

(in thousands of US$)	31 December 2018	Accruals	Utilisation	Reversals	Other	Foreign exchange translation	31 December 2017
Provision for decommissioning and remediation of industrial sites	**662,795**	24,786	(3,958)	—	4,572	(32,574)	669,969
Other risks and charges	**24,982**	2,792	(2,409)	—	—	(1,179)	25,778
Disputed tax items	**7,201**	844	(25,852)	—	—	(730)	32,939
Risks for disputes, litigation and contracts	—	—	—	(1,412)	—	(22)	1,434
Total	**694,978**	**28,422**	**(32,219)**	**(1,412)**	**4,572**	**(34,505)**	730,120

(in thousands of US$)	31 December 2019	Accruals	Utilisation	Reversals	Foreign exchange translation	Reclassified as held for sale	31 December 2018
Provision for decommissioning and remediation of industrial sites	**692,229**	50,496	(7,962)	(4,251)	(2,090)	(6,759)	**662,795**
Other risks and charges	**23,396**	1,119	(586)	(1,672)	(447)	—	**24,982**
Disputed tax items	—	192	(7,233)	—	(160)	—	**7,201**
Risks for disputes, litigation and contracts	—	—	—	—	—	—	—
Total	**715,625**	**51,807**	**(15,781)**	**(5,923)**	**(2,697)**	**(6,759)**	**694,978**

"Other risks and charges" are mainly related to specific claims in foreign countries (mostly Iran and Egypt) estimated to be US$13.2 million and in Italy estimated to be US$9.1 million and to state property fees in Italy estimated to be US$1.1 million. It is not currently possible to accurately predict the timing of the settlement of these claims and therefore the expected timing of the cash flows.

16 Retirement benefit liabilities

This caption mainly consists of the Group's liability for post-employment benefits and post-term of office benefits for directors. These benefits qualify as defined benefit plans pursuant to IAS19 and the related liabilities are calculated by an independent actuary.

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Opening balance	**3,059**	**4,152**	**4,044**
Interest cost	61	31	3
Other variations	236	(3,865)	(340)
Employee benefits paid	(460)	(124)	(56)
Exchange differences	(58)	(161)	531
Transfer in (out)	(33)	3,100	(42)
Actuarial gain (loss)	125	(74)	12
Closing balance	**2,931**	**3,059**	**4,152**

17 Other non-current liabilities

At December 31, 2019, this caption amounted to US$27.4 million compared to US$4.6 million and US$nil at December 31, 2018 and 2017, respectively.

The table below shows the related breakdown:

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
IFRS 16 non-current lease liabilities	27,371	—	—
Derivatives	—	4,574	—
Total	**27,371**	**4,574**	**—**

18 Trade payables

At 31 December 2019, this caption amounted to US$169.403 million, compared to US$174.972 million and US$232.972 million at 31 December 2018 and 2017 respectively.

Due to the short-term nature of the current financial liabilities, their carrying amount is considered to be the same as their fair value.

19 Other current liabilities

This caption is broken down in the following table and includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions), payables from valuation of derivatives and IFRS 16 financial liabilities.

Other payables mainly include payables to controlling company for corporate services and royalties for hydrocarbon exploitation. The difference between December 31, 2018 and December 31, 2017 is mainly related to the increase in payables for group relief and the increase in Edison E&P S.p.A. in payables to Edison S.p.A.

(in thousands of US$)	31 December 2019	31 December 2019	31 December 2019
Excise duties, VAT and other taxes payable	—	258	857
Payables to social security institutions	3,338	3,290	794
Payables to personnel	6,686	6,881	1,117
Payables from valuation of derivatives	13,064	7,977	—
Payables for consulting and others	1,535	1,989	1,318
Advances	—	10,468	7,848
Lease liabilities	9,586		
Related party payables	19,806	35,545	11,891
Total	**54,015**	**66,408**	**23,825**

NOTE TO THE STATEMENT OF PROFIT OR LOSS

20 Sales and other operating revenues

Revenue from continuing operations amounted to US$494.927 million at 31 December 2019 compared to US$599.178 million and US$527.986 million at 31 December 2018 and 2017 respectively. It is shown net of discounts and allowances. The revenues from other utilities mainly refer to the selling of LPG (Liquefied Petroleum Gas).

