2014 ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

EDISON

Contents

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

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CONSOLIDATED FINANCIAL STATEMENTS

Income Statement

(in millions of euros)	See Note	2014	of which related parties	2013 (*)	of which related parties
Sales revenues	1	12,325	334	12,304	489
Other revenues and income	2	255	21	530	4
Total net revenues		**12,580**	**355**	**12,834**	**493**
Raw materials and services used (-)	3	(11,545)	(276)	(11,641)	(317)
Labor costs (-)	4	(221)		(223)	
EBITDA	5	**814**		**970**	
Net change in fair value of commodity derivatives	6	250		(9)	
Depreciation, amortization and writedowns (-)	7	(761)		(636)	
Other income (expense), net	8	(11)		(4)	
EBIT		**292**		**321**	
Net financial income (expense)	9	(91)	(2)	(112)	(16)
Income from (Expense on) equity investments	10	13	11	8	5
Profit (Loss) before taxes		**214**		**217**	
Income taxes	11	(159)		(119)	
Profit (Loss) from continuing operations		**55**		**98**	
Profit (Loss) from discontinued operations		-		-	
Profit (Loss)		**55**		**98**	
Broken down as follows:					
Minority interest in profit (loss)		15		2	
Group interest in profit (loss)		**40**		**96**	
Earnings (Loss) per share (in euros)	12				
Basic earnings (loss) per common share		0.0070		0.0175	
Basic earnings per savings share		0.0370		0.0475	
Diluted earnings (loss) per common share		0.0070		0.0175	
Diluted earnings per savings share		0.0370		0.0475	

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives and nonrecurring expense.

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	2014	2013 (*)
Profit (Loss)		**55**	**98**
Othe components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	23	**(458)**	**16**
Gains (Losses) arising during the year		(677)	31
- Income taxes		219	(15)
B) Change in reserve for available-for-sale investments	23	**-**	**(4)**
- Gains (Losses) arising during the year not realized		-	(4)
- Income taxes		-	-
C) Differences on the translation of assets in foreign currencies		**22**	**(12)**
- Gains (Losses) arising during the year not realized		31	(17)
- Income taxes		(9)	5
D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
E) Actuarial Gains (Losses) (**)		**(3)**	**(1)**
- Actuarial Gains (Losses)		(3)	(1)
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**(439)**	**(1)**
Total comprehensive profit (loss)		**(384)**	**97**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		15	2
Group interest in comprehensive profit (loss)		**(399)**	**95**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives and nonrecurring expense.
(**) Items not reclassifiable in Income Statement.

Balance Sheet

01.01.2013 (*)	of which related parties	(in millions of euros)	See Note	12.31.2014	of which related parties	12.31.2013 (*)	of which related parties
		ASSETS					
4,571		Property, plant and equipment	13	4,348		4,344	
9		Investment property	14	6		6	
3,231		Goodwill	15	3,070		3,231	
948		Hydrocarbon concessions	16	739		860	
103		Other intangible assets	17	118		114	
150	150	Investments in associates	18	149	149	144	144
194		Available-for-sale investments	18	174		183	
12	7	Other financial assets	19	47	5	106	90
136		Deferred-tax assets	20	501		236	
108		Other assets	21	171		189	
9,462		**Total non-current assets**		**9,323**		**9,413**	
386		Inventories		479		486	
3,173	53	Trade receivables		2,848	75	2,876	120
25		Current-tax assets		45		24	
663	84	Other receivables		1,634	185	875	96
180	83	Current financial assets		132	85	77	6
735		Cash and cash equivalents		473	12	492	245
5,162		**Total current assets**	22	**5,611**		**4,830**	
1		**Assets held for sale**		**-**		**-**	
-		**Eliminations of assets from and to discontinued operations**		**-**		**-**	
14,625		**Total assets**		**14,934**		**14,243**	
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292		Share capital		5,292		5,292	
1,693		Reserves and retained earnings (loss carryforward)		1,746		1,750	
(11)		Reserve for other components of comprehensive income		(451)		(12)	
81		Group interest in profit (loss)		40		96	
7,055		**Total shareholders' equity attributable to Parent Company shareholders**		**6,627**		**7,126**	
119		Shareholders' equity attributable to minority shareholders		510		113	
7,174		**Total shareholders' equity**	23	**7,137**		**7,239**	
35		Provision for employee severance indemnities and provisions for pensions	24	37		35	
53		Provision for deferred taxes	25	45		64	
853		Provisions for risks and charges	26	923		901	
1,796		Bonds	27	598		1.098	
151		Long-term financial debt and other financial liabilities	28	990	796	972	795
29		Other liabilities	29	2		5	
2,917		**Total non-current liabilities**		**2,595**		**3.075**	
104		Bonds		553		772	
1,379	16	Short-term financial debt		230	33	268	22
2,247	80	Trade payables		2,321	77	1,997	92
10		Current taxes payable		20		42	
794	124	Other liabilities		2,078	240	850	111
4,534		**Total current liabilities**	30	**5,202**		**3,929**	
-		**Liabilities held for sale**		**-**		**-**	
-		**Eliminations of liabilities from and to discontinued operations**		**-**		**-**	
14,625		**Total liabilities and shareholders' equity**		**14,934**		**14,243**	

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in 2014. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

(in millions of euros)	See Note	2014	of which related parties	2013 (*)	of which related parties
Profit (Loss) before taxes		**214**		**217**	
Depreciation, amortization and writedowns	7	761		636	
Net additions to provisions for risks		(18)		(44)	
Interest in the result of companies valued by the equity method (-)		(11)	(11)	(5)	(5)
Dividends received from companies valued by the equity method		6	6	5	5
(Gains) Losses on the sale of non-current assets		(18)	(12)	(21)	
Change in the provision for employee severance indemnities and provisions for pensions	24	(2)		(2)	
Change in fair value recorded in EBIT		(255)		(2)	
Change in operating working capital		408	30	(62)	(55)
Change in non-operating working capital		23	40	(201)	(25)
Change in other operating assets and liabilities		6		11	
Financial (income) expense	9	91	2	112	13
Net financial expense paid		(98)	(16)	(93)	(7)
Net Income taxes paid		(249)		(170)	
A. Cash flow from continuing operations		**858**		**381**	
Additions to intangibles and property, plant and equipment (-)	13-17	(387)		(263)	
Additions to non-current financial assets (-)		(107)	(107)	(4)	
Net price paid on business combinations (-)		-		(56)	(56)
Proceeds from the sale of intangibles and property, plant and equipment		32		8	
Proceeds from the sale of non-current financial assets		363	43	-	
Repayment of capital contribution by non-current financial assets		7		7	
Change in other current financial assets		30		24	
B. Cash used in investing activities from continuing operations		**(62)**		**(284)**	
Receipt of new medium-term and long-term loans	27, 28, 30	350	350	1,796	1.343
Redemption of medium-term and long-term loans (-)	27, 28, 30	(1,090)	(350)	(2,079)	(550)
Other net change in financial debt		1		(37)	
Distribution of shareholders' equity and reserves (-)		-		-	
Dividends paid to controlling companies or minority shareholders (-)		(76)	(57)	(20)	
C. Cash used in financing activities from continuing operations		**(815)**		**(340)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the year from continuing operations (A+B+C+D)		**(19)**		**(243)**	
F. Net cash flow for the year from discontinued operations		**-**		**-**	
G. Net cash flow for the year (continuing and discontinued operations) (E+F)		**(19)**		**(243)**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**492**	245	**735**	
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**-**	
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (G+H+I)		**473**	12	**492**	245
M. Cash and cash equivalents at the end of the year from discontinued operations		**-**		**-**	
N. Cash and cash equivalents at the end of the year from continuing operations (L-M)		**473**	12	**492**	245

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure.

Changes in Consolidated Shareholders' Equity

(in millions of euros)

			Reserve for other components of comprehensive income								
	Share capital	Reserves and retained earnings (loss carry-forward)	Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)	Group interest in profit (loss)	**Total shareholders' equity attributable to Parent Company shareholders**	Shareholders' equity attributable to minority shareholders (*)	**Total shareholders' equity (*)**
Balance at January 1, 2013	**5,292**	**1,693**	**(16)**	**4**	**1**	**-**	**-**	**81**	**7,055**	**119**	**7,174**
Appropriation of the previous year's profit (loss)	-	81	-	-	-	-	-	(81)	-	-	-
Dividends and reserves distributed	-	(17)	-	-	-	-	-	-	(17)	(7)	(24)
Other changes	-	(7)	-	-	-	-	-	-	(7)	(1)	(8)
Total comprehensive profit (loss)	**-**	**-**	**16**	**(4)**	**(12)**	**-**	**(1)**	**96**	**95**	**2**	**97**
of which:											
- Change in comprehensive income for the year	-	-	16	(4)	(12)	-	(1)	-	(1)	-	(1)
- Profit (Loss) for 2013	-	-	-	-	-	-	-	96	96	2	98
Balance at December 31, 2013	**5,292**	**1,750**	**-**	**-**	**(11)**	**-**	**(1)**	**96**	**7,126**	**113**	**7,239**
Appropriation of the previous year's profit (loss)	-	96	-	-	-	-	-	(96)	-	-	-
Dividends and reserves distributed	-	(63)	-	-	-	-	-	-	(63)	(7)	(70)
Reserve for sale shares without loss of control	-	(35)	-	-	-	-	-	-	(35)	389	354
Other changes	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Total comprehensive profit (loss)	**-**	**-**	**(458)**	**-**	**22**	**-**	**(3)**	**40**	**(399)**	**15**	**(384)**
of which:											
- Change in comprehensive income for the year	-	-	(458)	-	22	-	(3)	-	(439)	-	(439)
- Profit (Loss) for 2014	-	-	-	-	-	-	-	40	40	15	55
Balance at December 31, 2014	**5,292**	**1,746**	**(458)**	**-**	**11**	**-**	**(4)**	**40**	**6,627**	**510**	**7,137**

(*) The amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2014

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Consolidated Financial Statements of the Edison Group at December 31, 2014 comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the *Official Journal of the European Union (O.J.E.U.).*

Methods applied to the Preparation of the Financial Statements

Please note that the international accounting principles are consistent with those used for the Consolidated Financial Statements at December 31, 2013, and that the following amendments and interpretations are applicable starting in 2014:

- **IFRS 10 "Consolidated Financial Statements"**: the new standard partially replaces IAS 27 and the interpretation SIC 12, providing a new unified definition of control for the consolidation of entities. An investor company has control over another company when it has concurrently the power to direct the investee company's relevant decisions, it is exposed to its future performance and can use its power to influence the performance of the investee company. This standard did not have any impact on the Group's scope of consolidation;
- **IFRS 11 "Joint Arrangements"**: it replaces IAS 31 "Interests in Joint Ventures" and is applicable to all the companies that are parties to agreements through which two or more parties, who share control through unanimous consent, have the power to direct significant decisions and govern the exposure to future returns. Two types of agreements are identified:
  - **Joint operation**: a party to this agreement accounts for its share of assets, liabilities and revenues and costs in its financial statements;
  - **Joint venture**: the contractual agreement is managed by means of a company and a party to the agreement has only the right to the net cash flows resulting from the business activity. The interest in the joint venture is valued by the equity method.

  The standard, applied retrospectively, resulted in the deconsolidation of some joint entities belonging both to the Electric Power Operations and the Hydrocarbons Operations. The impact on the previous year's Income Statement, Balance Sheet and Cash Flow Statement data is shown in the Comparability section, later in these Notes. Within these Notes, the amounts for the previous year have been restated as a result of the adoption of this principle and thus are consistent with those for 2014.
- **IFRS 12 "Disclosure of Interests in Other Entities"**: it combines into a single standard the disclosure requirements regarding subsidiaries, joint arrangements and associates, in order to specify the assumptions relevant to the determination of the investments in associates as above.
- **IAS 27 revised "Separated financial Statements"**: this standard was revised following the introduction of IFRS 10 and provides a comprehensive guide focused only on the preparation of separate financial statements;
- **IAS 28 revised "Investments in Associates and Joint Ventures"**: it reflects the changes in the classification of joint arrangement introduced by IFRS 11 and extends to joint ventures the implementation of the equity method;
- **IAS 32 revised "Financial Instruments: Presentation"**: it introduces an application guide on the subject of offsetting agreements that clarifies the requirements for offsetting financial assets and liabilities in cases in which they were entered into netting agreements;
- **IAS 36 revised "Impairment of Assets"**: this standard includes the requirements of IFRS 13, introducing additional disclosures in cases where a loss is recognized or derecognized and the recoverable amount of the assets or of the Cash Generating Unit corresponds to the fair value net of costs to sell;
- **IAS 39 revised "Financial Instruments: Recognition and Measurement"**: these changes allow a continuation of hedge accounting of derivatives that are designated as such in the event that they are the subject of novation as a result of legislation or regulations (i.e. EMIR). This principle does not apply to Edison group at this time.

An amendment to **IFRS 10**, **IFRS 12** and **IAS 27** concerning investment companies that are required to measure subsidiaries at fair value through profit or loss rather than consolidate them is also applicable as of January 1, 2014. Parent companies of investment companies continue to consolidate their subsidiaries. This amendment does not apply to Edison Group.

Moreover a new interpretation **IFRIC 21 "Levies"** will be applicable retrospectively starting in 2015. This new interpretation sets forth the criteria applicable to determine when liabilities for levies should be recognized in the financial statements. These liabilities can be recognized either gradually or in a lump sum upon the occurrence of the obligating event. This interpretation has no impact on the Group's financial statements.

The Board of Directors, meeting on February 11, 2015, authorized the publication of these Consolidated Financial Statements, which were audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

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

Significant assumptions in determining control in accordance with IFRS 12

IFRS 10 provides a new definition of control: an entity controls an investee when it is exposed, or has rights, to its returns from its involvement and has the ability to affect those returns through its power over the investee.
With regard to this principle it's worth to mention that the Edison Group consolidates line by line some companies even though it does not hold the majority stake; more specifically:

- two companies in the hydroelectric area: Hydros (owned at 40%) and Dolomiti Edison Energy (owned at 49%). The purpose of these two companies and the manner in which they were established ensure that the voting rights are not the dominant factor in determining control, as they mainly concern current activities of a residual nature. Significant activities are governed through contractual agreements. These agreements expose Edison to a majority of the variable returns and give it the power to influence the returns through the management of significant activities (more specifically, the management, withdrawal at predetermined prices and dispatching of electric power);
- in the renewable energy area, Edison Energie Speciali Srl (Edens) (now E2I Energie Speciali Srl), owned at year end at 30% through Edison Partecipazioni Energie Rinnovabili Srl. In this entity, a portion of the relevant activities is managed through contracts executed in 2014, mainly off-take and development (handled by Edison) and O&M (activity assigned to EDF EN Services Italia Srl), and the residual variability is related to investment decisions on repowering and development projects. Furthermore, because of the new governance put in place, which provides for the right to exercise a call option in the event of a deadlock, the voting rights are not the dominant factor in determining control. Therefore Edison controls the entity as it has the power to manage the residual variability with regard to investment decisions on repowering and development projects, because it has the power, within certain thresholds and with an unlevered IRR that may not be lower than the one defined by shareholders from time to time, to unilaterally carry out repowering and development projects through decisions made by the Chairman, whom Edison appoints (special right of Edison under the Bylaws). On the other hand, no such rights are provided to the new investor. The effective exercise of this power shall be verified from time to time.
  In this regard, IFRS 10 specifies that in determining control attention should be paid to the purpose and objectives of the investee, the risks that are transmitted to the parties involved and the level of involvement that the party exercising control had in defining the structure of the investee. In this regard, Edison's full involvement in the design of the new hub has shown its ability to significantly affect and influence the significant activities; moreover this structure enables Edison to continue managing the energy produced by the plants operated by Edens, thanks to the signing of the

offtake contract pursuant to which Edison takes delivery of the electric power at predetermined prices and handles its dispatching also for its own benefit. Thus Edison has exposure to variable returns and has the ability to affect those returns through its powers under the Bylaws. Edison is indeed relevant with regard to any decisions and no majority on significant matters can exist without Edison. Moreover, the adoption of any significant resolution by the Shareholders' Meeting regarding changes to the governance system, as reflected in the Bylaws and the existing contracts, and its implementation requires a qualified majority and, in the event of a deadlock, Edison can exercise a call option; these rights provided under the Bylaws can be deemed to be substantive and, consequently, relevant in determining control over Edens.

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats chosen by the Group for its financial statements incorporate the changes required by the adoption of "IAS 1 Revised 2008". The financial statements have the following characteristics:

- The consolidated **Income Statement** is a step-by-step income statement, with the different components broken down by nature. It includes a schedule of **Other Components of the Comprehensive Income Statement**, which shows the components of net profit or loss provisionally recognized in equity.
- In the consolidated **Balance Sheet** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the end of the reporting period, respectively, are shown separately.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.
- The Statement of **Changes in Consolidated Shareholders' Equity** shows separately the flows from component of the reserve for other components of comprehensive income.

Scope of Consolidation

The consolidated financial statements include the financial statements of Edison Spa and those over which Edison exercises control, either directly or indirectly. Edison controls an investee company when, in the exercise of its power over the investee, it is exposed and is entitled to the investee's variable returns, due to its involvement in the investee's management, and at the same time it has the power to influence those variable returns. The exercise of power over the investee stems from the existence of rights that give Edison the current ability to manage the investee's significant activities for its own benefit.

Subsidiaries are consolidated from the moment the Group effectively acquires control.

The financial statements used for consolidation purposes are the latest statutory or consolidated statements of the individual companies or business operations, approved by respective corporate governance bodies, with the adjustments required to make them consistent with Group accounting principles.

For companies with financial years that do not coincide with the calendar year, the financial statements used were annual financial statements that match the Group's financial year, approved by the respective Boards of Directors.

The subsidiaries are consolidated line by line; the assets and liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill". If control is acquired in multiple steps, the entire interest held must be remeasured at fair value; transactions executed with minority shareholders subsequent to the acquisition of control, if control is maintained, are recognized in equity; the acquisition costs incurred are immediately recognized in profit or loss, as is any changes in contingent consideration.

The shareholders' equity and profit or loss amounts attributable to minority shareholders are shown separately in the balance sheet, income statement and comprehensive income statement, respectively.

Payables and receivables, expenses and revenues that arise from transactions between companies included in the scope of consolidation are eliminated. Gains resulting from transactions between the abovementioned companies and reflected in items still included in the shareholders' equity attributable to Parent Company shareholders are eliminated.

Investee companies cease to be consolidated from the date when control is transferred to a third party; the sale of an equity interest that causes loss of control results in the recognition in the income statement of (i) any gain or loss determined as the difference between the proceeds from the sale and the corresponding pro rata interest in the shareholders' equity of the investee sold to a third party; (ii) any result attributable to the divested company carried among the other components of comprehensive income that can be reclassified into profit or loss; and (iii) the result from the adjustment to fair value, measured on the date of the loss of control, of any minority interest retained by Edison.

Companies managed through contractual agreements, pursuant to which two or more parties who share control through unanimous consent have the power to direct relevant decisions and govern exposure to future variable returns, that qualify as joint operations are recognized by the proportional method directly in the separate financial statements of the entities that are parties to the agreements. In addition to recognizing the attributable share of assets and liabilities, expenses and revenues, the corresponding obligations must also be evaluated.

Other interests in joint ventures and affiliated companies over which a significant influence can be exercised, but which do not qualify as joint operations, are valued by the equity method, pursuant to which the carrying amount of the equity investments must be adjusted to take into account the investor company's pro rata interest in the profit or loss for the year of the investee company and any dividends it may have distributed.

Subsidiaries that are in liquidation or are parties to composition with creditors proceedings are not consolidated. They are carried instead at their estimated realizable value. Their impact on the Group's total assets and liabilities and net financial debt is not significant.

Changes in the Scope of Consolidation Compared with December 31, 2013

The changes in the Group's scope of consolidation that occurred in the 2014 mainly concerned the adoption of IFRS 11 "Joint Arrangements". This change affected some entities previously consolidated by the proportional method, for which, starting on January 1, 2014, the equity interest held is valued by the equity method. The companies affected are listed below, showing the respective business segment:

Electric Power Operations:

- Elpedison Power Sa consolidated at 50% with Group interest at 37.89%;
- Elpedison Energy Sa consolidated at 50%;
- Sel Edison Spa consolidated at 42%;
- Ibiritermo Sa consolidated at 50%;
- Parco Eolico Castelnuovo Srl consolidated at 50%;

Hydrocarbon Operations:
- Ed-Ina D.o.o. consolidated at 50%;
- IGI Poseidon Sa consolidated at 50%;
- ICGB AD consolidated at 25%;
- Abu Qir Petroleum Company consolidated at 50%;
- Fayoum Petroleum Co - Petrofayoum consolidated at 30%.

More specifically, with regard to the operating companies Abu Qir Petroleum Company and Fayoum Petroleum Co - Petrofayoum, which act in the capacity as agents of Edison International Spa, please note that the transactions executed on behalf of Edison International Spa pursuant to the Concession Agreements continue to be consolidated by the proportional method directly in the separated financial statements of this company.

Corporate:
- Elpedison Bv consolidated at 50%.

In addition, a series of corporate transactions related to the establishment of the new renewable energy hub were carried out in 2014. Detailed information about these transaction is provided in the "Other Information" section, later in this Report.

As for other changes, please note the following:
- In February, **divestment of D.S. Smith Paper Italia Srl**, a wholly owned subsidiary of Edison Spa consolidated line by line, to which the Porcari thermoelectric power plant was conveyed at the beginning of 2014. This disposal generated a gain of 6 million euros and proceeds of 31 million euros;
- In June, **acquisition** of 100% of **Società Idroelettrica Calabrese Srl** by Edison Spa, which is consolidated line by line;
- In September, **liquidation of Edison Gas and Power Romania Srl**, previously wholly owned and consolidated line by line;
- In October, **merger of CSE Srl into Edison Energy Solution Spa**;
- In November, **establishment of Edison Norge As** as a wholly owned subsidiary of Edison International Spa, consolidated line by line, that, starting in 2015, will operate in the Exploration & Production sector;
- In December, **name change for Edf Production UK Ldt**, a wholly owned subsidiary of Edison International Holding NV that operates in the Exploration & Production sector and is consolidated line by line, **now called Edison E&P UK Ldt**.

Consolidation of Foreign Companies and Criteria Used to Translate Items Denominated in Foreign Currencies

Assets and liabilities of foreign companies that are denominated in currencies other than the euro are translated at the exchange rates in force at the end of the reporting period. Income and expenses are translated at the average rates for the year. Any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until the corresponding equity investment is sold.

Upon first-time adoption of the IFRS principles, cumulative translation differences generated by the consolidation of foreign companies were written off and, consequently, the reserve recognized in the consolidated financial statements reflects only cumulative translation differences that arose after January 1, 2004.

Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Monetary assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences and those realized when the positions are closed are recognized as financial income or expense.

Comparability

As mentioned above, as of January 1, 2014, further to the adoption of the accounting principle IFRS 11 "Joint Arrangements", certain companies previously consolidated by the proportional method are valued by the equity method.

For the sake of a more effective presentation in the income statement and balance sheet, certain reclassifications were made, specifically concerning:

- In income statement: (i) recognition as part of sales revenues of gains from realized derivatives that are part of the industrial portfolios and of the financial trading margin, previously included in Other revenues and income and Raw materials and services used, (ii) recognition as part of EBIT of Other income (expense), net;
- In the balance sheet: recognition of the fair value of physical contracts for energy commodities included in the trading portfolios, now included in Other receivables/Other liabilities and no longer reflected in Trade receivables/payables.

The comparative data for previous periods were restated consistent with those for 2014, as required by IAS 1. For the sake of greater clarity, the tables that follow show the effects of these restatements on:

- the 2013 income statement;
- the balance sheets at January 1, 2013 and December 31, 2013;
- the 2013 cash flow statement.

2013 Income Statement

(in millions of euros)	**2013 Published**	IFRS 11	New exposure	**2013 Restated**
Sales revenues	12,335	(185)	154	12,304
Other revenues and income	715	(6)	(179)	530
Total net revenues	**13,050**	**(191)**	**(25)**	**12,834**
Raw materials and services used (-)	(11,815)	149	25	(11,641)
Labor costs (-)	(226)	3	-	(223)
EBITDA	**1,009**	**(39)**	**-**	**970**
Net change in fair value of commodity derivatives	(9)	-	-	(9)
Depreciation, amortization and writedowns (-)	(656)	20	-	(636)
Other income (expense), net	-	-	(4)	(4)
EBIT	**344**	**(19)**	**(4)**	**321**
Net financial income (expense)	(115)	3	-	(112)
Income from (Expense on) equity investments	3	5	-	8
Other income (expense), net	(4)	-	4	-
Profit (Loss) before taxes	**228**	**(11)**	**-**	**217**
Income taxes	(130)	11	-	(119)
Profit (Loss) from continuing operations	**98**	**-**	**-**	**98**
Profit (Loss) from discontinued operations	-	-	-	-
Profit (Loss)	**98**	**-**	**-**	**98**
Broken down as follows:				
Minority interest in profit (loss)	2	-	-	2
Group interest in profit (loss)	**96**	**-**	**-**	**96**
Earnings (Loss) per share (in euros)				
Basic earnings (loss) per common share	0.0175			0.0175
Basic earnings per savings share	0.0475			0.0475
Diluted earnings (loss) per common share	0.0175			0.0175
Diluted earnings per savings share	0.0475			0.0475

Balance Sheet at January 1, 2013 and December 31, 2013

01.01.2013					12.31.2013			
Published	IFRS 11	New exposure	**Restated**	(in millions of euros)	**Published**	IFRS 11	New exposure	**Restated**
				ASSETS				
4,786	(215)	-	4,571	Property, plant and equipment	4,548	(204)	-	4,344
9	-	-	9	Investment property	6	-	-	6
3,231	-	-	3,231	Goodwill	3,231	-	-	3,231
948	-	-	948	Hydrocarbon concessions	860	-	-	860
105	(2)	-	103	Other intangible assets	115	(1)	-	114
51	99	-	150	Investments in associates	51	93	-	144
194	-	-	194	Available-for-sale investments	183	-	-	183
75	(63)	-	12	Other financial assets	74	32	-	106
145	(9)	-	136	Deferred-tax assets	245	(9)	-	236
108	-	-	108	Other assets	189	-	-	189
9,652	**(190)**	**-**	**9,462**	**Total non-current assets**	**9,502**	**(89)**	**-**	**9,413**
390	(4)	-	386	Inventories	489	(3)	-	486
3,391	(98)	(120)	3,173	Trade receivables	3,176	(78)	(222)	2,876
25	-	-	25	Current-tax assets	26	(2)	-	24
562	(19)	120	663	Other receivables	664	(11)	222	875
99	81	-	180	Current financial assets	75	2	-	77
753	(18)	-	735	Cash and cash equivalents	506	(14)	-	492
5,220	**(58)**	**-**	**5,162**	**Total current assets**	**4,936**	**(106)**	**-**	**4,830**
1	**-**	**-**	**1**	**Assets held for sale**	**-**	**-**	**-**	**-**
14,873	**(248)**	**-**	**14,625**	**Total assets**	**14.438**	**(195)**	**-**	**14.243**
				LIABILITIES AND SHAREHOLDERS' EQUITY				
5,292	-	-	5,292	Share capital	5,292	-	-	5,292
1,693	-	-	1,693	Reserves and retained earnings (loss carryforward)	1,750	-	-	1,750
(11)	-	-	(11)	Reserve for other components of comprehensive income	(12)	-	-	(12)
81	-	-	81	Group interest in profit (loss)	96	-	-	96
7,055	**-**	**-**	**7,055**	**Total shareholders' equity attributable to Parent Company shareholders**	**7,126**	**-**	**-**	**7,126**
132	(13)	-	119	Shareholders' equity attributable to minority shareholders	126	(13)	-	113
7,187	**(13)**	**-**	**7,174**	**Total shareholders' equity**	**7,252**	**(13)**	**-**	**7,239**
35	-	-	35	Provision for employee severance indemnities and provisions for pensions	36	(1)	-	35
79	(26)	-	53	Provision for deferred taxes	90	(26)	-	64
863	(10)	-	853	Provisions for risks and charges	903	(2)	-	901
1,796	-	-	1,796	Bonds	1,098	-	-	1,098
174	(23)	-	151	Long-term financial debt and other financial liabilities	1,035	(63)	-	972
31	(2)	-	29	Other liabilities	7	(2)	-	5
2,978	**(61)**	**-**	**2,917**	**Total non-current liabilities**	**3,169**	**(94)**	**-**	**3,075**
104	-	-	104	Bonds	772	-	-	772
1,461	(82)	-	1,379	Short-term financial debt	282	(14)	-	268
2,440	(86)	(107)	2,247	Trade payables	2,240	(63)	(180)	1,997
11	(1)	-	10	Current taxes payable	43	(1)	-	42
692	(5)	107	794	Other liabilities	680	(10)	180	850
4,708	**(174)**	**-**	**4,534**	**Total current liabilities**	**4,017**	**(88)**	**-**	**3,929**
-	**-**	**-**	**-**	**Liabilities held for sale**	**-**	**-**	**-**	**-**
14,873	**(248)**	**-**	**14,625**	**Total liabilities and shareholders' equity**	**14,438**	**(195)**	**-**	**14,243**

2013 Cash Flow Statement

(in millions of euros)	2013 Published	IFRS 11	New exposure	2013 Restated
Profit (Loss) before taxes	**228**	**(11)**	**-**	**217**
Depreciation, amortization and writedowns	656	(20)	-	636
Net additions to provisions for risks	(45)	1	-	(44)
Interest in the result of companies valued by the equity method (-)	-	(5)	-	(5)
Dividends received from companies valued by the equity method	1	4	-	5
(Gains) Losses on the sale of non-current assets	(21)	-	-	(21)
Change in the provision for employee severance indemnities and provisions for pensions	(2)	-	-	(2)
Change in fair value recorded in EBIT	(2)	-	-	(2)
Change in operating working capital	(84)	2	20	(62)
Change in non-operating working capital	-		(201)	(201)
Change in other operating assets and liabilities	(113)	(6)	130	11
Financial (income) expense	116	(3)	(1)	112
Net financial expense paid	(100)	5	2	(93)
Net income taxes paid	(221)	1	50	(170)
A. Cash flow from continuing operations	**413**	**(32)**	**-**	**381**
Additions to intangibles and property, plant and equipment (-)	(271)	8	-	(263)
Additions to non-current financial assets (-)	(4)	-	-	(4)
Net price paid on business combinations	(56)	-	-	(56)
Proceeds from the sale of intangibles and property, plant and equipment	8	-	-	8
Proceeds from the sale of non-current financial assets	-	-	-	-
Repayment of capital contribution by non-current financial assets	7	-	-	7
Change in other current financial assets	24	-	-	24
B. Cash used in investing activities from continuing operations	**(292)**	**8**	**-**	**(284)**
Receipt of new medium-term and long-term loans	1,853	(57)	-	1,796
Redemption of medium-term and long-term loans (-)	(2,153)	74	-	(2,079)
Other net change in financial debt	(48)	11	-	(37)
Capital contributions and reserves (-)	-	-	-	-
Dividends paid to controlling companies or minority shareholders (-)	(20)	-	-	(20)
C. Cash used in financing activities from continuing operations	**(368)**	**28**	**-**	**(340)**
D. Net currency translation differences	**-**	**-**	**-**	**-**
E. Net cash flow for the year from continuing operations (A+B+C+D)	**(247)**	**4**	**-**	**(243)**
F. Net cash flow for the year from discontinued operations	**-**	**-**	**-**	**-**
G. Net cash flow for the year (continuing and discontinued operations) (E+F)	**(247)**	**4**	**-**	**(243)**
H. Cash and cash equivalents at the beginning of the year from continuing operations	**753**	**(18)**	**-**	**735**
I. Cash and cash equivalents at the beginning of the year from discontinued operations	**-**	**-**	**-**	**-**
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (G+H+I)	**506**	**(14)**	**-**	**492**
M. Cash and cash equivalents at the end of the year from discontinued operations	**-**	**-**	**-**	**-**
N. Cash and cash equivalents at the end of the year from Continuing Operations (L-M)	**506**	**(14)**	**-**	**492**

Valuation Criteria

Property, Plant and Equipment and Investment Property

Property, plant and equipment used in the production process are classified as “Property, plant and equipment”. Land and buildings that are not used in the production process are classified as “Investment property”.

In the financial statements, these assets are shown at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.

Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life. Under this principle, the value of a building and the value of the land over which it has been erected are recognized separately and only the building is depreciated.

Any costs that the Group expects to incur in the decommissioning and remediation of industrial sites are recognized as an amortizable asset component. The value at which these costs are recognized is equal to the present value of the costs that the Group expects to incur in the future.

Scheduled maintenance costs are charged in full to income in the year they are incurred.

Costs incurred for major maintenance that is performed at regular intervals are added to the respective assets and are written off over the remaining useful lives of the assets.

The estimated realizable value that the Group expects to recover at the end of an asset’s useful life is not depreciated. Property, plant and equipment are depreciated each year on a straight-line basis at rates based on technical and financial estimates of the assets’ remaining useful lives.

The table that follows shows the ranges of the depreciation rates applied by the Group:

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	2.1%	12.2%	1.7%	2.2%	-	3.4%
Plant and machinery	4.0%	14.7%	2.5%	45.5%	9.6%	24.7%
Manufacturing and distribution equipment	5.0%	25.0%	17.5%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	6.0%	20.0%	6.0%	20.0%
Investment property	-	-	-	-	1.6%	2.4%

In addition, items of property, plant and equipment appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures are recognized as assets and depreciated in accordance with the unit of production (UOP) method, which is used to amortize the underlying concessions. The depreciation rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period.

The depreciation of the portion of assets that is transferable free of charge is taken on a straight-line basis over the remaining term of the respective contracts (taking into account any renewals/extensions) or their estimated useful lives, whichever is shorter.

Assets acquired under financial leases are recognized as “Property, plant and equipment”, offset by a financial liability of equal amount. The liability is gradually eliminated in accordance with the principal repayment schedule of the respective lease agreement. The value of the asset recognized as “Property, plant and equipment” is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.

Upon first-time adoption of the IFRS principles, the Group used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognized. The accumulated depreciation and amortization and the provision for writedowns discussed in the notes to the financial statements refer exclusively to depreciation, amortization and writedowns accumulated after January 1, 2004.

If there are indications of a decline in value, assets are tested for impairment in the manner described below under “Impairment of Assets”. When the reasons for a writedown no longer apply, the asset's cost can be reinstated.

Beginning on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset with a significant useful life are capitalized, when the investment amount exceeds a predetermined threshold. Until December 31, 2008, financial expense was not capitalized.

Goodwill, Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits can be identified as intangible assets. They include goodwill, when it is acquired for consideration.
Intangibles assets are recognized at their purchase or internal production cost, including incidentals, in accordance with the same criteria used for “Property, plant and equipment”. Development costs can be capitalized, provided they can be identified reliably and it can be demonstrated that the asset is capable of producing future economic benefits.
Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives, starting when they are available for use.
Goodwill and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can reasonably be allocated. The impairment test is described below under “Impairment of Assets”. Concerning the goodwill, writedowns cannot be reversed in subsequent periods.

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets and amortized on a straight line basis over the length of the lease in the exploration phase. If an exploration project is later abandoned, the residual cost is immediately recognized in profit and loss.
Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as “Intangible assets” but their full amount is amortized in the year they are incurred.
Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as “Property, plant and equipment”, in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method.
The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (**decommissioning costs**) are capitalized and amortized in accordance with the unit of production (UOP) method.
Hydrocarbon production concessions are amortized in accordance with the unit of production (UOP) method. The amortization rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year, taking into account any significant change to reserves that occurred during the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period. In addition, a test is conducted each year to make sure that the carrying amounts of these assets are not greater than their realizable value computed by discounting future cash flows, which are estimated based on future production programs or their market values if higher.

Exploration & Production activities in which Edison Group is the operator or the venturer (so-called "Production Sharing Agreement - PSA") are recognized only to the extent of the interest held.

Environmental Securities (Emissions Rights, Green Certificates, etc.)

The Group secures a supply of environmental securities (primarily emissions rights and green certificates) partly to meet its own requirements in the exercise of its Industrial Activities (so-called own use) and partly for trading purposes (so-called Trading Activities). The valuation criteria applied vary, depending on the intended use at the time of acquisition.

Specifically, "Other intangible assets" can include emissions rights and green certificates, which are recognized at the cost incurred to acquire them, provided that the rights or certificates carried by the Group at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge and utilized for the compliance purpose are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted (so-called compliance) using any reserves for risks set aside the previous year.

Environmental securities owned and held during the year in the exercise of Trading Activities are treated as inventory and measured at fair value, as explained below under "Trading Activities" and "Inventory".

Impairment of Assets

IAS 36 requires that an entity test its property, plant and equipment and intangible assets for impairment when there are indications that an impairment has occurred.

In the case of goodwill and other intangible assets with indefinite lives or assets that are not available for use, an impairment test must be performed at least once a year.

The recoverability of an asset's carrying amount is tested by comparing it with the asset's fair value, less cost to sell, and its value in use, whichever is greater, because IAS 36 defines recoverable value as the fair value of an asset or cash generating unit, less cost to sell, or its value in use, whichever is greater.

As a rule, value in use is the present value of the future cash flows that an asset or a CGU is expected to generate plus the amount expected from its disposal at the end of its useful life.

CGUs, which have been identified in a way that is consistent with the Group's organizational and business structure, are assets that generate cash inflows independently, through the continued use of themselves.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries, joint ventures and affiliate companies) that are held for trading (trading equity investments) and available-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and current financial assets, such as cash and cash equivalents. Cash and cash equivalents include bank and postal deposit accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. Financial instruments also include loans payable, trade and other payables, other financial liabilities and derivatives.

Financial assets and financial liabilities are recognized at fair value when the Company acquires the rights or assumes obligations conveyed contractually by the financial instrument.

The initial amount at which these items are recognized must include transaction costs directly attributable to the purchase or issue costs that are included in the initial valuation of all those assets and liabilities that can be classified as financial instruments.

Subsequent measurements will depend on the type of instrument, as follows:

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses recognized in the income statement. This class of assets consists mainly of equity investments held for trading and the so-called Trading Activities reviewed below.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction costs incurred in the purchasing/selling phases (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value may have been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in the income statement for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Available-for-sale assets** are measured at fair value and any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in the income statement when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.
- **Derivatives** are measured at fair value and any resulting changes are recognized in the income statement. However, whenever possible, the Group uses hedge accounting and, consequently, derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", while the ineffective portion is recognized directly in the income statement. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in the income statement. The carrying amount of the hedged items is adjusted accordingly in the income statement, to reflect changes in fair value associated with the hedged risk.

Financial assets are derecognized when they no longer convey the right to receive the related cash flows and substantially all of the risks and benefits conveyed by the ownership of the assets have been transferred or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.

Financial liabilities are derecognized when the corresponding contractual obligations are extinguished. Changes to existing contract terms can qualify as an extinguishing event if the new terms materially alter the original stipulations and, in any case, when the present value of the cash flows that will be generated under the revised agreements differs by more than 10% from the value of the discounted cash flows of the original liability.

The fair value of financial instruments that are traded on an active market is based on their market price at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is determined using appropriate valuation techniques.