The main customer to which the Group sells its hydrocarbons' commodities is the Egyptian State through its national oil company EGPC (Egyptian General Petroleum Corporation). In particular, revenues from hydrocarbons sells referred to EGPC amount to US$263.223 million at 31 December 2019 compared to US$314.187 million at 31 December 2018 and US$264.358 million at 31 December 2018 and 2017 respectively.

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Revenues from natural gas	278,454	351,701	303,660
Revenues from oil and condensate	178,633	207,919	179,822
Revenues from LPG (Liquefied Petroleum Gas)	24,920	30,568	24,305
Revenues from other sales	1,881	7,714	11,919
Services supplied on behalf of third parties	83	333	87
Revenues from other services	3,395	3,303	3,022
Revenues from derivatives	7,561	(2,360)	5,171
Total	**494,927**	**599,178**	**527,986**

A breakdown of revenue by geography is as follows:

(in thousands of US$)	**31 December 2019**	**31 December 2018**	**31 December 2017**
Italy	169,359	206,401	185,392
United Kingdom	57,435	58,657	55,470
Croatia	4,910	19,933	22,766
Egypt	263,223	314,187	264,358
Total	**494,927**	**599,178**	**527,986**

21 Operating (loss)/profit before taxation

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
(a) cost of sales			
Staff costs	(45,035)	(44,873)	(37,013)
Energy	(25,050)	(25,289)	(19,429)
Royalty payable	(9,360)	(9,492)	(8,617)
Other operating costs	(121,996)	(126,847)	(117,273)
Insurances	(6,738)	(8,822)	(7,480)
Depreciation and amortisation	(205,220)	(194,089)	(162,870)
Movement of inventories of hydrocarbons	3,058	4,468	(10,949)
Total cost of sales	**(410,341)**	**(404,944)**	**(363,631)**
(b) General and administration expenses			
Staff costs	(4,342)	(2,627)	(3,243)
Depreciation and amortisation	(728)	(518)	(795)
Auditor fees	(608)	(422)	(409)
Other general & administration expenses	(20,803)	(24,321)	(18,207)
Total	**(26,481)**	**(27,888)**	**(22,654)**
(c) Exploration and evaluation expenses			
Staff costs	(6,268)	(4,715)	(5,677)
Exploration costs written off	(7,509)	(58,040)	(15,035)
Other exploration and evaluation expenses	(1,924)	(76)	(446)
Total	**(15,701)**	**(62,831)**	**(21,158)**
(d) Other operating expenses			
Provision for bad debts	(3,394)	(2,980)	(2,459)
Impairment of inventory	(1,019)	—	(185)
Provision for risks	—	—	(6,795)
Other expenses	(2,978)	(2,172)	—
Total	**(7,391)**	**(5,152)**	**(9,439)**
(e) Other operating income			
Reversal of provision for tax litigations	4,392	2,516	—
Reversal of prior period other provision	7,233	7,126	3,400
Gain on disposal of fixed assets	2,400	282	
Insurance indemnity	—	—	12,387
Total	**14,025**	**9,924**	**15,787**
(f) Fees payable to the Company's auditor			
Fees payable to the Company's auditor for:			
The audit of the Company's annual accounts	(9)	—	—
The audit of the Company's subsidiaries	(599)	(422)	(409)
Total	**(608)**	**(422)**	**(409)**

There were no non-audit fees payable to the Company's auditor in any period. As the Company only existed from 1 July 2018 there were no audit fees payable in relation to the company in 2017 and 2018.