Trading Activities

Approved activities that are part of the core businesses of the Edison Group include physical and financial trading in commodities and environmental securities. These activities must be carried out in accordance with special procedures and are segregated at inception in special Trading Portfolios, separate from the other core activities (so-called Industrial Activities). Trading Activities include physical and financial contracts for commodities and environmental securities, which are measured at fair value, with changes in fair value recognized in the income statement. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in the income statement.
The amounts show in income statement for revenues and raw materials and services used reflect a presentation that recognizes only the resulting "trading margin" (so-called net presentation).

Inventories

Inventories attributable to the Industrial Activities are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realizable value, based on market conditions, whichever is lower. Inventories attributable to Trading Activities are deemed to be assets held for trading and, consequently, are measured at fair value, with changes in fair value recognized in the income statement.

Valuation of Long-term Take or pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the Group is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the Group is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities at the end of the reporting period for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries of natural gas, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The portion of the payment that qualifies as an advance on future deliveries is initially recognized in "Other assets", and its recoverability is periodically verified, based on update forecast. These recoverability assessments are also applied to quantities that, while scheduled for delivery, were still undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognized as a commitment.

Employee Benefits

The **provision for employee severance indemnities** and the **provision for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in the income statement as a "Labor costs". The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to "Net financial income (expense)". Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized in the comprehensive income statement, taking into account the average working lives of the employees.
Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental

pension funds or INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future (so-called "defined-contribution plan").

Provision for Risks and Charges

Provision for risks and charges are recognized exclusively when there is a present obligation arising from past events that can be reliably estimated. These obligations can be legal or contractual in nature or can be the result of representations or actions of the Company that created valid expectations in the relevant counterparties that the Company will be responsible for complying or will assume the responsibility of causing others to comply with an obligation (implied obligations). If the time value of money is significant, the liability is discounted and the effect of the discounting process is recognized as a financial expense.

Recognition of Revenues and Expenses

Revenues and income, costs and expenses are recognized net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of products or the provision of services. Sales revenues are recognized when title to the goods passes to the buyer. As a rule, this occurs when the goods are delivered or shipped. The full amount of operating grants is recognized in profit or loss when the conditions for recognition can be met. Item that qualify as operating grants include the incentives provided for the production of electric power with facilities that use renewable sources, such as green certificates, which are measured at fair value in accordance with IAS 20. Materials used include the cost of environmental securities attributable to the period and, if applicable, those referred to facilities divested during the period attributable to the seller. Purchases of green certificates, emissions rights and white certificates held for trading are added to inventory. Financial income and expense is recognized when accrued. Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders' Meeting that approves a distribution of earnings or reserves.

Income Taxes

Current income taxes are recognized by each company, based on an estimate of its taxable income, in accordance with the tax rates and laws that have been enacted or substantively enacted in each country at the end of the reporting period and taking into account any applicable exemptions or available tax credits.

Deferred-tax assets and liabilities are computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, using the tax rates that are expected to be in effect when the temporary differences are reversed. Deferred-tax assets are recognized only when their future recovery is probable. The valuation of deferred-tax assets must be carried out taking into account the Company's planning horizon, based on available approved Company plans. When gains and losses are recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", the corresponding current income taxes and deferred-tax assets or liabilities must also be recognized in equity. The deferred-tax liability on retained earnings of Group companies is recognized only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled when a consolidated tax return is filed.

Use of Estimated Values

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. In particular it worth mention that after two years of stability the decrease of Brent, especially during the last two months of 2014, reached

the lowest level since May 2009. The financial statements evaluations take into account the Edison's scenario and the impact of a sensitivity performed on possible future quotations.
The use of estimates is particularly significant for the following items:

- Amortization and depreciation (assets with a finite useful life) and impairment tests of property, plant and equipment, goodwill and other intangible assets. For the impairment test please refer to the paragraph titled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17). The valuation of decommissioning provision is affected by assumptions concerning cost, inflation rate and discount rate, as well as assumptions regarding the timing of payments; at each balance sheet date the estimates are reviewed to verify whether the amounts recognized are the best estimates of the costs that the Group may incur and, if significant discrepancies are detected, the amounts are revised.
- Valuation of derivatives and financial instruments in general, with regard to which please refer to the criteria explained in "Financial instruments" and in the section entitled "Analysis of Forward Transactions and Derivatives", included in the "Group Financial Risks Management" chapter of this Report, which should also be consulted for more information about the methods applied to measure fair value and manage inherent risks in connection with energy commodities, foreign exchange rates and interest rates.
- Measurement of certain sales revenues, the provisions for risks and charges, the allowances for doubtful accounts and other provisions for writedowns, employee benefits and income taxes. These measurements, which represent best estimates based on available information, reflect the Group's assumptions supplemented, where appropriate, by past experience with similar transactions and appraisals by independent experts.
- Advances paid under long-term natural gas supply contracts (take-or-pay): these are amounts paid when the Company is unable to take delivery of the scheduled minimum annual quantities. These advance payments, which constitute deferred charges, are recognized as "Other Assets" pursuant to IAS 38. The recognized amount is maintained after ascertaining that: a) over the residual duration of the contract, the Company estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); b) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to take delivery of the gas. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best price estimates available at the time of valuation, taking into account the target market. These estimates may take into account as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	2014	2013(*)	2014	2013(*)	2014	2013(*)	2014	2013(*)	2014	2013(*)
Sales Revenues	**7,859**	**7,162**	**5,168**	**5,998**	**48**	**52**	**(750)**	**(908)**	**12,325**	**12,304**
- third parties sales revenues	7,846	7,149	4,473	5,145	6	10	-	-	12,325	12,304
- intra-Group sales revenues	13	13	695	853	42	42	(750)	(908)	-	-
EBITDA	**652**	**656**	**293**	**425**	**(131)**	**(111)**	**-**	**-**	**814**	**970**
as a % of sales revenues	*8.3%*	*9.2%*	*5.7%*	*7.1%*	*n.m.*	*n.m.*	-	-	*6.6%*	*7.9%*
Net change in fair value of commodity derivatives	6	22	244	(31)	-	-	-	-	250	(9)
Depreciation, amortization and writedowns	(398)	(291)	(353)	(336)	(10)	(9)	-	-	(761)	(636)
Other income (expense) net	-	-	-	-	(11)	(4)	-	-	(11)	(4)
EBIT	**260**	**387**	**184**	**58**	**(152)**	**(124)**	**-**	**-**	**292**	**321**
as a % of sales revenues	*3.3%*	*5.4%*	*3.6%*	*1.0%*	*n.m.*	*n.m.*	-	-	*2.4%*	*2.6%*
Net financial income (expense)									(91)	(112)
Interest in result of companies valued by equity method									11	5
Income taxes									(159)	(119)
Profit (Loss) from continuing operations									**55**	**98**
Profit (Loss) from discontinued operations									**-**	**-**
Minority interest in profit (loss)									**15**	**2**
Group interest in profit (loss)									**40**	**96**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)
Total assets	**8,067**	**8,191**	**6,347**	**5,782**	**4,354**	**5,049**	**(3,834)**	**(4,779)**	**14,934**	**14,243**
Total liabilities	**2,889**	**3,015**	**4,497**	**3,506**	**3,025**	**4,097**	**(2,614)**	**(3,614)**	**7,797**	**7,004**
Net financial debt									**1,766**	**2,451**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	2014	2013(*)	2014	2013(*)	2014	2013(*)	2014	2013(*)	2014	2013(*)
Capital expenditures	43	25	254	124	3	2	-	-	300	151
Investments in exploration	-	-	67	92	-	-	-	-	67	92
Investments in intangibles	3	6	16	11	1	3	-	-	20	20
Total capital investments	**46**	**31**	**337**	**227**	**4**	**5**	**-**	**-**	**387**	**263**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)	12.31.2014	12.31.2013(*)
Number of employees	**1,051**	**1,138**	**1,419**	**1,415**	**631**	**630**	**-**	**-**	**3,101**	**3,183**

(*) 2013 amounts have been restated as a result of the adoption of IFRS11 "Joint arrangements" and for the new exposure of derivatives and non recurring expense.

Thus far, the Group has not viewed **geographic area** segment information as meaningful. In recent years the foreign operations have gained steadily in importance: net non-current assets held totaled 1,222 million euros and are referred to the Hydrocarbons Operations, the largest component of which was located in Egypt. At December 31, 2014, the contribution of foreign operations accounted for about 14% of net invested capital.

The contribution of the Exploration & Production business at December 31, 2014 is shown in the table below.

Income Statement

(in millions of euros)	2014	2013 (*)
Sales revenues	**689**	**651**
EBITDA	**427**	**444**
as % of sales revenues	*62.0%*	*68.2%*
EBIT	**96**	**128**
as % of sales revenues	*13.9%*	*19.7%*

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

As for the disclosure about the so-called "**major customers**", the Group's sales are generally not concentrated, except for the Electric Power Operations, where one major customer, as defined by IFRS 8, generated sales revenues totaling 1,443 million euros in 2014, equal to about 18.4% of the total sales revenues of the Electric Power Operations and about 11.7% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

In 2014 as well, the Italian economy continued to contract, with repercussions on the level of national consumptions of electric power and natural gas. More specifically, national demand for electricity decreased by 3.0% (2.9% on a seasonally adjusted basis) compared with the previous year, a decrease that penalized exclusively thermoelectric generation, due mainly to a greater supply of energy from renewable sources and thanks to the availability of abundant water resources during the year. Italian demand for natural gas was also down sharply, decreasing by 11.6% compared with the previous year, with residential and thermoelectric users showing the biggest declines, due in part to warmer average temperatures. The continuation of a situation in which the weakness in demand was accompanied by an increase in generating capacity and availability of gas, resulted in a further increase in competitive pressure on sales prices of both gas and electric power.

In this scenario, due to an abundance of water resources during the year, the optimization of the portfolio of generating facilities and the significant contribution of the Exploration & Production activities, Group **EBITDA** were positive by 814 million euros (970 million euros in 2013) and, net of nonrecurring effect resulting from the revisions of long-term contract to import natural gas (from Algeria and Qatar in 2013 and from Russia in 2014) which included a one-off component related to previous years, show an increase compared with 2013.

More specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 690 million euros, for a slight increase (3.6%) compared with 2013 (666 million euros). The result for the year was boosted by higher sales to end customers, an extraordinary abundance of water resources and the optimization of the portfolio of generating facilities.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** were positive by 255 million euros (415 million euros in 2013). The amounts for both years include the abovementioned one-off impact of the price review agreements signed with the Group's natural gas suppliers in the context of long-term contract to import natural gas. The Hydrocarbons Operations benefited from the significant contribution of the Exploration & Production operations, a positive performances by the gas storage activities and a partial turnaround in the performance of the activities engaged in the procurement and sales of natural gas, which, however, continued to be characterized by strong pressure on sales margins.

The **Group's interest in the net result** was positive by 40 million euros, down compared to 2013 (96 million euros).

In addition to the effects of the industrial margins mentioned above, the main factors affecting the result for the year included:

- the net changes in the fair value of derivatives, positive for 250 million euros;
- writedowns totaling 240 million euros (100 million euros in 2013);
- a decrease of 21 million euros in net financial expense, due mostly to higher net foreign exchange gains on fuel procurement transactions.

1. Adjusted EBITDA reflects the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains and losses attributable to them (+38 million euros in 2014, +10 million euros in 2013). This reclassification is being made to provide an operational presentation of the industrial results. The Adjusted EBITDA amount was not audited.

1. Sales Revenues

Sales revenues totaled 12,325 million euros, in line with the 12,304 million euros reported the previous year, with different dynamics for the **Electric Power Operations** and the **Hydrocarbons Operations**.

The table below provides a breakdown of sales revenues, which were booked for the most part in Italy:

(in millions of euros)	2014	2013 (*)	Change	% change
Electric power	5,999	5,561	438	7.9%
Natural gas	3,643	4,612	(969)	(21.0%)
Steam	72	113	(41)	(36.3%)
Oil	235	212	23	10.8%
Green certificates	183	109	74	67.9%
CO_2 emissions rights	-	9	(9)	n.a.
Other sales revenues	53	30	23	76.7%
Sub-total	**10,185**	**10,646**	**(461)**	**(4.3%)**
Transmission revenues	1,586	1,324	262	19.8%
Realized commodity derivatives	393	179	214	n.m.
Margin on trading activities	42	53	(11)	(20.8%)
Storage services	80	70	10	14.3%
Revenues from services provided	11	14	(3)	(21.4%)
Other revenues from sundry services	28	18	10	55.6%
Total for the Group	**12,325**	**12,304**	**21**	**0.2%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives.

Breakdown by Business Segment

(in millions of euros)	2014	2013 (*)	Change	% change
Electric Power Operations	7.859	7.162	697	9,7%
Hydrocarbons Operations	5.168	5.998	(830)	(13,8%)
Corporate Activities and Other Segments	48	52	(4)	(7,7%)
Eliminations	(750)	(908)	158	(17,4%)
Total for the Group	**12.325**	**12.304**	**21**	**0,2%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives.

In particular:

- The **Electric Power Operations** reported an increase in sales revenues (+9.7%) compared with the previous year, due mainly to higher sales volumes.
- The sales revenues of the **Hydrocarbons Operations**, which were down by 13.8% compared with 2013, reflect the effect of a decrease in average selling prices and lower sales volumes.

The income from **Realized commodity derivatives** (393 million euros), which should be analyzed together with the corresponding cost item included in **Raw materials and services used** (182 million euros), primarily reflects the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used in the Edison Group facilities portfolios and gas earmarked for direct sales. This performance is related both to an increase in hedging activity and a decrease in natural spot market gas prices in 2014.

Margin on Trading Activities

The table below shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios.

(in millions of euros)	2014	2013	Change	% change
Margin on physical contracts included in trading portfolios				
Sales revenues	6,284	4,081	2,203	54.0%
Raw materials and services used	(6,046)	(4,003)	(2,043)	51.0%
Total included in sales revenues	**238**	**78**	**160**	**n.m.**
Margin on financial contracts included in trading portfolios				
Sales revenues	66	55	11	20.0%
Raw materials and services used	(262)	(80)	(182)	n.m.
Total included in sales revenues	**(196)**	**(25)**	**(171)**	**n.m.**
Total margin on trading activities	**42**	**53**	**(11)**	**(20.8%)**

A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled “Group Financial Risk Management”.

2. Other Revenues and Income

Other revenues and income totaled 255 million euros (530 million euros in 2013). A breakdown is as follows:

(in millions of euros)	2014	2013 (*)	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	33	35	(2)	(5.7%)
Net reversals in earnings of provisions for risks on receivables and other risks	12	56	(44)	(78.6%)
Out of period and sundry items	210	439	(229)	(52.2%)
Total for the Group	**255**	**530**	**(275)**	**(51.9%)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 “Joint Arrangements” and for the new exposure of derivatives.

The **Out-of period income and sundry items** include the benefits arising from the revision of long-term contracts to import natural gas attributable to costs incurred in previous years.

3. Raw Materials and Services Used

Raw materials and services used totaled 11,545 million euros, for a slight reduction compared with the previous year (11,641 million euros) that reflects the impact of the price and volume trends mentioned earlier, in the Note to "Sales revenues".

The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	2014	2013 (*)	Change	% change
Natural gas	3,742	4,931	(1,189)	(24.1%)
Electric power	4,165	3,497	668	19.1%
Blast-furnace, recycled and coke-oven gas	8	26	(18)	(69.2%)
Oil and fuel	3	2	1	50.0%
Green certificates	19	17	2	11.8%
CO_2 emissions rights	21	21	-	-
Utilities and other materials	81	63	18	28.6%
Sub-total	**8,039**	**8,557**	**(518)**	**(6.1%)**
Transmission of electric power and natural gas	2,293	2,102	191	9.1%
Maintenance	136	127	9	7.1%
Regasification fee	107	106	1	0.9%
Professional services	147	133	14	10.5%
Writedowns of trade and other receivables	144	121	23	19.0%
Realized commodity derivatives	182	121	61	50.4%
Additions to provisions for miscellaneous risks	23	29	(6)	(20.7%)
Change in inventories	91	(48)	139	n.m.
Use of property not owned	121	112	9	8.0%
Losses on sales of property, plant and equipment	1	4	(3)	(75.0%)
Sundry items	261	277	(16)	(5.8%)
Total for the Group	**11,545**	**11,641**	**(96)**	**(0.8%)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives.

Breakdown by Business Segment

(in millions of euros)	2014	2013 (*)	Change	% change
Electric Power Operations	7,233	6,562	671	10.2%
Hydrocarbons Operations	4,935	5,876	(941)	(16.0%)
Corporate Activities and Other Segments	135	121	14	11.6%
Eliminations	(758)	(918)	160	(17.4%)
Total for the Group	**11,545**	**11,641**	**(96)**	**(0.8%)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of derivatives.

The decrease compared with the previous year in the amount of **Natural gas** (1,189 million euros) is mainly due to a decrease in purchase volumes, related to lower sales volumes. This item also reflects the negative impact of the effective portion of derivatives that hedge risks on commodities (10 million euros), which, however, is offset by a benefit shown in commodity prices.

The rise in costs for **Electric power** (668 million euros compared with 2013) is due mainly to an increase in electric market prices.

The higher costs paid for **Transmission of electric power and natural gas** (191 million euros) mainly reflects increases in rates paid.

The **Regasification fee** (107 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (144 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. The changes in Allowance for doubtful accounts are shown in Note 22.

4. Labor Costs

Labor costs totaled 221 million euros, in line compared with the 223 million euros reported in 2013.

The tables that follow provide a breakdown of the Group's staff by business segment and show the changes that occurred in the different employee categories:

Breakdown by Business Segment

(number of employees)	12.31.2014	12.31.2013 (*)	Change
Electric Power Operations	1,051	1,138	(87)
Hydrocarbons Operations	1,419	1,415	4
Corporate Activities and Other Segments	631	630	1
Total for the Group	**3,101**	**3,183**	**(82)**

Changes by employee category

(number of employees)	12.31.2013 (*)	Added to payroll	Removed from payroll	Changes of classification	12.31.2014	Average payroll
Executives	194	3	(8)	9	198	196
Office staff and Middle managers	2,365	67	(137)	25	2,320	2,353
Production staff	624	7	(14)	(34)	583	591
Total for the Group	**3,183**	**77**	**(159)**	**-**	**3,101**	**3,140**

(*) 2013 data have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

5. EBITDA

EBITDA totaled 814 million euros, compared with 970 million euros in 2013 (-16%); both periods included the one-off benefits, attributable to previous years, resulting from the revisions of long-term contracts to import natural gas.

The table below provides a breakdown by business segment of the Group's reported and adjusted EBITDA, which includes the reclassification of a portion of the result from transactions executed to hedge natural gas importation contracts, since, from an operational standpoint, the margins earned on sales of electric power also benefit from these hedges. In order to provide an adequate basis of comparison, it seems appropriate to show the adjusted EBITDA amount, restated to reflect the applicable portion of the result from hedging transactions attributable to the Electric Power Operations.

(in millions of euros)	2014	as a % of sales revenues	2013 (*)	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	652	8.3%	656	9.2%
Hydrocarbons Operations	293	5.7%	425	7.1%
Corporate Activities and Other Segments	(131)	n.m.	(111)	n.m.
Total for the Group	**814**	**6.6%**	**970**	**7.9%**
Adjusted EBITDA				
Electric Power Operations	690	8.8%	666	9.3%
Hydrocarbons Operations	255	4.9%	415	6.9%
Corporate Activities and Other Segments	(131)	n.m.	(111)	n.m.
Total for the Group	**814**	**6.6%**	**970**	**7.9%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Regarding the performances:
- the adjusted EBITDA of the **Electric Power Operations,** which amounted to 690 million euros or 3.6% more than the previous year (666 million euros), benefited from an abundance of water resources and the optimization of the facilities portfolio;
- the adjusted EBITDA of the **Hydrocarbons Operations** were positive by 255 million euros (415 million euros in 2013, -38.5%); the results for both periods include the beneficial effects, attributable to costs incurred in previous years, of the revisions of long-term contracts to import natural gas (from Algeria and Qatar in 2013 and from Russia in 2014). Net of this effect, particularly significant in 2013, the Hydrocarbons Operations benefited from the important contribution of the Exploration & Production activities, a positive performances by the Regulated Gas Infrastructures and a partial turnaround in the performance of the activities engaged in the procurement and sales of natural gas, which, however, continued to be characterized by strong pressure on sales margins.

6. Net Change in Fair Value of Commodity Derivatives

A breakdown of this account, which had a positive balance of 250 million euros (negative balance of 9 million euros in 2013), is provided below:

(in millions of euros)	2014	2013 (*)	Change	% change
Change in fair value in hedging the price risk on energy products:	**212**	**(3)**	**215**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (**)	(31)	16	(47)	n.m.
- not definable as hedges pursuant to IAS 39	243	(19)	262	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**38**	**(6)**	**44**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (**)	26	-	26	n.m.
- not definable as hedges pursuant to IAS 39	12	(6)	18	n.m.
Total for the Group	**250**	**(9)**	**259**	**n.m.**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Referred to the ineffective portion.

This line item reflects the change in fair value for the period of commodity and foreign exchange derivatives, excluding those that are part of the Trading Activities, whose fair value is directly included in "Margin on Trading Activities". These are derivatives that serve as commodity hedges for the industrial portfolio but do not meet the requirements for the adoption of cash flow hedge accounting. The recognized economic result, which is temporary in nature, reflects primarily the considerable price decline recorded in the forward market for natural gas.

7. Depreciation, Amortization and Writedowns

The items totaled 761 million euros, for an increase of 125 million euros compared with the previous year (636 million euros). A breakdown of this item is provided below:

(in millions of euros)	2014	2013 (*)	Change	% change
Depreciation and amortization of:	**521**	**536**	**(15)**	**(2.8%)**
- property, plant and equipment	354	345	9	2.6%
- hydrocarbon concessions	82	84	(2)	(2.4%)
- other intangible assets (**)	85	107	(22)	(20.6%)
Writedowns of:	**240**	**100**	**140**	**n.m.**
- property, plant and equipment	40	95	(55)	(57.9%)
- hydrocarbon concessions	39	5	34	n.m.
- goodwill	161	-	161	n.a.
Total for the Group	**761**	**636**	**125**	**19.7%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Included the exploration costs (67 million euros in 2014, 92 million euros in 2013).

Breakdown by Business Segment

(in millions of euros)	2014	2013 (*)	Change	% change
Electric Power Operations:	**398**	**291**	**107**	**36.8%**
- depreciation and amortization	231	245	(14)	(5.7%)
- writedowns of property, plant and equipment	6	46	(40)	(87.0%)
- writedowns of goodwill	161	-	161	n.m.
Hydrocarbons Operations:	**353**	**336**	**17**	**5.1%**
- depreciation and amortization	281	282	(1)	(0.4%)
- writedowns of property, plant and equipment	33	49	(16)	(32.7%)
- writedowns of hydrocarbon concessions	39	5	34	n.m.
Corporate Activities and Other Segments:	**10**	**9**	**1**	**11.1%**
- depreciation and amortization	9	9	-	-
- writedowns of property, plant and equipment	1	-	1	n.m.
Total for the Group	**761**	**636**	**125**	**19.7%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

In the **Electric Power Operations**, the net increase of 107 million euros is mainly due to the combined effect of:
- writedowns of goodwill for 161 million euros resulting from the impairment test;
- lower writedowns of property, plant and equipment referred to thermoelectric power plant for 40 million euros;
- lower depreciation and amortization, mainly due to the writedowns of facilities recognized in previous year and to the lengthening of the useful lives of some hydroelectric power plants.

In the **Hydrocarbons Operations** the net increase of 17 million euros derives mainly from higher writedowns for 18 million euros; more specifically, the writedowns recognized in 2014 (72 million euros) referred to the Exploration & Production activities, due to the downward revision of hydrocarbons reserves and the scenario effect.

A detailed analysis of the impact of the impairment test of the Edison Group is provided later in these Notes in the disclosure "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).

8. Other Income (Expense), Net

Net other expense of 11 million euros (expense of 4 million euros in 2013) is the result of nonrecurring items that are not directly related to the Group's industrial operations.
More detailed information is provided in Note 26 "Provisions for Risks and Charges" and in the section entitled "Commitments, Risks and Contingent Assets".

9. Net Financial Income (Expense)

Net financial expense totaled 91 million euros, or 21 million euros less than in the previous year (112 million euros).
A breakdown of net financial expense is as follows:

(in millions of euros)	2014	2013 (*)	Change
Financial income			
Financial income from financial derivatives	59	59	-
Interest earned on bank and postal accounts	1	4	(3)
Interest earned on trade receivables	28	13	15
Other financial income	13	10	3
Total financial income	**101**	**86**	**15**
Financial expense			
Interest accrued on bond issues	(58)	(72)	14
Fair Value Hedge adjustment on bonds	7	32	(25)
Financial expense from financial derivatives	(43)	(58)	15
Interest accrued to banks	(3)	(5)	2
Fees	(33)	(14)	(19)
Financial expense on decommissioning projects and provisions for risks	(25)	(26)	1
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(40)	(36)	(4)
Other financial expense	(12)	(20)	8
Total financial expense	**(208)**	**(200)**	**(8)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	139	126	13
Foreign exchange translation losses	(123)	(124)	1
Net foreign exchange translation gains (losses)	**16**	**2**	**14**
Net financial income (expense) for the Group	**(91)**	**(112)**	**21**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The decrease compared with 2013 is mainly due to higher net foreign exchange gains related to fuel procurement transactions.

10. Income from (Expense on) from Equity Investments

A breakdown of the positive balance positive of 13 million euros, is shown below.

(in millions of euros)	2014	2013 (*)	Change
Income from Equity Investments			
Dividends	3	4	(1)
Revaluations of trading securities	-	2	(2)
Capital gain from investments disposal	1	-	1
Valuations of investments by equity method	14	5	9
Total income from equity investments	**18**	**11**	**7**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(3)	-	(3)
Writedowns of available for sale investments	(2)	(3)	1
Total expenses on equity investments	**(5)**	**(3)**	**(2)**
Total Group income from (expenses) equity investments	**13**	**8**	**5**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The **writedowns of available-for-sales investments** (2 million euros) are related to the measurement at fair value of the investment in RCS Mediagroup Spa.

11. Income Taxes

The income-tax balance totaled 159 million euros (119 million euros in 2013). A breakdown of income taxes is provided below:

(in millions of euros)	2014	2013 (*)	Change
Current taxes	220	211	9
Net deferred-tax liabilities (assets)	(98)	(80)	(18)
Income taxes attributable to previous years and other taxes	37	(12)	49
Total for the Group	**159**	**119**	**40**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Current taxes included 250 million euros for corporate income taxes (IRES), 30 million euros for regional taxes (IRAP) and 52 million euros for foreign taxes, partially offset by a tax benefit of 112 million euros generated by the filing of a consolidated income tax return.

In 2014, Edison Spa and Edison Idrocarburi Sicilia Spa chose to avail themselves of the option provided, respectively, under Law No.147/2013 for assets revaluated under IAS and under Article 176, Section 2-*ter*, of the TUIR for transfers of assets, to realign the tax bases of some components of property, plant and equipment to the corresponding carrying amounts. This transaction resulted in the recognition of a substitute tax of 49 million euros, listed under **"Income taxes attributable to previous years and other taxes"**, and the concurrent reversal of deferred tax liabilities totaling 104 million euros and recognition of deferred-tax assets of 11 million euros; consequently, the tax rate for the period benefitted from a net positive effect of 66 million euros. On the other hand, the impairment of goodwill for 161 million euros had a negative effect on the tax rate because it was not tax deductible.

In relative terms the tax rate is shown in the following table:

(in millions of euros)	2014		2013 (*)		Change
Profit (Loss) before taxes	**214**		**217**		
Tax calculated at domestic tax rate	73	34.0%	74	34.0%	(1)
Permanent differences	17	7.9%	(2)	(0.9%)	19
Foreign taxes	9	4.2%	17	7.8%	(8)
Changes to tax rates/Income tax surcharge	-	-	10	4.6%	(10)
IRAP - regional taxes	30	14.0%	25	11.5%	5
Income taxes attributable to previous years	25	11.7%	(9)	(4.1%)	34
Tax realignment of property, plant and equipment and intangibles	(66)	(30.8%)	-	-	(66)
Writedown of goodwill	55	25.7%	-	-	55
Differences between tax rates and other differences	16	7.5%	4	1.8%	12
Income taxes	**159**	**74.2%**	**119**	**54.7%**	**40**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The table below provides a breakdown of **deferred-tax liabilities** and **deferred-tax assets** and shows the changes that occurred in 2014:

(in millions of euros)	12.31.2013 (*)	Additions	Utilizations	To sharehold. equity	Changes in scope of consolidation	Other changes/ Reclassif./ Offsets	12.31.2014
Provision for deferred taxes:							
Valuation differences of property, plant and equipment and intangibles	165	11	(130)	-	26	41	113
Adoption of IAS 17 to value finance leases	-	-	-	-	-	-	-
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	-	10	-	-	-	-	10
- on shareholders' equity	4	-		(4)	-	-	-
Other	31	2	(7)	10	-	4	40
	200	**23**	**(137)**	**6**	**26**	**45**	**163**
Offsets	(136)	-	-	-	-	18	(118)
Provision for deferred taxes net of offsets	**64**	**23**	**(137)**	**6**	**26**	**63**	**45**
Deferred-tax assets:							
Tax loss carryforward	86	4	(14)	-	-	7	83
Taxed provisions for risks	180	22	(60)	-	-	(14)	128
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	2	63	(74)	-	-	9	-
- on shareholders' equity	-	-	-	215	-	-	215
Valuation differences of property, plant and equipment and intangibles	87	44	(4)	-	-	44	171
Other	17	7	(4)	10	-	(8)	22
	372	**140**	**(156)**	**225**	**-**	**38**	**619**
Offsets	(136)	-	-	-	-	18	(118)
Deferred-tax assets net of offsets	**236**	**140**	**(156)**	**225**	**-**	**56**	**501**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

12. Earnings (Loss) per Share

A breakdown of earnings (loss) per share is as follows:

(in millions of euros)	2014		2013	
	Common shares	Savings shares [1]	Common shares	Savings shares [1]
Group interest in profit (loss)	40	40	96	96
Profit (Loss) attributable to the different classes of shares (A)	36	4	91	5
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,545,824	110,154,847
- diluted (C) [2]	5,181,545,824	110,154,847	5,181,545,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	0.0070	0.0370	0.0175	0.0475
- diluted (A/C) [2]	0.0070	0.0370	0.0175	0.0475

[1] 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).
[2] When the Group reports a loss, potential shares are deemed to have no dilutive effect.

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred during the year:

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2013 Published	**456**	**3,663**	**124**	**34**	**3**	**6**	**262**	**4,548**
IFRS 11 application	(14)	(153)	(27)	-	-	-	(10)	(204)
Balance at 12.31.2013 Restated (A)	**442**	**3,510**	**97**	**34**	**3**	**6**	**252**	**4,344**
Changes in 2014:								
- Additions	2	149	4	-	1	2	142	300
- Disposals (-)	(2)	(26)	-	-	-	-	-	(28)
- Depreciation (-)	(14)	(317)	(18)	(1)	(1)	(2)	-	(353)
- Writedowns (-)	(1)	(39)	-	-	-	-	-	(40)
- Decommissioning costs	-	8	-	-	-	-	-	8
- Changes in scope of consolidation	-	114	-	-	-	-	-	114
- Other changes	1	68	1	(29)	-	-	(38)	3
Total changes (B)	**(14)**	**(43)**	**(13)**	**(30)**	**-**	**-**	**104**	**4**
Balance at 12.31.2014 (A+B)	**428**	**3,467**	**84**	**4**	**3**	**6**	**356**	**4,348**
Breakdown:								
- Historical cost	643	7.388	522	6	16	21	385	8,981
- Accumulated depreciation (-)	(170)	(3,146)	(433)	(2)	(13)	(15)	-	(3,779)
- Writedowns (-)	(46)	(775)	(4)	-	-	-	(29)	(854)
Net carrying amount	**427**	**3,467**	**85**	**4**	**3**	**6**	**356**	**4,348**

A breakdown by business segment of **additions** totaling 300 million euros is as follows:

(in millions of euros)	2014	2013 (*)
Electric Power Operations	**43**	**25**
broken down as follows:		
- Thermoelectric area	17	15
- Hydroelectric area	15	5
- Renewable sources area (wind power, photovoltaic, etc.)	11	5
Hydrocarbons Operations	**254**	**124**
broken down as follows:		
- Hydrocarbon fields in Italy	129	67
- Hydrocarbon fields outside Italy	98	27
- Transmission and storage infrastructures	27	30
Corporate Activities and Other Segments	**3**	**2**
Total for the Group	**300**	**151**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Additions for the year are reviewed below:

- for the **Hydrocarbons Operations,** projects concerned mainly Italy, where activities in the Exploration & Production area included development of the Fauzia field, sidetrack drilling at the Regina and Calipso fields and commissioning of sidetrack wells at the Clara field. Outside Italy, investments continued in Norway and the production from the Izabela field in Croatia started in July 2014;

- for the **Electric Power Operations**, the main investments involved the construction of a new wind power facility and the replacement of components at some thermoelectric and hydroelectric power plants.

The amount of capitalized borrowing costs as part of property, plant and equipment, consistent with the requirements of IAS 23 Revised was immaterial.

The change in **decommissioning costs**, amounting to 8 million euros, attributable for the most part to the Hydrocarbons Operations, reflects a revision of projected decommissioning costs mainly related to production fields in Italy.

The change in **scope of consolidation,** amounting to 114 million euros, is related to the establishment of the new renewable energy hub.

Asset transferable at no cost refer to 39 hydroelectric concessions held by the Edison Group. It is worth mentioning that a new hydroelectric concession was acquired in the 2014.

For the **assets acquired under finance leases**, recognized in accordance with the IAS 17 Revised method, amounting to 4 million euros, decreased by 30 million euros compared to the previous year, mainly as a result of the early exercise of the lease buyout option for the Leonis ship, in service at the Vega field.

The remaining financial debt of 4 million euros is listed under "Debt and other financial liabilities" for 3 million euros and "Current financial liabilities" for 1 million euros.

Please note that assets valued at 38 million euros are encumbered as collateral for loans provided by financial institutions.

The **writedowns** of 40 million euros (95 million euros in 2013) mainly reflect the effects of the impairment test.

A more detailed analysis of depreciation and amortization is provided in the "Depreciation, amortization and writedowns" note to the Income Statement and in the disclosure "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).

14. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, had a total carrying amount of 6 million euros, unchanged compared with December 31, 2013.

15. Goodwill

Goodwill totaled 3,070 million euros, for a decrease of 161 million euros compared with December 31, 2013 (3,231 million euros) due to the impairment test. More detailed information is provided in the paragraph "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).
The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year.

16. Hydrocarbon Concessions

Concessions for the production of hydrocarbons were valued at 739 million euros. The decrease of 121 million euros, compared with December 31, 2013, reflects the amortization for the year for 82 million euros and writedowns of concessions for 39 million euros. The Group holds 117 mineral rights in Italy and abroad (including 3 storage concessions). In the 2014 the Group reported an increase of sixteen new hydrocarbon mining rights, specifically, five in Norway, five in the United Kingdom, two in Egypt, two in Italy, one in the United Arab Emirates and one in Greece.

The table below reported the changes occurred in the year:

(in millions of euros)	
Balance at 12.31.2013 (A)	**860**
Changes in 2014:	
- Amortization (-)	(82)
- Writedowns (-)	(39)
Total changes (B)	**(121)**
Balance at 12.31.2014 (A+B)	**739**
Breakdown:	
- Historical cost	1,459
- Accumulated amortization (-)	(595)
- Writedowns (-)	(125)
Net carrying amount	**739**

Disclosure About the Group's Concessions

The table below shows a breakdown of the concessions held by the Edison Group. As explained earlier, the corresponding carrying amounts are included under "Property, plant and equipment", "Hydrocarbon concessions" and "Other Intangible Assets".

	Number	Remaining life (years) from	to
Storage concessions	3	10	25
Hydroelectric concessions	39	1	31
Distribution concessions	62	1	11
Hydrocarbon concessions	114	(*) "unit of production"	

(*) The amortization and the remaining life of mineral deposits are computed as a ratio of the quality extracted to the available reserves.

17. Other Intangible Assets

The table below shows the main changes that occurred in the 2014:

(in millions of euros)	Concessions, licenses, patents and similar rights	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2013 Published	**87**	**-**	**15**	**13**	**115**
IFRS 11 Application	-	-	(1)	-	(1)
Balance at 12.31.2013 Restated (A)	**87**	**-**	**14**	**13**	**114**
Changes in 2014:					
- Additions	15	67	3	2	87
- Amortization (-)	(15)	(67)	(3)	-	(85)
- Other changes	13	-	1	(12)	2
Total changes (B)	**13**	**-**	**1**	**(10)**	**4**
Balance at 12.31.2014 (A+B)	**100**	**-**	**15**	**3**	**118**
Breakdown:					
- Historical cost	265	622	23	3	913
- Writedowns (-)	(164)	(622)	(6)	-	(792)
- Accumulated amortization (-)	(1)	-	(2)	-	(3)
Net carrying amount	**100**	**-**	**15**	**3**	**118**

Exploration costs for the year, which were amortized in full when incurred, totaled 67 million euros compared with 92 million euros in 2013.

Please note that the item **Concessions, licenses, patents and similar rights** includes the infrastructures used by the Group to distribute natural gas, under the 62 concessions it holds in this area of business, as required by IFRIC 12.

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

The impairment test performed in 2014 in accordance with IAS 36 required the recognition of writedowns totaling 239 million euros, broken down as follows:

- 161 million euros for the goodwill attributed to the Electric Power Operations;
- 6 million euros for the assets of the Electric Power Operations;
- 72 million euros for the assets of the Hydrocarbons Operations.

Specifically with regard to the value of **goodwill,** keeping in mind the strategic and organizational decisions of the Edison Group, the test was performed by making reference to the two different groups of Cash Generating Units (CGUs) to which goodwill was allocated. These groups of CGUs were identified as the "Electric Power Operations" and the "Hydrocarbons Operations."
The Group as a whole was then tested (so-called, second-level impairment test) due to the presence of general expenses that were not allocated and could not be objectively allocated to the abovementioned CGUs.

The table below shows the allocation of goodwill by business segment.

Allocation of goodwill

(in millions of euros)	12.31.2014	12.31.2013
Electric Power Operations	2,367	2,528
Hydrocarbons Operations	703	703
Total	**3,070**	**3,231**

Consistent with past practice, the test was carried out with the support of an independent appraiser based on the cash flows used in the 2015-2018 medium-term plan reviewed by the Board of Directors, the 2015 Budget part of which was approved by the Board of Directors on January 22, 2015 and on long-term projections developed by management.
These documents reflect the best estimates of Top Management with regard to the main assumptions concerning the Group's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 11, 2015.
With regard to this, please note that IAS 36 defines the recoverable value of an asset or a CGU as the higher of its fair value, less costs to sell, and its value in use.
In 2014, consistent with past practice, the recoverable value pursuant to IAS 36 was estimated based on value in use, which is the present value of the future cash flows that the Group expects to receive from a given asset, determined in the manner specified below.