22 Personnel expenses

The average monthly number of employee (including Executing Directors) employed by the Group worldwide and aggregate remuneration were:

(average number)	31 December 2019	31 December 2018	31 December 2017
Administration	59	70	70
Technical	238	231	234
Total	**297**	**301**	**304**

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Salaries	(22,825)	(22,990)	(22,782)
Social security costs	(5,285)	(6,130)	(5,283)
Severance Indemnity Reserve	(1,067)	(1,198)	(1,229)
Other costs	(372)	(392)	(400)
Payroll cost expensed	**(29,549)**	**(30,710)**	**(29,694)**
Included in:			
Cost of sales	(18,939)	(23,371)	(20,775)
Administration expenses	(4,342)	(2,626)	(3,242)
Exploration & evaluation expenses	(6,268)	(4,713)	(5,677)
Total	**(29,549)**	**(30,710)**	**(29,694)**

Additionally, Edison International S.p.A. consolidate the personnel costs of its Operating Company, Abu Qir Petroleum Company, owned at 100%. The table below details the average number and costs related to Abu Qir employees:

(average number)	31 December 2019	31 December 2018	31 December 2017
Technical	680	695	712
Total	**680**	**695**	**712**

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Salaries	(26,096)	(21,502)	(16,238)
Payroll cost expensed	**(26,096)**	**(21,502)**	**(16,238)**
Included in:			
Cost of sales	(26,096)	(21,502)	(16,238)
Total	**(26,096)**	**(21,502)**	**(16,238)**

23 Finance (costs)/income

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
Financial charges from capitalisations	(65)	(31)	(3)
Bank fees payables	(160)	(289)	(306)
Interest expense to banks	(290)	(76)	(114)
Interest expense on trade and other payables	(643)	(4,516)	(303)
Other financial charges from financial liabilities	(3,300)	(12,610)	(23,564)
Financial charges capitalised provision	(22,194)	(25,393)	(22,755)
Interest on lease liabilities	(1,777)	—	—
Total finance costs	**(28,429)**	**(42,915)**	**(47,045)**
Interest and income from bank accounts	1,274	361	178
Interest and income from receivables	—	31,514	10,032
Other interest and financial income	1,334	515	107
Total finance revenue	**2,608**	**32,390**	**10,317**
Foreign exchange (losses)/gain	1,534	1,376	(1,304)
Net financing costs	**(24,286)**	**(9,149)**	**(38,031)**

24 Gain on derivative

At 31 December 2019, this caption amounted to loss of US$(0.578) million, compared to US$(0.071) million, at 31 December 2018 and income of US$5,872 in 31 December 2017 respectively.

25 Taxation

(a) Taxation charge

(in thousands of Euro)	31 December 2019	31 December 2018	31 December 2017
Corporation tax – current year	(51,379)	(107,586)	(63,622)
Corporation tax – prior years	2,971	(5,180)	(11,570)
Tax provisions	—	—	(21,465)
Deferred tax	(33,481)	5,854	(34,599)
De-recognition of deferred tax assets on losses carried forward	(214,127)	—	—
Total	**(296,016)**	**(106,912)**	**(131,256)**

Reconciliation of the total tax charge

(in thousands of US$)	31 December 2019	31 December 2018	31 December 2017
(Loss)/profit before tax	(211,090)	34,244	(7,055)
Tax credit/(charge) at applicable tax rate (24%)	50,662	(8,219)	1,693
Impact of different tax rates	(60,031)	(87,844)	(86,157)
Permanent differences	5,836	2,356	198
Tax provisions	—	—	21,464
Prior year tax	(2,971)	10,397	893
Non-recognition of deferred tax on current period losses	(72,004)	(23,213)	(20,105)
Fiscal consolidation income	6,794	5,400	(11,238)
Tax assets write-down	(214,128)	—	—
Other adjustments	(10,174)	(5,789)	(38,004)
Taxation expense	**(296,016)**	**(106,912)**	**(131,256)**
Effective tax rate	**140%**	**312%**	**1861%**

Edison International S.p.A was part of an Italian national tax consolidation regime in place with Transalpina di Energia S.p.A. until September 2019 (effective from 1 January 2019).