For the purpose of estimating value in use of the two groups of CGUs to which goodwill was allocated, the independent appraiser verified the assumptions contained in the abovementioned documents and in analyses supplementing the medium-term plan, which he checked against various external sources.
In addition, the independent appraiser reviewed previous plans prepared by the Group's management and analyzed variances shown compared with actual data.
The recoverable value (understood as value in use) of each of the two abovementioned operations was determined based on a medium-term plan's explicit projection horizon of four years and on long-term projections developed by management (2019-2022), considering cash flows net of future

developments (so-called inertial plan), due to the unpredictability of the scenario in general.
The terminal value of both operations was estimated based on an operating cash flow, duly normalized to reflect regular operating conditions and considering a nominal annual growth rate between zero and 2%.

The recoverable value was estimated using the financial method. It was obtained using simulations for different variables - the most significant and sensitive to the value being: the valuation assumptions for the capacity payment of the Electric Power Operations, the discount rate parameters, the growth rates and the non-discretional investments required to keep the Company operating at a normal level - and applying statistical simulation techniques (Montecarlo method).

Consistent with the cash flows described above, the discount rates applied were estimated by determining the weighted average cost of capital. Specifically, an estimated median after tax rate was determined as follows:

	2014	2013	
		2014-2021 period	From 2022
Electric Power Operations	6.4%	6.5%	6.7%
Hydrocarbons Operations	8.1%	7.8%	7.9%

Taking a conservative approach, the discount rates used presume that the corporate income tax surcharge (Robin Hood Tax) will be levied for all the years of the plan.

These rates were further adjusted when estimating the recoverable value of the cash flows from a CGUs business operations exposed to a country risk at a level appreciably different from that of Italy: specifically, operations located in Egypt, Croatia and the United Kingdom. For the Regulated Gas Activities CGU, the regulated rates typical of this business were used.

The following analysis and sensitivities were also carried out:
- In the case of the Electric Power Operations, conservative sensitivity analyses were also performed regarding the capacity payment: in the worst-case scenario, with zero capacity payment, the impairment loss would be equal to 9% of their carrying amount.
- In the case of the Hydrocarbons Operations, for the Gas Merchant segment, two scenarios were analyzed that reflected different profitability assumptions relative to market trends concerning imported, stored and sold volumes and the respective financial settlement dynamics of take-or-pay contracts. A sensitivity analysis that reflects the different assumptions for trends in the scenario compared with the medium-term plan was also performed, based on forward projections developed at the end of 2014 with regard to the price of Brent crude and currency exchange rates. This sensitivity analysis would not entail impairment losses.

In accordance with the process described above, the independent appraiser determined the recoverable value interval for both business segments (so called first-level impairment) and, subsequently, for the entire Group (so called second-level impairment). The median recoverable value was higher than the corresponding carrying amount for both business segments and the surplus was significantly higher for the Hydrocarbons Operations. On the other hand, the median recoverable value for the Group as a whole, determined taking into account the abovementioned sensitivity analyses concerning forward projections for the price of Brent crude and currency exchange rates, which were weighed at 50% with the base scenario, was lower than the corresponding carrying amount, requiring a writedown of 161 million euros.

In order to determine if the value of its **property, plant and equipment and intangibles** had been impaired, Edison tested in the same manner the components of property, plant and equipment and intangibles held by the Group's core businesses that could be identified as cash generating units. These assets are used for the production activities of the Electric Power and Hydrocarbons Operations and for natural gas distribution, transmission and storage activities.
Consistent with the previous year's practice, these assets were aggregated in 13 CGUs, 7 belonging to the Electric Power Operations and 6 to the Hydrocarbons Operations; as in the previous year, the criteria applied to define these CGUs were based on the following two factors:
a) the production source and the corresponding technology (hydrocarbon and electric, the latter subdivided into thermoelectric, hydroelectric, wind power and photovoltaic);
a) the current target market, i.e., "merchant", "CIP 6/92", "captive", regulated activities, also differentiating between reference countries.

As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on the economic-financial plans for each CGU and on a time horizon equal to the useful lives of its assets, which, until 2018, were those obtained from Company's medium-term plan.
The financial flows used in connection with the abovementioned economic-financial plans were indicative of specific production and prices profiles and took into account such items as decommissioning costs and residual values, when identifiable.
As was done when testing goodwill for impairment, the recoverable value was estimated by applying the financial method, used in combination with the Montecarlo simulation technique (specifically for the purpose of determining the recoverable value interval).
The post-tax cash flows used for each CGU were discounted using rates that were consistent with those applied when testing goodwill for impairment. These rates were further adjusted to take into account country risk and for CGUs located in foreign countries exposed to a country risk at a level appreciable different than that of Italy.

The following additional sensitivity and analyses were also performed:
- specifically regarding the merchant Thermoelectric CGU, simulations were carried out based on different valuation assumptions for the Capacity Payment, the regulatory change of which is reflected in long-term projections;
- regarding the Exploration and Production CGUs, a sensitivity analysis was performed that, taking into account the forward projections developed at the end of 2014 for the price of Brent crude and currency exchange rates, reflected different assumptions for the trends in the scenario; this sensitivity analysis was weighed at 50% with the base scenario.

The impairment test carried out, at the end of 2014, with the process described above showed reductions in recoverable value compared with the carrying amount, as shown in the table below:

Group of CGUs	Cash Generating Unit	Median discount rate	Growth rate	Impairment Indicator	Writedowns 2014
Operations:					(millions of euros)
Hydrocarbons	Foreign Exploration & Production	min. 6.1% max. 11.2 %	0%	Reserves reduction/ Scenario effect	72
Electric Power	Thermoelectric	6.4%	0%	Infrastructure changes/ Contracts changes	6

Taking a conservative approach, using this sensitivity analysis, based on the forward projections developed at the end of 2014 for the price of Brent crude and currency exchange rates, weighed at 100%, it would reflect additional impairment losses less than 3% of the Hydrocarbons Operations carrying values.

18. Investments in Associates and Available-for-sale Investments

The total includes 149 million euros in investments in associates and unconsolidated subsidiaries, joint ventures and affiliated companies and 174 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (165 million euros) and in RCS Mediagroup Spa (4 million euros).

The table below shows the main changes that occurred in the year:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2013 Published	**51**	**183**	**234**
IFRS 11 Application	93	-	93
Balance at 12.31.2013 Restated (A)	**144**	**183**	**327**
Changes in 2014:			
- Changes in shareholders' equity reserves	-	(7)	(7)
- Valuations at equity	11	-	11
- Valuations at fair value	-	(2)	(2)
- Dividends (-)	(7)	-	(7)
- Other changes (+/-)	1	-	1
Total changes (B)	**5**	**(9)**	**(4)**
Balance at 12.31.2014 (A+B)	**149**	**174**	**323**
Breakdown:			
- Historical cost	136	185	321
- Revaluations (+)	25	-	25
- Writedowns (-)	(12)	(11)	(23)
Net carrying amount	**149**	**174**	**323**

Changes for the year include:

- **Valuations at equity**, for 11 million euros, which refer to the higher value resulting from the valuations of some companies by the equity method;
- **Changes in shareholders' equity reserves**, negative by 7 million euros, which refers to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl;
- **Valuations at fair value**, negative by 2 million euros, recognized as writedowns in the income statement, which refer to RCS Mediagroup Spa.

Dividends declared totaled 7 million euros in 2014 (6 million euros paid) related to companies valued by the equity method.

19. Other Financial Assets

Other financial assets consist of financial receivable due in more than one year. Other financial assets include the following:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Escrow bank deposits that secure project financing facilities	-	4	(4)
Sundry items	47	102	(55)
Total other financial assets	**47**	**106**	**(59)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Escrow bank deposits were reclassified to Cash and cash equivalents as the result of the repayment of the facility related to them.

Sundry items decrease compared with December 31, 2013, mainly due to the reclassification to Current financial assets of the portion maturing in September 2015 of the financial receivable owed by Elpedison Power Sa.

20. Deferred-tax Assets

Deferred-tax assets, which were valued based on assumptions that they would probably be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 501 million euros (236 million euros at December 31, 2013).
The table below provides a breakdown:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Deferred-tax assets:			
Tax loss carryforward	71	64	7
Taxed provisions for risks	83	85	(2)
Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	2	(2)
- on shareholders' equity	215	-	215
Valuation differences of property, plant and equipment and intangibles	132	68	64
Other	-	17	(17)
Deferred-tax assets	**501**	**236**	**265**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The increase compared with December 31, 2013 in deferred-tax assets due to the adoption of IAS 39 refers to the fair value of hedging derivatives recognized in equity in the Cash Flow Hedge reserve. The increase compared with December 31, 2013 in "Valuation differences of property, plant and equipment and intangibles" is mainly due to the application of tax legislation related to the realignment of the tax bases and carrying amounts of some Edison Group companies.
For additional details, see the information provided in Note 11 "Income Taxes", earlier in this Report.

21. Other Assets

Other assets totaled 171 million euros or 18 million euros less than at December 31, 2013. This account includes:

- 144 million euros in advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses.
- 9 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through December 31, 2014.
- 18 million euros in sundry receivables, consisting mainly of security deposits.

22. Current Assets

A breakdown of the components of current assets is provided below:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Inventories	479	486	(7)
Trade receivables	2,848	2,876	(28)
Current-tax assets	45	24	21
Other receivables	1,634	875	759
Current financial assets	132	77	55
Cash and cash equivalents	473	492	(19)
Total current assets	**5,611**	**4,830**	**781**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

A review of the individual components is provided below:

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Green certificates	CO_2 emission rights	Other	Total 12.31.2014	Total 12.31.2013 (*)	Change
Electric Power Operations	8	-	-	106	1	42	157	85	72
Hydrocarbons Operations	35	271	16	-	-	-	322	401	(79)
Total for the Group	**43**	**271**	**16**	**106**	**1**	**42**	**479**	**486**	**(7)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Significant changes for the year included a reduction in stored natural gas for 89 million euros and an increase in green certificates related primarily to the trading activity for 69 million euros.
Inventories also include 143 million euros of stored natural gas the use of which is restricted either as a strategic reserve or to secure performance under the balancing system.

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

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Electric Power Operations	1,916	1,666	250
Hydrocarbons Operations	946	1,222	(276)
Corporate Activities and Other Segments and Eliminations	(14)	(12)	(2)
Total trade receivables	**2,848**	**2,876**	**(28)**
Of which Allowance for doubtful accounts	**(365)**	**(300)**	**(65)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

Specifically, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions.

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

(in millions of euros)	12.31.2013 (*)	Additions	Utilizations	12.31.2014
Allowance for doubtful accounts (**)	**(300)**	**(131)**	**66**	**(365)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Included default interests.

Additions to the allowance reflect the result of an assessment, performed consistent with the Group's policy, of the different status of the receivables, taking into account each customer segment, the corresponding past-due receivables and the aging; utilizations were recognized for receivables deemed uncollectible during the period.
It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse, both on a monthly revolving basis and on a spot basis, consistent with a policy aimed at controlling and minimizing credit risks. At December 31, 2014, these transactions totaled 6,340 million euros (5,795 million euros at December 31, 2013). The residual risk of recourse associated with these receivables is about 1 million euros.

- **Current-tax assets** of 45 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa, the Group's controlling company.

- A breakdown of **other receivables**, which totaled 1,634 million euros, is provided in the table below:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Fair Value on industrial portfolio derivatives and trading activities	1,120	468	652
Amounts owed by partners and associates in hydrocarbon exploration projects	118	70	48
Advances to suppliers	13	45	(32)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	174	93	81
VAT credit	14	20	(6)
Sundry items	195	179	16
Total other receivables	**1,634**	**875**	**759**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

The increase shown for **Fair Value on industrial portfolio derivatives and trading activities**, which should be analyzed in conjunction with the corresponding liability included in **Other liabilities** (increased from 455 million euros to 1.523 million euros). This result is mainly due to hedging activities implemented to mitigate the impact of fluctuations in oil market prices on contracts to import natural gas, specifically with regard to the negative trend for forward prices of Brent crude recorded at December 31, 2014, compared to those recorded when hedging was activated.

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

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

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Loans receivable	85	11	74
Derivatives	45	60	(15)
Equity investments held for trading	2	6	(4)
Total current financial assets	**132**	**77**	**55**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The increase in loans receivable is mainly due to the reclassification from non-current financial assets of the financial receivable due from Elpedison Power Sa maturing in September 2015.

- **Cash and cash equivalents** of 473 million euros (492 million euros at December 31, 2013) consist of short-term deposits in bank and postal accounts and other short-term investments.

Liabilities and Shareholders’ Equity

23. Shareholders’ Equity Attributable to Parent Company Shareholders and Shareholders’ Equity Attributable to Minority Shareholders

The shareholders’ equity attributable to Parent Company shareholders amounted to 6,627 million euros, or 499 million euros less than at December 31, 2013 (7,126 million euros) mainly due to the combined effect of negative changes in the Cash Flow Hedge reserves (458 million euros), the net profit for the year (40 million euros), the net exchange differences on translation and the effect of a resolution to distribute dividends to the shareholder Transalpina di Energia Spa (57 million euros) and the savings shareholders (6 million euros).

The shareholders’ equity attributable to minority shareholders amounted to 510 million euros, or 397 million euros more than at December 31, 2013 (113 million euros), mainly due to the effect of the allocation to minority shareholders of the related shares in the new renewable energy hub, the net profit for the year (15 million euros) and the distribution of dividends to minority shareholders (7 million euros).

Pease note that further to the exercise of the option to realign the tax bases of some components of property, plant and equipment with their carrying amounts, as allowed by Law No. 147/2013 (see Note 11 “Income taxes”), the Shareholders’ Meeting of Edison Spa, convened on September 23, 2014, agreed to restrict for tax purposes a portion of the reserves, already carried as unavailable in any case, in the amount of 237 million euros, which corresponds to the amount of the realigned values net of the substitute tax paid.

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

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

Share class	Number of shares	Millions of euros
Common shares	5,181,545,824	5,182
Savings shares	110,154,847	110
Total		**5,292**

The table below provides a breakdown of the changes that occurred in the Cash Flow Hedge reserve, established upon the adoption of IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at12.31.2013	4	(4)	-
Changes in the period	(677)	219	(458)
Reserve at 12.31.2014	**(673)**	**215**	**(458)**

No changes occurred in the reserve for available-for-sale investments, which had a zero balance at December 31, 2014.

24. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 37 million euros, for an increase of 2 million euros compared with December 31, 2013, reflect the accrued severance indemnities and other benefits owed to employees. The actuarial gains (losses) are recorded in equity. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

The economic and financial parameters used for valuation purposes are listed below:

- Technical annual discount rate 2.20% (3.50% in 2013);
- Annual inflation rate 2.00% (2.00% in 2013).

The table below shows the changes that occurred in 2014:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2013 Published	**35**	**-**	**35**
IFRS 11 Application	-	-	-
Balance at 12.31.2013 Restated (A)	**35**	**-**	**35**
Changes in 2014:			
- Financial expense	1	-	1
- Actuarial (gains) losses (+/-)	3	-	3
- Utilizations (-)/Other changes	(2)	-	(2)
Total changes (B)	**2**	**-**	**2**
Total at 12.31.2014 (A+B)	**37**	**-**	**37**

25. Provision for Deferred Taxes

The Provision for deferred taxes totaled 45 million euros (64 million euros at December 31, 2013); the following table shows a breakdown of this provision by type of underlying temporary difference, keeping in mind that certain Group companies that meet the requirements of IAS 12 offset their deferred-tax liabilities against their deferred-tax assets:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Deferred-tax liabilities:			
- Valuation differences of property, plant and equipment and intangibles	113	165	(52)
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	10	-	10
- on shareholders' equity	-	4	(4)
- Other deferred-tax liabilities	40	31	9
Total deferred-tax liabilities (A)	**163**	**200**	**(37)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	45	95	(50)
- Tax-loss carryforward	12	22	(10)
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	-	-
- on shareholders' equity	-	-	-
- Valuation differences of property, plant and equipment and intangibles	39	19	20
- Other deferred-tax assets	22	-	22
Total deferred-tax assets (B)	**118**	**136**	**(18)**
Total provision for deferred taxes (A-B)	**45**	**64**	**(19)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

For additional details, see the information provided in Note 11 "Income Taxes" and in Note 20 "Deferred-tax Assets", earlier in this Report.

26. Provisions for Risks and Charges

The provisions for risks and charges totaled 923 million euros, for an increase of 22 million euros compared with December 31, 2013 (901 million euros).

The table below shows the changes that occurred in 2014:

(in millions of euros)	12.31.2013 (*)	Additions	Utilizations	Other changes	12.31.2014
Risks for disputes, litigation and contracts	137	3	(1)	-	139
Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
Environmental risks	62	10	(3)	-	69
Other risks and charges	13	10	(13)	-	10
Disputed tax items	53	4	(3)	1	55
Total for legal and tax disputes	**340**	**27**	**(20)**	**1**	**348**
Provisions for decommissioning and remediation of industrial sites	487	21	(3)	16	521
Provision for CO_2 emission rights	6	-	(5)	(1)	-
Other risks and charges	68	3	(16)	(1)	54
Total for the Group	**901**	**51**	**(44)**	**15**	**923**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

More specifically:

"**Provisions for legal and tax disputes**" amounted to 348 million euros, for a net increase of 8 million euros in 2014, mainly due to additions of 10 million euros for environmental risks related to non-core business activities.
More detailed information about the issues that resulted in the current composition of these provisions is provided in the section entitled "Risks and Contingent Liabilities Related to Legal and Tax Disputes".

The "**Provisions for decommissioning and remediation of industrial sites"**, totaling 521 million euros for a net increase of 34 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities.

The balance in the "**Provision for other risk and charges"**, 54 million euros, includes 36 million euros for possible future charges related to the Electric Power Operations and 8 million euros for risk hedges of activities outside Italy.

27. Bonds

The balance of 598 million euros (1,098 million euros at December 31, 2013), represents the noncurrent portion of the bonds. The decrease, compared with December 31, 2013, is due to the reclassification into **Current Liabilities** of the bond issue maturing on March 17, 2015 (face value of 500 million euros).

The table below shows the balance outstanding at December 31, 2014 and lists the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value: Non-current portion	Carrying value: Current portion	Carrying value: Total	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	-	514	514	516
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	598	39	637	661
Total for the Group			**1,100**				**598**	**553**	**1,151**	**1,177**

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

28. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Due to banks	184	154	30
Due to other lenders	806	818	(12)
Total for the Group	**990**	**972**	**18**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The amount **due to other lenders** includes the loan provided to Edison Spa by EDF Investissement Groupe Sa in April 2013 (face value of 800 million euros and a seven-year maturity).

For an overview, please refer to the section "Group Financial Risk Management".

29. Other Liabilities

Other liabilities amounted to 2 million euros (5 million euros at December 31, 2013).

30. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Bonds	553	772	(219)
Short-term financial debt	230	268	(38)
Trade payables	2,321	1,997	324
Current taxes payable	20	42	(22)
Other liabilities	2,078	850	1,228
Total current liabilities	**5,202**	**3,929**	**1,273**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 553 million euros, include the bond issue maturing on March 17, 2015 (face value of 500 million euros), which was reclassified from **Non-current liabilities,** and the total accrued interest at December 31, 2014. Changes compared with the December 31, 2013 also include the repayment of a 700-million-euro bond issue on its maturity date in July.

- **Short-term financial debt**, which totaled 230 million euros, essentially includes:
  - 55 million euros due to banks, 2 million euros of which represent the effect of measuring interest rate derivatives at fair value.
  - 174 million euros due to other lenders, which included the accrued interests on liabilities with companies of EDF Group.
  - 1 million euros due to leasing companies.

- **Trade payables** totaled 2,321 million euros. A breakdown by business segment is provided below:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Electric Power Operations	1,247	1,047	200
Hydrocarbons Operations	1,057	921	136
Corporate Activities and Other Segments and Eliminations	17	29	(12)
Total trade payables	**2,321**	**1,997**	**324**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

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

- **Current taxes payable** of 20 million euros represent the income taxes liability of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Spa). These taxes are paid directly by the companies upon which they are levied.

- A breakdown of **other liabilities**, which totaled 2,078 million euros, is as follows:

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Fair Value on industrial portfolio derivatives and trading activities	1,523	455	1,068
Amount owed to the controlling company in connection with the filing of a consolidated tax return	234	107	127
Amounts owed to joint holders of permits for hydrocarbon exploration	161	119	42
Payables for consulting and other services	42	31	11
Payables owed to Tax Administration (other than current tax payables)	12	33	(21)
Amount owed to employees	27	30	(3)
Payables owed to social security institutions	21	24	(3)
Amounts owed to shareholders	1	7	(6)
Sundry items	57	44	13
Total other liabilities	**2,078**	**850**	**1,228**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

With regard to **Fair Value on industrial portfolio derivatives and trading activities,** which should be analyzed in conjunction with the corresponding receivables included in **Current assets** (increased from 468 million euros to 1,120 million euros), please refer to the Note 22.

NET FINANCIAL DEBT

At December 31, 2014, net financial debt totaled 1,766 million euros, or 685 million euros less than the 2,451 million euros owed at December 31, 2013.
Consistent with the practice followed at the end of 2013, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See note	12.31.2014	12.31.2013 (*)	Change
Bonds - non-current portion	27	598	1,098	(500)
Non-current bank loans	28	184	154	30
Amounts due to other lenders - non-current portion	28	806	818	(12)
Other non-current financial assets	19	-	(90)	90
Medium/long-term net financial debt		**1,588**	**1,980**	**(392)**
Bonds - current portion	30	553	772	(219)
Short-term financial debt	30	230	268	(38)
Current financial assets	22	(132)	(77)	(55)
Cash and cash equivalents	22	(473)	(492)	19
Short-term net financial debt		**178**	**471**	**(293)**
Net financial debt		**1,766**	**2,451**	**(685)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

The net financial debt benefited from the transaction executed in the renewable energy sector as well as from an improvement in working capital. The net decrease for the year is also due to the effects of the operating cash flow, which more than offset the outlays for capital expenditures (387 million euros), financial expense (98 million euros), taxes (249 million euros) and the distribution of dividends (76 million euros).

Net financial debt includes the loans outstanding with EDF Group companies for about 800 million euros. The balance also includes 16 million euros in short-term financial debt owed to unconsolidated Edison Group companies.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments

(in millions of euros)	12.31.2014	12.31.2013 (*)	Change
Guarantees provided	1,179	1,305	(126)
Collateral provided	69	171	(102)
Other commitments and risks	293	160	133
Total for the Group	**1,541**	**1,636**	**(95)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

Guarantees provided totaled 1,179 million euros at December 31, 2014. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes, *inter alia*, 18 million euros (79 million euros at December 31, 2013) in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided in connection with the intra-Group assignment of tax credits; the decrease compared with the previous year is attributable for the most part to the cancellation of the guarantees provided in connection with the VAT for 2010. Guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

Collateral provided, which amounted to 69 million euros, reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing provided by financial institutions (38 million euros). The decrease, compared with December 31, 2013, is due for 50 million euros to the cancellation of a pledge related to a thermoelectric power plant.

Other commitments and risks, which totaled 293 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (81 million euros).

With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that commitments for 116 million euros were recorded at December 31, 2014 (zero commitments at December 31, 2013).

Please also note the following:
- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/ Emission Reduction Units (ERUs), for the 2013-2020 period, Edison Spa signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.

Edison Spa granted to:
- Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity.
- Petrobras an option to buy its interest in Ibiritermo Sa at a defined price, exercisable in 2022.

Lastly, it is worth mentioning that:

- in December 2014, Edison E&P UK Ltd signed a Put & Call agreement with Apache Beryl I Limited. The agreement allows, provided certain conditions precedent are fulfilled, the exercise of a call option for the shares of a New-Co. On the date the agreement was signed, Edison paid 6.3 million U.S. dollars (about 5 million euros) to purchase the option; this amount qualifies as an advance on the purchase price.

Unrecognized Commitments and Risks

Significant commitments and risk not included in the amount listed above are reviewed below:

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. The duration of these contracts ranges between 5 and 20 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	11.1	53.2	127.0	**191.3**

The economic data are based on prospective pricing formulas.

Furthermore, contracts to import additional quantities of natural gas in future years included agreement to import natural gas from Algeria (*Protocolle d'accord*), signed with Sonatrach in November 2006, that calls for the supply of 2 billion metric cubic meters of natural gas a year through a new pipeline that will be built by the associate Galsi Spa.

2) With regard to the investment in Terminale GNL Adriatico Srl, a natural gas regasification company in which Edison Spa holds an interest of about 7.3% interest, the agreement between shareholders include the right for the other shareholders to buy the 7.3% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised.
Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for a period of 21 years for an annual regasification fee estimated at about 100 million euros. With regard to the regasification fee payable, Edison's risk is limited to the following situations:
   - Edison has the right to cancel the regasification contract for force majeure events affecting the chain (upstream and midstream) of Terminale GNL Adriatico by paying an amount that may not be greater than the regasification fee payable for three years.
   - If a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount.
   - In the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

   In addition, Edison will receive compensation for damages by RasGas, its supplier, which will include the regasification fee, based on circumstances set forth in the contract.

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the main legal and tax disputes outstanding at December 31, 2014 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, subdividing further between those that could give rise to a probable liability, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and those that could give rise to a contingent liability, which is dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the notes to the financial statements.

Probable liabilities associated with legal disputes

Legal disputes that could give rise to a probable liability, for which a provision for risks was recognized in the balance sheet, even though it is not objectively possible to forecast the timing of any related monetary outlays, are reviewed below.

A. **Liabilities for which a provision for disputes, litigation and contracts risks was recognized in the balance sheet** are associated mainly to the following disputes:

Edison Spa

Stava Dam Disaster

By a decision published on May 2, 2011, the Court of Milan decided the remaining action filed by a party injured by the collapse of the Prestavel Dams in 1985, dismissing this party's claims against Montedison (now Edison) and allocating court costs to both parties. This decision is being challenged in an appeal filed on June 14, 2012 and a hearing for closing arguments is scheduled for February 18, 2015.

Actions for Damages and Administrative Proceedings Arising from the Operation of Chemical Facilities Conveyed to Enimont

Porto Marghera Petrochemical Facility - Civil Lawsuits Following the Conclusion of the Criminal Proceedings for Injuries Caused by Exposure to Monovinyl Chloride and for Damages to the Environment

By a decision published on December 27, 2010, the Court of Venice decided the lawsuit filed by some of the parties who had joined the criminal proceedings for injuries caused by exposure to monovinyl chloride and for damages to the environment at the Porto Marghera petrochemical facility as plaintiffs seeking damages. These plaintiffs, who include the Municipality and Province of Venice, the Veneto Region and some associations, are seeking compensation for damages and the reimbursement of the legal costs incurred in connection with the abovementioned criminal proceedings. In its decision, the Court denied all of the claims put forth by the plaintiffs, ordering that they pay all court costs. The plaintiffs filed an appeal and these proceedings ended with a decision awarding damages in amount consistent with Edison's position. A similar lawsuit pending before the Venice Court of Appeals, in which the hearing for closing arguments has already been held, continued without any noteworthy developments.

Mantua Petrochemical Facility - Criminal Proceedings for Personal Injuries and Environmental Damages and Administrative Proceedings for Remediation

Insofar as the criminal proceedings are concerned, on October 14, 2014, the Court of Mantua handed down a decision convicting ten of twelve defendants, all former Directors and executives of Montedison Spa (now Edison), who were found guilty of the involuntary manslaughter of eleven people, former employee of the Montedison Group, whose heirs had joined the proceedings as plaintiffs seeking damages. In the aggregate, the Court provisionally set the compensation for damages owed to the plaintiffs, who had joined the proceedings in connection with the ascertained crimes, at about 8 million euros. The Court dismissed as not having occurred the crime, aggravated by the disaster, of "removal or negligent omission of protections against occupational accidents". Following the filing of the rationale for the decision in mid-January 2015, the Company reserved the right to file an appeal within the statutory deadline. Developments concerning the administrative proceedings are reviewed below.

On October 22, 2012, Edison was served with an order by the Provincial Administration of Mantua instructing it to submit a project for the specific purpose of reestablishing safe conditions at the site called "Versalis area, former chlorine sodium production facility". Late in December 2012, the Company challenged this order, filing a motion to stay its enforcement with the Regional Administrative Court of Lombardy - Brescia. This motion was denied by the court in February 2013 and by the Council of State in appeal. The Company then began discussions with the Provincial Administration to stipulate the methods, terms and conditions governing the implementation of the order.

In addition, on October 16, 2013, the Mantua Provincial Administration informed Edison of the start of proceeding aimed at identifying the party responsible for exceeding the Contamination Concentration Thresholds at the "Area L mercury Mud Landfill" included in the "Laghi di Mantova e Polo Chimico" National Interest Site. The Company challenged these proceedings, in an appeal filed with the Regional Administrative Court of Lombardy - Brescia, notified in December 2013, because they already contained an "intimation" pursuant to Article 244 of Legislative Decree No. 152/2006.

Also with regard to the abovementioned "Area L", on June 20, 2014, the Mantua Provincial Administration served Edison with an actual order pursuant to Article 244 of Legislative Decree No. 152/2006, the legality of which the Company plans to challenge before the Regional Administrative Court of Lombardy - Brescia.

In addition, at the end of June 2014, Edison received notice of the start of additional proceedings aimed at identifying the party responsible for exceeding the "CCT" at another area within the Mantua National Interest Site, identified as the area between the "intake canal of the Versalis plant and the Formigosa Arch". The Company challenged these proceedings before the Regional Administrative Court of Lombardy - Brescia.

Lastly, it is worth mentioning that in October 2014, the Ministry of the Environment served Edison, Versalis and Syndial with two additional notices of the start of proceedings aimed at identifying the party responsible for exceeding "CCT" levels at two additional separate areas at the Mantua National Interest Site, i.e., the areas identified as area "B+I" and area "N."

Edison filed separate appeals with the Administrative Court of Lombardy - Brescia regarding these two proceedings.

Crotone Plant - Criminal Proceedings for Personal Injuries Caused by Exposure to Asbestos

In the proceedings stemming from investigations occurred in the relatively distant past launched by the Public Prosecutor of the Court of Crotone targeting eight former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with involuntary manslaughter and personal injuries caused by exposure to asbestos. The oral argument phase got under way in January 2012 and is still continuing.

Crotone Plant - Criminal Proceedings for Environmental Damages

The Public Prosecutor of the Court of Crotone launched an investigation targeting 35 individuals, including five former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with environmental crimes (unauthorized waste management, disaster and poisoning of the aquifer) for activities carried out from 1986 to 1990, while operating a local plant formerly owned by Montecatini. In connection with these proceedings, the Public Prosecutor filed a motion asking to be allowed to introduce evidence developed during the discovery phase. During the first hearing, which was held on May 3, 2012 before the Judge for Preliminary Investigations, expert appraiser were appointed, who are expected to file their expert opinion in the next months.

Brindisi Petrochemical Facility - Administrative Proceedings

On March 25, 2013, the Brindisi Provincial Administration served Edison, Eni, Syndial and Versalis with an order pursuant to Article 244, Section 2, of Legislative Decree No. 152/2006 (the "Environmental Code") concerning an alleged landfill adjacent to the Brindisi Petrochemical Facility. The companies challenged this order before the Apulia Regional Administrative Court, Lecce section, and the four decisions in these proceedings were handed down in February 2014. In its decisions concerning the challenges filed by Eni, Syndial and Versalis the Apulia Regional Administrative Court set aside the order of the Provincial Administration for lack of jurisdiction, voiding its effects on any and all parties. On the other hand, the Regional Administrative Court denied Edison challenge, finding the Edison was allegedly jointly liable for the state of contamination of the site. The Company challenged this decision before the Council of State.

Belvedere di Spinello Mineral Concession

By a summons served on October 31, 1986, the Catanzaro Provincial Administration (which was later replaced in the proceedings by the Crotone Administration) sued Montedipe Spa (now Edison) asking that it be ordered to pay for the damages (quantified conservatively at 1 billion lire) caused to the Spinello-Belvedere del Neto provincial road by the defendant's activities in connection with production from the neighboring salt mine. By a decision handed down on March 12, 2009, the Court of Catanzaro ruled that the reasons for the dispute no longer existed and ended the proceedings. The provincial administrations appealed this decision. By a decision filed on August 13, 2013, the Catanzaro Court of Appeals, overturned the lower court's decision, ordering Montedipe (now Edison) to pay to the appellant administrations the amount of about 31,000 euros (plus inflation adjustment and interest from the date the facts occurred to the date of the decision), further ordering a continuation of the proceedings. By a separate order, the Court requested a technical report by a court appointed consultant in order to "*ascertain whether there is a need to reposition the provincial road or if it is possible to carry out conservation and/or consolidation work capable of ensuring the road's complete safety and usability".* The consultant's report is still in the process of being prepared.

Claims for Damages Caused by Exposure to Asbestos

In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison Spa (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.

Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

There were no significant new developments with regard to the negative assessment action filed by Finimeg (now Nuova Cisa), formerly the parent company of Poggio Mondello, asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Court of Cassation in December 2001 be ruled unenforceable (the seizure also covers other real estate assets owned by Poggio Mondello) and the appeal concerning the same issues that was filed against the decision handed down by the Court of Palermo. With regard to the appeal, the lower court handed down a decision stating that it lacked jurisdiction (the criminal court being the proper court of venue) and denying the claims for damages filed by Finimeg (now Nuova Cisa) against the City of Palermo.

The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg (now Nuova Cisa), Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of these properties, proceeded through the various levels of the judicial system.

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

Edison Spa

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis (now Solvay Specialty Polymers Spa) and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they filed a series of administrative complaints with the Regional Administrative Court of Latium - Rome seeking, among other remedies, a stay and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. In March 2011, the Regional Administrative Court of Latium handed down a decision ruling that part of the complaints filed by Solvay Chimica Bussi and Solvay Specialty Polymers were inadmissible and dismissed other complaints. In June 2011, Solvay Chimica Bussi and Solvay Specialty Polymers appealed this decision to the Council of State and Edison joined these proceedings putting forth the objections it already raised before the lower court.

It is also worth mentioning that, in September 2013, the Company received a letter from the Ministry of the Environment containing an injunction to remove all waste found at landfills located both inside and outside the plant, restore the conditions of the sites and proceed with the remediation of the affected environmental matrices, if contaminated. In December 2013, this letter was challenged before the Abruzzo Regional Administrative Court - Pescara Section, which, by a decision handed down on April 30, 2014, rejected the Company's challenge. Like the challenged injunction, this decision is vitiated by obvious illegality profiles and is substantively unfair. Consequently, Edison appealed the decisions by the Abruzzo Regional Administrative Court to the Council of State in order to protect its rights and interest. A hearing for oral arguments was held on January 13, 2015 and a decision by the Court is now pending.

Developments regarding the ongoing criminal proceedings regarding the alleged poisoning of water intended for human consumption and environmental disaster, for which three former managers and employees of Montedison Spa (now Edison Spa) are being charged, are reviewed below.

By a decision handed down by the lower court on February 7, 2014 granting the request for "summary judgment" by the counsel for all defendants, Edison Spa, as the civilly liable party that was sued and joined the proceedings, was excluded from the proceedings pursuant to Article 87, Section 3, of the Code of Criminal Procedure. Consequently it is no longer a party to these proceeding.

The trial thus continued only against the defendants, personally, in "summary judgment" proceedings and the Chieti lower court, by a decision handed down on December 19, 2014 dismissed all charges against all defendants, including the three former managers and employees of Montedison.

With regard to the position of Edison Spa, following its exclusion from the criminal trial and the acquittal of its three former employees, the following alternative scenarios are possible: *i)* if the decision acquitting the three employees of the former Montedison were to become final, the decision would have a direct effect on the civil law plaintiffs, excluding any right to receive compensation for damages from Edison, the civil law respondent; *ii)* on the other hand, if upon a reversal of the recent acquittal decision, the courts were to hand down a final guilty verdict against the three defendants, former employees of the Montedison Group, the decision would have a direct effect only on the defendants, but not with regard to Edison Spa. Any interested party would then have to pursue new proceedings before a civil court to determine the liability of Edison Spa for the actions of its former employees.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger by absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as a liable (or jointly liable) party in the abovementioned proceedings. Further to understandings reached earlier, Edison participates in the Service Conferences, as they are convened from time to time.

Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.

In these proceedings, the Preliminary Hearings Judge, by a decree dated January 16, 2012, indicted several individuals, including three former Montedison (now Edison) executives, for crimes against public safety and environmental crimes, ordering them to stand for trial before the Court of Alessandria. The trial before the Court of Alessandria began on October 17, 2012 and the evidence gathering hearings should be completed in the coming months.

Solvay - Edison Arbitration

On May 7, 2012, Edison received a notice that Solvay Sa and Solvay Specialty Polymers Italy Spa filed for arbitration on May 4, 2012 due to alleged violations of certain representations and environmental warrantees provided in a contract signed on December 21, 2001 by which Ausimont Spa was sold by Montedison Spa and Longside International Sa to Solvay Solexis Sa (now Solvay Specialty Polymers) and regarding the industrial sites of Bussi sul Tirino and Spinetta Marengo.

Edison Spa joined the arbitration proceeding on July 6, 2012, contesting the claims put forth by Solvay Sa and Solvay Specialty Polymers Italy Spa and filing a counterclaim.

The arbitration proceedings are governed by the Arbitration Rules of the International Chamber of Commerce, located in Geneva, and will be decided in accordance with Italian law.

With regard to these proceedings, please note that, on July 31, 2013, following the filing of initial briefs by the parties in 2013, the Board of Arbitrators decided to bisect the proceedings to address in advance certain prejudicial and preliminary exceptions put forth by Edison, separately from the action filed by Solvay Sa and Solvay Specialty Polymers Italy Spa.

The Board of Arbitrators, by an award notified to the parties at the end of December 2014, while denying some of the exceptions put forth by Edison, essentially postponed all decision to the next phase of the merit hearing, without affecting in any way the final outcome of the dispute.

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C. **Liabilities for which a provision for environmental risks was recognized in the balance sheet** are mainly related to:

Edison Spa

Industria Chimica Saronio Spa Factory - Municipal Administrations of Melegnano and Cerro al Lambro

The Company filed appeals before the Council of State against the decisions handed down on July 16, 2009, by which the Regional Administrative Court of Lombardy dismissed the appeals filed by Edison challenging two feasible and urgent orders issued by the municipal administrations of Cerro and Melegnano, ordering the Company to implement the activities needed to prevent the contamination deriving from a facility decommissioned in the 1960s, formerly owned by Industria Chimica Saronio Spa (of which Edison is the assign), from migrating from the upper aquifer to the deeper aquifer. Edison and the municipal administrations continue to be engaged in negotiations to implement the abovementioned emergency activities.

Property in Bussi sul Tirino (formerly owned by Montedison Srl)
Within the framework of the administrative proceedings launched with regard to the state of contamination of an industrial property owned by Edison Spa (formerly by Montedison Srl, a company merged into Edison effective as of July 1, 2012) adjacent to the industrial site in Bussi sul Tirino operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, negotiations with the Delegated Commissioner appointed by the Council of Ministers, without Montedison Srl (now Edison Spa) altering its claim to the status of guiltless owner, resulted in an agreement regarding the financial contribution provided for the emergency projects required to ensure the safety of the property.
On November 22, 2012, further to a request by the Delegated Commissioner for additional work at the site where the abovementioned safety project had been completed, Edison challenged the Commissioner's order before the Regional Administrative Court of Pescara, contesting its lawfulness in fact and in law.
There were no noteworthy developments concerning the two separate appeals that Montedison Srl (now Edison Spa), a company that never operated any activity at the property in question, filed with the Regional Administrative Court against the actions taken by the Delegated Commissioner.