Edison E&P S.p.A and Edison Idrocarburi Sicilia S.r.l were part of the Italian national tax consolidation regime in place with Transalpina di Energia S.p.A. at the balance sheet date, however the company will leave the Italian national tax consolidation when Transalpina di Energia S.p.A no longer has legal control of the company.

For the periods when the companies were part of the Italian national tax consolidation the tax results of the companies were transferred to the Italian national tax consolidation regime such that companies in the Italian national tax consolidation were able to benefit from tax reliefs (such as tax losses) available in other companies. Companies were reimbursed at the respective tax rate for the benefit of reliefs transferred to other companies in the Italian national tax consolidation.

26. Segment reporting

The Executive committee is the Group's chief operating decision-maker ("**CODM**"). Management has determined the operating segments based on the information reviewed by the Executive committee for the purposes of allocating resources and assessing performance. The Executive committee makes decision only at E&P level.

As part of Edison Group, the CODM did not consider the E&P hydrocarbon activities as an individual operating segment but they were part of a wider business sector.

In consideration of the transaction, the CODM considers the Group (E&P hydrocarbon activities) as a single segment. The Group produces vending hydrocarbons, the extractive process and type of customers are the same for all types of hydrocarbons. In consideration of the organisation structure of reporting, the process of allocating resources and activity of Group, the CODM has identified one segment (i.e., the Group).

27. Financial Instruments

	31 December 2019				31 December 2018			
	Purchases	Sales	Positive fair value	Negative fair value	Purchases	Sales	Positive fair value	Negative fair value
Swap								
Gas – Mterm	—	43	10,676	—	—	113	4,374	(703)
LNG and oil – Mboe	—	1	—	(1,130)	—	3	27,153	(1,976)
$	—	38,102	—	(5,528)	—	118,302	—	(9,660)
Total Swap	**—**	**38,146**	**10,676**	**(6,658)**	**—**	**118,419**	**31,527**	**(12,339)**
Options								
LNG and oil – Mboe	1	—	—	(1)	2	—	114	(212)
Total Options	1	—	—	(1)	2	—	114	(212)
Total			**10,676**	**(6,660)**			**31,641**	**(12,551)**

	31 December 2017			
	Purchases	Sales	Positive fair value	Negative fair value
Swap				
$	—	79,868	–	(3,197)
Total Swap	**—**	**79,868**	**—**	**(3,197)**
Options				
LNG and oil – Mboe	2	—	–	(73)
Total Options	2	—	—	(73)
Total			**—**	**(3,270)**

Categories of financial instruments and fair value hierarchy

31.12.2017 *(in thousands of US$)*	IAS 39 categories	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Derivatives	Financial instruments	(3,270)		(3,270)	
Total financial liabilities		**(3,270)**	—	**(3,270)**	—

31.12.2018 *(in thousands of US$)*	IFRS 9 categories	Carrying amount	Fair value Level 1	Fair value Level 2	Fair value Level 3
Derivatives	Financial instruments	31,641		31,641	
Total financial assets		**31,641**	—	**31,641**	—
Derivatives	Financial instruments	(12,551)		(12,551)	
Total financial liabilities		**(12,551)**	—	**(12,551)**	—

31.12.2019 *(in thousands of US$)*	IFRS 9 categories	Carrying amount	Fair value Level 1	Level 2	Level 3
Derivatives	Financial instruments	10,676		10,676	
Total financial assets		**10,676**	—	**10,676**	—
Derivatives	Financial instruments	(6,660)		(6,660)	
Total financial liabilities		**(6,660)**	—	**(6,660)**	—

Level 3 is not applicable. For other derivatives, mainly swap, the Group calculate the fair value using observable inputs on the market directly. Any particular adjustment or model for the fair value of the swaps.