City of Milan, Damage Claim for Montedison's "Former Officine del Gas" Site in Milan - Bovisa
In June 2013, the City of Milan served Edison with a summons to appear before the Court of Milan to provide compensation for damages allegedly related to the remediation costs for the "former Officine del Gas" site in Milan's Bovisa district, quantified at about 20 million euros. At this site, Montedison Spa carried out a gas production and distribution business from 1966 to 1981. The damage claim is also for the damage allegedly suffered by the City of Milan for the loss of value of assets it owns, estimated at about 10 million euros. Edison joined the proceedings filing a brief in December 2013. A hearing for closing arguments pursuant to Article 189 of the Code of Civil Procedure is scheduled for February 18, 2015.

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D. **Liabilities for which a provision for other legal risks was recognized in the balance sheet** mainly concern:

Edison Spa

Savings Shareholders/UBS: Challenge of the Resolution Approving the Merger of Edison into Italenergia and Claim of Compensation for Damages
In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of Edison and Italenergia Spa, in which the Court of Milan handed down a decision on July 16, 2008 that led to a settlement with UBS AG in June 2009, the settlement offer made by the Company to some savings shareholders who, even though they failed to take legal action or take any other action that may have legal consequences, are nevertheless claiming compensation was accepted by parties holding about 65% of the shares. However, other claimants filed a legal action with the Lower Court of Milan, which ruled upholding the plaintiffs' complaints. The Company challenged this decision before the Milan Court of Appeals and, at the hearing for closing arguments, held on December 17, 2013, the Court granted to the parties the extended deadline provided pursuant to law for the filing of closing briefs and any counter-arguments. By a decision handed down on June 27, 2014, the Milan Court of Appeals fully upheld Edison's challenge, ordering the opposing parties to refund any amounts paid by the Company pursuant to the lower court's decision, plus interest and costs. This decision has since become final, as the succumbing party failed to appeal it to the Court of Cassation and the reversal of the related provision for risk was reversed in 2014.

Civil Proceeding Between Axpo Italia and Edison - Supply Contract for Natural Gas

On December 23, 2013, Axpo Italia Spa filed a lawsuit before the Court of Milan against Edison Spa aimed at obtaining compensation for damages resulting from an alleged breach by Edison of an existing contract to supply natural gas that the parties executed on October 26, 2012. Specifically, Axpo Italia demands compensation for damages resulting from Edison's alleged failure to provide the contractually stipulated gas volumes.

Edison joined the proceeding in 2014, flatly denying any breach and filing a counterclaim.

The litigation is currently pending in the discovery phase.

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Contingent liabilities associated with legal disputes

The current status of the principal legal disputes that have arisen due to past events with regard to which there is a contingent liability dependent on the occurrence of events that are possible, but non probable, or are probable but their impact cannot be quantified reliably and are likely to result in a cash outlay of an amount that cannot reasonably be estimated based on available information is reviewed below:

Environmental Legislation

In addition to the probable liabilities for environmental risks, already covered by provisions and previously described, in recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the subjective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws.

Therefore, taking into account the current and past scope of the industrial operations of the Company and the Group, particularly in the chemical industry, which were carried out in full compliance with the statutes then in force, it cannot be excluded that, in light of current legislation, new allegations of contaminations may arise, in addition to those currently subject to administrative and judicial proceedings.

Edison Spa

Verbania Factory - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust

The Court of Verbania handed down a decision acquitting of all charges the defendants indicted for the crimes of involuntary manslaughter and involuntary personal injuries caused in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory. The Public Prosecutor appealed this decision to the Turin Court of Appeals, where oral argument hearings are currently in progress.

ACEA Unfair Competition

On August 7, 2006, ACEA Spa filed a complaint before the Court of Rome against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, for alleged unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, caused by the acquisition of joint control of Edison by EdF and AEM, which purportedly constituted a violation of the 30% ceiling in the ownership of Edipower by a government-owned company, as set forth in the Prime Minister Decree dated November 8, 2000. ACEA considered such modification of control structure of the Edison Group injurious to itself and asked that AEM and EdF be ordered to pay damages and take the actions necessary to void the consequences of their actions (such as the proportional divestment of equity interests held in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower in excess of the corresponding allowable quantity). Anyway, regarding the last request of ACEA, it must be noted that since May 24th, 2012, the participation, held by Edison in Edipower, had been sold by the same Edison to Delmi Spa. Within the framework of the proceedings before the Rome Lower Court, the Court handed down a decision finding that Edison had no standing as a defendant. By a filing notified on September 29, 2014, ACEA appealed this decision to the Rome Court of Appeals, which scheduled a hearing for June 3, 2015.

Pagnan vs Edison

By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison, by means of a third-party summons, by Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of the Land and the Sea and the Ministry of Infrastructures for alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park. An appeal was filed on September 21, 2010 and the Court of Appeals of Venice adjourned the proceedings, scheduling a hearing for closing arguments for December 2, 2015.

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

On October 22, 2012, in the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel, the Court of Modica, upholding the arguments put forth the counsel for the defendants, voided the decree that ordered the trial, returning the record of the proceedings to the Preliminary Hearing Judge. The new Preliminary Hearing began on December 20, 2012 and Edison's civil representative was summoned to appear. With regard to these proceedings, it is worth mentioning that, following the closing in 2013 of the Modica Court pursuant to recent legislation, territorial jurisdiction over the proceedings was transferred to the Court of Ragusa, where a preliminary hearing has not yet begun.

Meraklon/Edison - Edison Energia Spa Dispute

The lawsuit filed by Meraklon against Edison Energia Spa and Edison Spa in relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon's challenge of an injunction issued by the Court of Milan in favor of Edison Energia Spa for the purpose of collecting receivables owed pursuant to the abovementioned contract was interrupted upon the plaintiff becoming eligible for extraordinary administration proceedings. In the course of the abovementioned proceedings, Meraklon sued Edison Energia Spa and Edison Spa (the original counterpart in the abovementioned supply contract), putting forth a series of counterclaims against both companies in connection with disputes concerning the supply of electric power, heat and other utilities to the Terni factory. The companies filed a motion for reinstatement of the proceedings before the Court of Terni, which, however, was denied in 2012, with Edison being ordered to pay court costs, set at 1,800 euros, as total amount of professional fees, plus statutory incidental charges. Similar motions for reinstatement filed by Edison Spa and Edison Energia Spa before the Court of Milan, were granted and the proceedings are pending in the preliminary phase.

Angelo Rizzoli/Edison et al.

On September 25, 2009, Angelo Rizzoli sued before the Court of Milan Edison (as assign for Iniziativa Meta Spa), RCS Media Group, Mittel and Giovanni Arvedi in connection with the purchase in 1984 by the abovementioned parties of a controlling interest in Rizzoli Editore (owner of the *Corriere della Sera* newspaper). Intesa San Paolo was also sued, in its capacity as assign for Banco Ambrosiano. The purpose of the lawsuit was to obtain that the contracts that resulted in the abovementioned purchase be found to be and declared null and void and that the defendants be ordered to make restitution by paying the financial equivalent of the rights and equity interests subject of the abovementioned contracts.
By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims,

ordering the plaintiff to refund all litigation costs incurred by the defendants, which, in Edison's case, were quantified at about 1.3 million euros. The Court also ordered Angelo Rizzoli, for liability aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.
The losing party is challenging this decision before the Milan Court of Appeals and a hearing for closing arguments is scheduled for October 20, 2014 and a decision is pending.

Cartel Damage Claims - Ausimont: Claim for Damages
In April 2010, Edison was served with notices setting forth four amended briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Düsseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006.
Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. The proceedings are currently in the preliminary phase and the Court of Düsseldorf, by an order dated April 29, 2013, ruled that the lawsuit should be submitted to the Court of Justice of the European Union to address a series of issues concerning claim admissibility and jurisdiction put forth by all respondents. A decision by the Court is expected in the first half of 2015.

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Probable liabilities associated with tax disputes

The following are the main tax disputes that could give rise to probable liabilities, even though it is not objectively possible to forecast the timing of any related monetary outlays, for which provisions for risks were recognized in the balance sheet:

Edison Spa

Old Edison Spa - Income Tax Assessments for 1995, 1996 and 1997
In 2014, there was no significant change in the status of the disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 tax years of the old Edison Spa, absorbed by the current Edison Spa, while waiting for a hearing before the Court of Cassation. Any charges that may be incurred from these disputes are covered by a special provision for risks.

Old Calcestruzzi Spa - Income Tax Assessments for 1991 and 1992
In 2012, the Company filed a challenge with the Court of Cassation, asking it to review the decisions handed down by the Regional Tax Commission of Emilia Romagna, to which the proceedings had been returned, concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years. A hearing for arguments before the Court of Cassation has not yet been scheduled.
In the appeal pending before the Court of Cassation, the Company is asking the Court to review the decision specifically with regard to the penalties and the computation of the taxes resulting from the disallowance for tax purpose of the transaction involving the beneficial ownership of the shares, which is also being contested on the grounds of an alleged misuse of a legal right.
In 2012, the tax obligation having become enforceable, the Company paid the taxes, penalties and interest owed pursuant to the decision by the Regional Commission. However, the payment made, which was fully funded by a provision for risks established for this purpose, must be viewed as having been made while the proceedings were in progress and not final, pending a further review by the Court of Cassation.

IRES and IRAP Assessments - 2005-2009 Tax Years
The general audit of Edison Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2010 (up to the starting date of the audit) launched by the Milan Tax Police Unit was completed at the end of May 2011.

Based on the issues raised in an excerpted tax audit report the Revenue Agency - Regional Lombardy Division - Office of Major Taxpayers, over the years, served Edison Spa with corporate income tax (IRES) and IRAP notices of assessment for 2005, 2006, 2007 and 2008, contesting, in particular, the deductibility of costs incurred with black-listed suppliers (mainly Swiss), thereby dissenting in part with the conclusions reached by the Revenue Police, and some other costs found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period.
The IRES notices of assessment, starting with those for the 2006 tax year, were also served on Transalpina di Energia Srl (now Transalpina di Energia Spa) (TdE) in its capacity as the consolidating entity.
Further to the appeals filed by the Company and TdE, the consolidating entity, the Provincial Tax Commissions voided the assessments for the 2005-2007 tax years and a decision is expected following the oral argument hearing held in December 2014 regarding the 2008 tax year. The Regional tax Commission upheld the decision in favor of the Company and, consequently voided the assessment for 2005 and 2006, while the dispute concerning the 2007 tax year is continuing at the appellate level. The collection of all annual tax amounts is currently suspended while the proceedings are in progress.
The VAT assessment for 2006 was initially voided with a decision by the Provincial Tax Commission. This decision was later appealed by the Revenue Agency and, in 2014, the Regional tax Commission reversed the Provincial Commission's decision, reinstating the VAT assessment. An appeal filed by the Company with the Court of Cassation is currently pending.
The amount owed in terms of additional tax, penalties and interest in accordance with the Regional Commission decision was paid in September 2014.
At the end of December 2014, the Company was served with notices of assessment for IRES, IRES surcharge levied on energy companies (or Robin Hood Tax), IRAP and VAT for the 2009 tax year: the costs disallowed for assessment purposes were not costs attributable to "black list" suppliers, consisting instead of costs found to be not attributable to the year when charged. The amounts were considerably reduced compared with the original amounts in the Audit Report and, consequently, the Company is considering whether, in order to minimize court costs, it should agree to pay the requested amounts, benefiting from the reduced penalties and pursuing the recovery of taxes paid in the years in which the contested costs are applicable for tax purposes.
In the course of the pending disputes, the Company produced exhaustive documents and provided ample clarifications in support for and as evidence of the economic rationale for the transactions it executed, which, incidentally, were found to be effective and inherent; it is therefore confident, comforted in part by the decisions handed down thus far by the Provincial and Regional Tax Commissions and the lasted notices of assessment it received, that the documents and arguments it delivered will lead to the final voiding of the tax recoveries carried out, particularly regarding costs with "Black List" suppliers.
The provision recognized in the financial statements for the different tax years takes into account the potential costs that could derive from this dispute if reduced income tax and VAT recovery amounts were to be upheld and of the costs entailed by the potential amicable settlement of the pending dispute and of the recently notified assessments for the 2009 tax year. The provision was increased in 2014 to take into account potential costs deriving from the evolution of pending disputes and was used in part to pay the additional VAT, while the proceedings are in progress. However, the Company decided to put on hold, while the proceedings are in progress, the cost deriving from the payment of the VAT penalties triggered by the assessment of an additional VAT liability.

Disputed Municipal Property Taxes (ICI) and Assessed Values of Hydroelectric and Thermoelectric Power Plants

The Company, like other companies in its industry, is a party to disputes concerning assessments for municipal property taxes (ICI) issued by some municipalities where its power plants are located and to some disputes in which the Revenue Agency (former Territorial Agency) is contesting the proposed assessed values.
In view of possible out-of-court settlements with the various municipal administrations on pending or potential disputes, the Company recognized a provision to cover potential costs.

Other Group Companies

Edison Trading Spa - IRES and IRAP Assessments for 2005

The IRES (Level I) and IRAP assessments for 2005, which were notified in December 2010, concerned mainly expenses found to be “not attributable” to the year in which they were recognized and deducted, but were nevertheless inherent and effective, were challenged by the company before the Milan Provincial Tax Commission, which denied the company’s challenge in 2014. The company will file a formal appeal within the required deadline.

The Level II IRES notices of assessment notified to Edison Spa, in its capacity as the parent company, and to Edison Trading Spa, demanding payment for an increased IRES liability, were voided in a decision by the Provincial Tax Commission. This decision in the company’s favor was upheld by the Regional Tax Commission in January 2014.

The notice of imposition of penalties related to the IRES assessment was also the subject of a challenge before the Provincial Tax Commission, which concurred with the challenge and voided the levied penalties. The Revenue agency is appealing.

A provision that takes into account the costs deriving from this dispute was recognized in the financial statements.

Edison Trading Spa - General Audit by the Revenue Police

Edison Trading Spa was the subject of a general audit concerning income taxes and indirect taxes launched by the Milan Tax Police Unit which was completed in August 2011.

The findings of the tax audit report included IRES and IRAP mentions for the years from 2006 to 2009 concerning the costs incurred with black-listed suppliers, recognized as being effective and inherent.

The so-called “Black List” costs, which nevertheless were found to be effective and inherent, were the subject of further analysis by the Revenue Agency, due in part to the documents and clarification provided in response to the questionnaires notified in September 2011 for the 2006 tax year and in June 2012 for the 2007, 2008 and 2009 tax years.

In December 2012, the Revenue Agency served the company with IRES and IRAP notices of assessment (and the consolidating entity Transalpina di Energia Srl with IRES notices of assessment) for the 2006 and 2007 tax years, with significantly reduced tax recovery amounts compared with the initial amount listed in the Audit Report. The assessments were settled in May 2013 through an amicable settlement procedure, with the payment of a total amount of 1,165,000 euros that included reduced penalties and interest.

At the end of November 2013, the company and the controlling company TdE were served with notices of assessment for IRES, Robin Hood Tax and IRAP for 2008, with tax recovery in line with those agreed to in connection with the amicable settlement reached for the 2007 tax year. In December 2013, to settle the amount for this tax year, the company agreed to pay the additional tax, plus interest and reduced penalties, for a total amount of 938,000 euros, which was fully funded by a provisions for risks recognized in the financial statements.

In November 2014, the company was served with notices of assessment for IRES, Robin Hood Tax and IRAP for 2009, with regard to which it applied for an amicable composition procedure, with the aim of settling these assessments in a manner consisted with the one used for previous tax years.

The provision recognized in the financial statements covers any potential charges resulting from the assessments.

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Contingent liabilities associated with tax disputes

With regard to the main tax disputes, in connection with which a liability may be incurred contingent on possible, but not probable, events, please note the following:

Edison Spa

Tax Assessments for 2002

There was no change during 2014 in the dispute concerning the corporate income tax (IRPEG) and regional tax (IRAP) assessments for 2002, which is pending before the Court of Cassation following an appeal filed by the Office of the Solicitor General, acting on behalf of the Revenue Agency. The decision handed down in 2009 by the Regional Tax Commission was largely favorable to the Company.

Dispute for Registration Fees on Transactions Requalified as Disposal of Business Operations (Taranto plants)

In 2012 Edison Spa was served with a payment notice for registration mortgage and cadastral fees, totaling about 17 million euros, levied by the Rho Revenue Agency based on the presumed requalification of a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CET2 and CET3 thermoelectric power plants in Taranto) to Taranto Energia Srl and the subsequent sale of the equity interest in this company to ILVA Spa.
The Company challenged this, asking for a stay of collection activities. Initially, in February 2013, the Milan Provincial Tax Commission issued an order halting collection activities; subsequently, in July 2013, it handed down a merit decision, granting the Company's challenge and voiding the payment notice.
Further to an appeal filed by the Revenue Agency, the Regional Tax Commission, by a decision handed down in December 2014, reversed the decision of the Provincial Commission, upholding the payment notice and dismissing the legal and economic rationale underlying the choice of how to structure the transaction.
In any event, the Company believes that it acted properly and in full compliance with the law, consistent with a rationale that was not exclusively tax related for the mere purpose of obtaining a tax benefit, utilizing the legal structures available under the law that were most effective in producing the configuration most appropriate for both parties, particularly from a legal standpoint. Consequently, the Company will defend its arguments before the Court of Cassation and in the course of filing a formal challenge before that Court.

Disputed Municipal Property Taxes (ICI) on Offshore Hydrocarbon Production Platform

In recent years, Edison Spa was served with notices of assessment for property taxes (ICI/IMU) by which municipal administrations on the Adriatic coast (Termoli, Porto Sant'Elpidio and Torino di Sangro) requested payment of municipal property taxes on some hydrocarbon production platforms located in the Adriatic Sea.
Up to 2012, all decisions were in the Company's favor. In 2012, the Campobasso Regional Tax Commission, ruling on the notices of assessments for the tax years from 1999 to 2004, partially upheld the challenge filed by the Termoli municipal administration, finding that the tax was owed and disallowing in full the penalties. The appeal before the Supreme Court of Cassation on this decision, asking the Court to confirm that property taxes cannot be levied on offshore hydrocarbon platforms, as already recognized by the Revenue Agency (former Territorial Agency), was filed on November 2013.
Further to a payment injunction and an enforcement action pursued by Assoservizi on behalf of the Termoli Municipal Administration based on the abovementioned decision by the Regional Commission, the Company paid the amount owed, albeit on a provisional basis while the proceedings are pending.
In January 2013, the Campobasso Provincial Tax Commission, ruling on the notices of assessments for the tax years from 2007 to 2010, handed down a decision by which it confirmed the tax liability but disallowed in full the penalties. In this case as well, the Company filed an appeal asking for a stay of the enforcement of this decision and collection while the proceedings are in progress was suspended.
Additional notices of assessment have been served for ICI/IMU by the Termoli municipal administration (for the 2011 and 2012 tax years) against which an appeal has been filed or is in the process of being filed.

The notice of assessments issued by the Porto Sant'Elpidio municipal administration for the years from 2001 to 2006 was essentially voided by the Provincial Tax Commission of Ascoli Piceno, while for the one covering the years from 2007 to 2011, another section of the Provincial Tax Commission of Ascoli Piceno upheld only the charge for the tax. The Municipal Administration and the Company have filed appeals in both proceedings.
The notice of assessment for ICI notified by the municipality of Torino di Sangro for the 2006-2011 years was voided by the Chieti Provincial Tax Commission. The Municipal Administration is appealing this decision.
The Company intends to pursue this dispute in all appropriate judicial venues with the aim of ensuring that the validity and legitimacy of its actions is recognized, since it believes that the claims of the municipal administration are totally groundless in point of law. In any event, these disputes are not believed to entail a probable risk and, consequently, no provision for risks was recognized.