28. Operating lease commitments as of December 31, 2018

Minimum lease payment *(in thousands of US$)*	**due within one year**	**due within five year**	**after five year**
Buildings	3,357	7,835	10,178
Land	134	82	60
Other assets	12,577	21,420	15,001
Total	**16,068**	**29,337**	**25,237**

29. Related party transactions

The amounts reported in the tables below refer to:

1. gas sales contract between Edison E&P S.p.A. and Edison S.p.A.
2. gas sales contract between Edison Idrocarburi Sicilia S.r.l. and Edison S.p.A.
3. corporate service contract between Edison S.p.A. and Edison E&P S.p.A., Edison International S.p.A. and Edison Idrocarburi Sicilia S.p.A.
4. lease contract between Edison S.p.A. and Edison E&P S.p.A.
5. logistic service contract between Edison S.p.A. and Edison E&P S.p.A.
6. technical service contract between Edison E&P S.p.A. and Edison Stoccaggio S.p.A.
7. electricity supply contract between Edison Energia S.p.A. and Edison E&P S.p.A. and Edison Idrocarburi Sicilia S.r.l.
8. fiscal consolidation contract between TdE (Transalpina d'Energia) and Edison E&P S.p.A.
9. derivatives contracts between Edison S.p.A. and Edison E&P S.p.A. and between Edison S.p.A. and Edison International S.p.A.
10. financing agreement between Edison S.p.A. and E&P Group entities (refer to note 14)

All companies are related parties by virtue of the same ultimate parent company.

Balances and transactions with related parties of the Group as of 31 December 2019

(in thousands of US$)	**Trade receivables**	**Loans assets**	**Trade payable**	**Loans liabilities**	**Revenue**	**Costs**	**Financial income**	**Financial expenses**
Edison S.p.A	26,232	155,706	(16,182)	(135,482)	58,610	(18,187)	1,319	(3,285)
Edison Energia S.p.A	—	—	(154)	—	—	(1,222)	—	—
Edison Stoccaggio	656	—	(3)	—	1,711	—	—	—
EDF Energie Nouvelle	—	—	—	—	5	—	—	—
TdE	6,818	—	—	—	—	6	—	—
Total affiliated companies	**33,706**	**155,706**	**(16,339)**	**(135,482)**	**60,326**	**(19,403)**	**1,319**	**(3,285)**

Balances and transactions with related parties of the Group as of 31 December 2018

(in thousands of US$)	**Trade receivables**	**Loans assets**	**Trade payable**	**Loans liabilities**	**Revenue**	**Costs**	**Financial income**	**Financial expenses**
Edison S.p.A	39,656	156,705	(8,583)	(405,731)	100,744	(19,833)	135	(16,280)
Edison Energia S.p.A	—	—	(576)	—	—	(830)	—	—
Edison Stoccaggio	155	—	—	—	418	—	—	—
Edison Energy Solutions S.p.A	—	—	(1)	—	—	(1)	—	—
EDF Energie Nouvelle	—	1,151	—	—	—	—	12	—
Edison International Holding	—	—	—	—	—	—	477	—
EDF	—	—	—	—	—	—	—	**(56)**
TdE	4,910	—	(17,827)	—	—	—	—	—
Total affiliated companies	**44,721**	**157,856**	**(26,987)**	**(405,731)**	**101,162**	**(20,664)**	**624**	**(16,336)**

Balances and transactions with related parties of the Group as of 31 December 2017

(in thousands of US$)	**Trade receivables**	**Loans assets**	**Trade payable**	**Loans liabilities**	**Revenue**	**Costs**	**Financial income**	**Financial expenses**
Edison S.p.A	6,097	12,558	825	(1,505,273)	90,921	(10,971)	17	(28,006)
Edison Energia S.p.A	—	—	544	—	8	(897)	—	—
Edison Stoccaggio	814	—	37	—	50	(67)	—	—
EDF Energie Nouvelle	—	1,205	—	—	—	—	12	—
Edison International Holding	—	19,472	—	(7,059)	—	—	78	—
EDF	—	—	—	—	—	—	—	(10)
Infrastrutture Trasporto Gas S.p.A	—	—	—	—	—	(130)	—	—
Edison Hellas SA	—	—	—	—	—	(7)	—	—
TdE	11,931	—	—	—	—	—	—	—
Total related parties	**18,842**	**33,235**	**1,407**	**(1,512,332)**	**90,978**	**(12,071)**	**107**	**(28,017)**

30. Key management personnel

The Group considers Key management personnel to be the Directors of the Group. The composition and the compensation of the members of the Parent Company's Board of Directors are shown in the table below:

31 December 2019	Salary and fees US$'000	Benefits US$'000	Annual bonus US$'000	Total US$'000
Executive Directors	—	—	—	
Non-Executive Directors	56	—	—	56
Total	**56**	**—**	**—**	**56**

31 December 2018	Salary and fees US$'000	Benefits US$'000	Annual bonus US$'000	Total US$'000
Executive Directors	—	—	—	—
Non-Executive Directors	56	—	—	56
Total	**56**	**—**	**—**	**56**

31 December 2017	Salary and fees US$'000	Benefits US$'000	Annual bonus US$'000	Total US$'000
Executive Directors	—	—	—	—
Non-Executive Directors	—	—	—	—
Total	**—**	**—**	**—**	**—**

Other than amounts shown above, the Directors are remunerated by other Group companies and no practical allocation of their remuneration to the E&P Group can be made.

31. Subsidiaries and joint ventures

Information about the composition of the Group at the end of reporting period is as follows:

Company	Directly Parent	% Ownership	Classification	Consolidation	Notes
Edison Exploration & Production S.p.A			Parent Company		
Edison Idrocarburi Sicilia S.r.l	Edison Exploration & Production S.p.A	100%	Subsidiary Company	Full Consolidation	
Edison International S.p.A	Edison Exploration & Production S.p.A	100%	Subsidiary Company	Full Consolidation	
Edison Norge A.S.	Edison International S.p.A	100%	Subsidiary Company	Full Consolidation	
Edison E&P UK Ltd	Edison Exploration & Production S.p.A	100%	Subsidiary Company	Full Consolidation	
Edison Exploation Ltd	Edison Exploration & Production S.p.A	100%	Subsidiary Company	Full Consolidation	
Edison North Sea Ltd	Edison E&P UK Ltd	100%	Subsidiary Company	Full Consolidation	
Edison Egypt-Energy Service J.S.C	Edison Exploration & Production S.p.A Edison International S.p.A	1% 98%	Subsidiary Company	Full Consolidation	
Abu Qir Petroleum Company	Edison International S.p.A	50%	Joint Venture	Equity	
Ed-Ina D.o.o	Edison International S.p.A	50%	Joint Venture	Equity	
Fayoum Petrleum Co. – Petrofayoum	Edison International S.p.A	50%	Joint Venture	Equity	
North Amrya Petroleum Company Petromryia	Edison International S.p.A	50%	Joint Venture	Equity	New in FY2018
North Idku Petroleum Company	Edison International S.p.A	50%	Joint Venture	Equity	New in FY2017

32. Subsequent events

The Edison E&P Group is exposed to macro-economic risks, including pandemic diseases that could have a material adverse effect on its operations. The Edison E&P Group continues to monitor the recent Coronavirus outbreak, which has been treated as a non-adjusting event in the historical financial information, is causing global economic disruption and may impact performance in 2020. To date, the Coronavirus outbreak has not had a material impact on the Edison E&P Group's activities.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the Coronavirus outbreak, which has had a material adverse impact on oil demand. OPEC+ failed to reach agreement and on 7 March 2020, Saudi Aramco cut its Official Selling Prices, prioritizing market share over pricing. As a result, oil prices have fallen materially, which may have a material adverse impact on the component of the Edison E&P Group's future earnings that are linked to oil prices.

On 2 April 2020 Edison S.p.A and Energean entered into a formal amendment to the conditional sale and purchase agreement ("SPA") in which the Algerian Asset shall be transferred to Edison S.p.A for an adjustment to the total consideration of US$100 million as at the locked box date of 31 December 2019.

On 28 June 2020 Edison S.p.A and Energean entered into a further amendment to the SPA in which the Norwegian subsidiary shall be transferred to Edison for an adjustment to the total consideration of US$89.2 million as at the locked box date of 31 December 2019.