Other Group Companies

Edison Energia Spa - Customs VAT Assessment for 2001, 2002 and 2003 for the Former EDF Energia Italia Srl
In September 2014, the Court of Cassation handed down a decision by which it quashed a decision, unfavorable to company, handed down by the Regional Tax Commission in 2011 in the dispute concerning the customs VAT assessments for 2001, 2002 and 2003 of EDF Energia Italia, later absorbed by the company, and sent the proceedings back to the lower court. The Court of Cassation referred the proceedings to a different section of the Regional Commission asking it to ascertain whether the reversed charge mechanism was applied to the contested transactions - as was in fact the case - and whether, consequently, this would cause double taxation if the customs VAT was also applied, in violation of E.U. principles.
The process of formally resuming this dispute is in progress, while at the same time the company is continuing discussions with the Customs Agency to determine whether the condition required by the Court of Cassation can be verified by means other than court proceedings and thus make the customs VAT not chargeable and the amount paid refundable.
However, it is important to keep in mind that if the occurrence of double taxation were to be confirmed and the Customs VAT paid while the proceedings were in progress were to be refunded by the Revenue Administration, any amount collected would have to be repaid to EDF International, which defrayed all of the costs related to this dispute by virtue of the contractual guarantees provided at the time of acquisition.

Contingent assets

Contingent assets in the tax area, the benefit of which cannot be recognized in the financial statements, pursuant to IAS 37, because it is not virtually certain, are reviewed below:

Edison Spa - Dispute for Registration Fees on Transactions Requalified as Disposal of Business Operations (CIP 6/92 plants)
In July 2010, Edison Spa was served with a payment notice for additional registration, mortgage and cadastral fees, totaling about 11 million of euros, in connection with a transaction executed in 2008 involving the conveyance of business operations (CIP 6/92 power plants), followed by the sale of the corresponding equity investment to Cofatech Spa.
While the proceedings are in progress and lacking an order staying the collection process, the Company paid the additional taxes owed in order to avoid prejudicial collection actions.
This dispute is currently pending before the Court of Cassation, following an appeal filed by the Company against an unfavorable decision by the Milan Regional Tax Commission. Earlier, the Provincial Commission had ruled totally in the Company's favor.
Any amounts paid while the proceedings are in progress can be refunded to the Company upon final disposition of this dispute, which the Company believes could end favorably with the recognition of the economic and legal rationale underlying the decision to use the legal structure of conveyance of business operations and the resulting legality of its actions, also from a taxation standpoint.

GROUP FINANCIAL RISK MANAGEMENT

This Section describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions rights, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7, consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, petroleum products and environmental securities), both directly, with pricing formula, and indirectly, through statistical correlations and economic relations, which have an impact on the revenues and expenses of its production, storage and marketing operations. Moreover, because some contracts are settled in currencies different from euro and/or include a translation into different currencies through price indexing formulas, the Group is also exposed to exchange rate risk.

Consistent with its Energy Risk Policies, the Group may use hedging derivatives to minimize or contain this risk.
From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the derivatives trading activity.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (so-called Industrial Portfolio), except for those related to Trading Activities described below (so-called Trading Portfolios), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), which measured in terms of Profit at Risk (PaR[1]) with a confidence index of 97.5% and an annual time horizon.

Each year, the Board of Directors approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called Operational Hedges.

At December 31, 2014, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.

1. Profit at Risk: is a statistical measurement of the maximum potential negative variance in the budgeted margin in response to unfavorable markets moves, within a given time horizon and confidence interval.

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

As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2016. For derivative contracts maturing in 2015, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility and correlations of the spot markets. For derivative contracts maturing after 2015, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves at the end of the reporting period are used as a reference level.
Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding derivative contracts over the length of a reporting year with a level of probability conventionally set at 97.5%.

Based on the method explained above, the table below shows the maximum negative variance in the fair value of outstanding derivatives expected over the time horizon of the 2015, with a 97.5% probability, compared with the fair value determined at December 31, 2014, which is 452.8 million euros (328.6 million euros at December 31, 2013).

Profit at Risk (PaR)	12.31.2014		12.31.2013	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	**97.50%**	**452.8**	**97.50%**	**328.6**

In other words, compared with the fair value determined for derivatives contracts outstanding at December 31, 2014, the probability of a negative variance greater than 452.8 million euros by the end of 2015 is limited to 2.5% of the scenarios.

The increase, compared with the level measured at December 31, 2013, is due primarily to a higher net volume of financial derivatives related to the Hydrocarbons Operations.

The hedging strategy deployed during the year enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in 2014 by the Industrial Portfolio would have been equal to 105% of the approved limit (89% in 2013), with a peak of 165% in October (160% in January 2013). With hedging, the average Economic Capital absorption in 2014 by the Industrial Portfolio was 53% (59% in 2013), with a peak of 94% in March (98% in January 2013).

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial

Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR[2]) limit with a 95% probability on the Trading Portfolios is 3.4 million euros at December 31, 2014 (3.7 million euros at December 31, 2013), with a stop loss limit of 17.7 million euros (19.5 million euros at December 31, 2013). The VaR limit was 15% utilized at December 31, 2014 (50% at December 31, 2013), with an average utilization of 29% for the year (44% in 2013).

As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for potentially illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 52.9 million euros (58.6 million euros in 2013). This limit was 18% utilized at December 31, 2014 (57% at December 31, 2013), with an average utilization of 33% for the year (49% in 2013).

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that part of the activities of the Edison Group are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contractual components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk). Lastly, fluctuations in foreign exchange rates have an impact on consolidated results and on the shareholders' equity attributable to Parent Company shareholders because the financial statements of subsidiaries denominated in a currency other than the euro are translated into euros from each subsidiary's functional currency (translational risk).

The foreign exchange risk management objectives are described in specific Policies. The exposure to economic and transaction risk arising from exchange rate, related to commodity transactions, is managed in accordance with specific limits and strategies (see the preceding section in this regard).

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. Consequently, it values on a regular basis its exposure to the risk of fluctuations in interest rates, which it manages with hedging derivatives, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges and Fair Value Hedges), while others qualify as Economic Hedges.

Gross Financial Debt	12.31.2014			12.31.2013 (*)		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,904	1,304	55%	2,626	2,046	66%
- variable rate portion	467	1,067	45%	484	1,064	34%
Total gross financial debt (**)	**2,371**	**2,371**	**100%**	**3,110**	**3,110**	**100%**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) For a breakdown of gross financial debt see the following "Liquidity Risk" paragraph.

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

In the 2014 the Edison Group did not execute significant financial transactions and did not change its strategy to manage the risk of interest rate fluctuations. On July 22, 2014, the derivative position hedging a 700-million-euro bond issue was closed out concurrently with the repayment of the bonds at their scheduled maturity. With regard to indebtedness and related hedges of other Group companies, it should be noted that a loan owed by Gever Spa and the related Interest Rate Swaps expired in the year and, further to an opportunity assessment by Edison Spa, an Interest Rate Swap, originally taken out by Edison Energie Speciali in connection with a loan already repaid, was closed out early without a significant impact.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in the 2014 and provides a comparison with the 2013.

Sensitivity analysis	2014			12.31.2014		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**64**	**60**	**55**	-	-	-

Sensitivity analysis	2013 (*)			12.31.2013 (*)		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**71**	**62**	**45**	-	-	-

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".

4. Credit Risk

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

To control this risk, the Edison Group implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during 2014 totaled 6,340 million euros (5,795 million euros at December 31, 2013). At December 31, 2014, the amount of receivables that were exposed to the risk of recourse was about 1 million euros.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Edison Group deals only with entities with a high credit rating. At December 31, 2014, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.
The table below provides an overview of gross trade receivable, the corresponding allowance for doubtful accounts and the guarantees held to secure the receivables. At December 31, 2014, the decrease in overdue receivables compared with December 31, 2013, is chiefly the result of a better performance in the debt collection area and the assignment of receivables without recourse, mainly for the amounts owed by the public administration.
The increase of 22% in the allowance for doubtful accounts reflects the composition of those receivables. The amount of the allowance for doubtful accounts is determined conservatively based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables.

(in millions of euros)	12.31.2014	12.31.2013 (*)
Gross trade receivables	3,213	3,176
Allowance for doubtful accounts (-)	(365)	(300)
Trade receivables	**2,848**	**2,876**
Guarantees held (**)	530	538
Receivables less than 6 in arrears	241	440
Receivables 6 to 12 months in arrears	128	115
Receivables more than 12 months in arrears	441	542

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.
(**) Including 112 million euros to hedge receivables outstanding at December 31, 2014.

With regard to foreign activities, which were adversely affected by the local political and economic situation, it is worth noting that the past-due receivables owed in Egypt at December 31, 2014 by the Egyptian General Petroleum Corporation (EGPC) (118 million euros), decreased by 117 million euros compared with December 31, 2013. Please also note that the Group negotiated extended payment terms with EGPC for past-due receivables, which were discounted taking also into account Egypt's country risk.

5. Liquidity Risk

The liquidity risk is the risk that the Group may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario. Specifically, the liabilities reflect all future cash outflows, in addition to principal and accrued interest, including all interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives; therefore, the aggregate liability amount, evaluated in this manner, is larger than the gross financial debt amount used to compute the Group's net financial debt. In addition, assets (cash and cash equivalents, trade receivables, etc.) are not taken into account and financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

Worst case scenario	12.31.2014			12.31.2013 (*)		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	516	23	647	16	753	1,186
Financial debt and other financial liabilities	29	37	1,070	65	80	1,099
Trade payables	2,291	30	-	1,968	29	-
Total	**2,836**	**90**	**1,717**	**2,049**	**862**	**2,285**
Guarantees provided to third parties (**)	**683**	**185**	**311**	**387**	**301**	**617**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.
(**) These guarantees, mainly of a commercial nature and related to the Group's core businesses, are shown based on their remaining contractual maturity. For further details, see the "Commitments, Risks and Contingent Assets" section of this Report.

The financial debt maturing within three months past December 31, 2014 (545 million euros) mainly refers to a bond issue with a face value of 500 million euros, plus accrued interest, maturing on March 17, 2015.

The financial debt maturing after one year, which totaled 1,717 million euros, includes a bond issue with a face value of 600 million euros, maturing on November 10, 2017, a loan from EDF Investissements Groupe Sa for 800 million euros, maturing on April 9, 2020, and the amount drawn down on a medium/long-term direct credit line (137 million euros at December 31, 2014) provided by the European Investment Bank (EIB) to finance gas storage projects.

In November 2014, Edison cancelled ahead of its scheduled expiration date of January 2015 a revolving credit line of 500 million euros provided in 2013 by a pool of banks on a Club Deal basis, replacing it with a new line for the same amount and with the same structure. This new facility, which takes advantage of favorable market terms, has a duration of two years and, as was the case for the previous credit line, is designed to increase Edison's financial flexibility.
Both this credit line and the line provided by EDF Sa (in the amount of 600 million euros, expiring on April 9, 2015) were fully available at December 31, 2014.
In addition to this liquidity, amounting to 1,100 million euros, Edison has access to an overdraft facility of up to 199 million euros on a treasury current account established with EDF Sa in September 2012 (utilized by 12 million euros at December 31, 2014).
In addition, Edison Group held liquid assets totaling 473 million euros at December 31, 2014.

Projected cash flow dynamics do not indicate a need for significant refinancing transactions in the first quarter of 2015, other than some minor adjustments, such as the renewal of a revolving credit line of 600 million euros provided by EDF, which expires next April.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2014. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations.

(in millions of euros)	12.31.2015	12.31.2016	12.31.2017	12.31.2018	12.31.2019	After 5 years	Total
Bonds	553	(1)	599	-	-	-	1,151
Financial debt and other financial liabilities:							
- due to banks	53	24	20	23	17	100	237
- due to other lenders	177	2	5	-	(1)	800	983
Gross financial debt	**783**	**25**	**624**	**23**	**16**	**900**	**2,371**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).
The following two bond issues floated by the Group (Euro Medium Term Notes) with a total face value of 1,100 million euros were outstanding at December 31, 2014:

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%
EMTN 11/2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11.10.2017	600	Fixed annual	3.875%

Outstanding debt obligations of the Group include non-syndicated facilities totaling 1,608 million euros, the unused portion of which was 605 million euros at December 31, 2014, and syndicated facilities amounting to 500 million euros fully unused at December 31, 2014.
Consistent with international practice for similar transactions, both the bank loan agreements and the Euro Medium Term Note Program provide the lender bank or the bondholders with the right to demand the payment of the loaned amount and terminate ahead of schedule their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy

proceedings (such as receivership or composition with creditors) or is undergoing liquidation or other proceedings with a similar effect.

Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds outstanding. The main clauses of this type are: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain from providing to the new bondholders Edison Group assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the total indebtedness owed by Edison Group companies; and (iii) clauses that establish an obligation of immediate repayment even if just some Edison Group companies were to be declared insolvent.

As for credit line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreements for a syndicated credit line provided to Edison on a Club Deal basis (500 million euros) and the facilities with EDF Investissements Groupe Sa (800 million euros) and EDF Sa (600 million euros) set forth Edison's obligation to comply with certain commitments, which include making sure that the lenders are being afforded a treatment equal to the one offered to other unsecured creditors (*pari passu* clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause).

Neither the loan agreements governing the financial facilities provided to Edison Spa nor the bond indentures contain clauses allowing early termination of the loan if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled. Moreover, Edison Spa is not required, under the terms of any of its credit lines, to comply with specific financial statement ratios that limit the level of debt based on economic performance (financial covenants).

Lastly, please note that a total of 137 million euros was drawn during the 2014 against a direct medium/long-term credit line of 207 million euros provided by the European Investment Bank (EIB) to finance natural gas storage projects. The credit line's loan agreement includes, in addition to clauses that are standard for direct long-term facilities, usage restrictions that the EIB imposes for special purpose facilities provided to industrial companies.

Insofar as other Group companies are concerned, the financing facilities provided to some of them, in addition to the clauses described above, include the obligation to comply with and/or maintain certain financial indices. These typically consist of the obligation to maintain financial debt, in itself or in relation to EBITDA, below a certain maximum level and/or ensure that shareholders' equity, in itself or in relation to net financial debt, does not fall below a predetermined minimum value.

At present, the Group is not aware of the existence of any default situation or non-compliance with covenants.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

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

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

Fair Value Hierarchy According to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, as at December 31, 2013, the Group hold a category of instruments classified at this level.

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

Instruments Outstanding at December 31, 2014

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

- fair value hierarchy;
- derivatives that were outstanding, classified by maturity;
- the value at which these contracts are reflected on the Balance Sheet, which is their fair value;
- the pro rata share of the fair value referred to above that was recognized on the Income Statement as of the date of execution.

The difference, if any, between the value on the Balance Sheet and the fair value recognized on the Income Statement is the fair value of contracts that qualify as Cash Flow Hedges, which, in accordance with the reference accounting principles, is posted directly to equity reserves.

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value at 12.31.2014 (**)	Cumulative impact on the income statement at 12.31.2014 (***)	Notional amount at 12.31.2013 (*)	Balance sheet value at 12.31.2013 (**)
		due within 1 year	due between 2 and 5 years	due after 5 years	Total			Total	
Interest rate risk management:									
- Cash Flow Hedges in accordance with IAS 39	2	-	-	-	-	-	-	1	-
- Fair Value Hedges in accordance with IAS 39	2	225	600	-	825	45	45	1,325	56
- contracts that do not qualify as hedges in accordance with IAS 39	2	225	-	-	225	(2)	(2)	757	(10)
Total interest rate derivatives		**450**	**600**	**-**	**1,050**	**43**	**43**	**2,083**	**46**

		due within 1 year		due between 2 and 5 years		due after 5 years	Total				Total		
		receivable	payable	receivable	payable		receivable	payable			receivable	payable	
Foreign exchange rate risk management:													
- contracts that qualify as hedges in accordance with IAS 39:													
- on commercial transactions	2	3,302	(140)	1,113	(20)	-	4,415	(160)	315	26	3,882	(400)	(137)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:													
- on commercial transactions	2	356	(146)	-	(2)	-	356	(148)	11	11	243	(251)	(7)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total foreign exchange rate derivatives		**3,658**	**(286)**	**1,113**	**(22)**	**-**	**4,771**	**(308)**	**326**	**37**	**4,125**	**(651)**	**(144)**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 13."

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*) Unit of measure	Due within one year	Due within two years	Due after two years	Total	Balance sheet value at 12.31.2014 (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2014 (***) (in millions of euros)	Notional amount at 12.31.2013 (*) Total	Balance sheet value at 12.31.2013 (**) (in millions of euros)
Price risk management for energy products										
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:							**(976)**	**(14)**		**156**
- Natural Gas	2	Millions of therms	(517.33)	(49.31)	-	(566.64)	52	7	(404.78)	(3)
- LNG and oil	2	Barrels	30,130,225	16,012,285	-	46,142,510	(1,038)	(22)	37,165,528	160
- CO_2	2	Millions of tons	3.63	3.97	-	7.60	10	1	8.29	(1)
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39							**-**	**-**	**-**	**-**
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margins:							**216**	**216**		**(26)**
- Electric power	3	TWh	-	-	-	-	-	-	8.37	(2)
- Natural Gas	2	Millions of therms	(893)	(560)	-	(1,453)	188	188	(1,582)	(39)
- LNG and oil	2	Barrels	431,165	(1,123,415)	-	(692,250)	25	25	3,737,798	15
- CO_2	2	Millions of tons	1,75	-	-	1,75	3	3	-	-
TOTAL							**(760)**	**202**		**130**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 13".

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*) Unit of measure	Due within one year	Due within two years	Due after two years	Total	Balance sheet value at 12.31.2014 (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2014 (***) (in millions of euros)	Notional amount at 12.31.2013 (*) Total	Balance sheet value at 12.31.2013 (**) (in millions of euros)
Derivatives							**(39)**	**(39)**		**(16)**
- Electric power	1/2	TWh	3.05	2.37	-	5.42	(39)	(39)	15.33	(15)
- Natural Gas	2	Millions of therms	-	-	-	-	-	-	4.55	(1)
- LNG and oil	2	Barrels	-	-	-	-	-	-	(50,000)	-
- CO_2	1/2	Millions of tons	(0.14)	-	-	(0.14)	-	-	(3.87)	-
Physical contracts							**70**	**70**		**42**
- Electric power	2/3	TWh	(2.27)	0.78	-	(1.49)	64	64	(7.90)	41
- Natural gas	2	Millions of therms	-	-	-	-	2	2	33	1
- Other commodity	2		-	-	-	-	4	4	-	-
TOTAL							**31**	**31**		**26**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 13".

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2014

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at December 31, 2014, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.2013 (B)	Portion of (B) contracts realized during the period (B1)	**Fair Value recognized for contracts outstanding at 12.31.2014 (C)**	Change in fair value in the year (D)=(C-B)	**Amounts recognized in earnings at 12.31.2014**	Amounts recognized in earnings at 12.31.2013
Sales revenues and Net change in fair value of commodity derivatives (see Notes 1 and 6 to the Income Statement)							
Price risk hedges for energy products							
- definable as hedges pursuant to IAS 39 (CFH) (**)	194	17	10	15	(2)	192	147
- not definable as hedges pursuant to IAS 39	197	28	26	293	265	462	70
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (**)	-	-	-	26	26	26	(1)
- not definable as hedges pursuant to IAS 39	2	2	2	18	16	18	5
Margin on trading activities							
- Sales revenues from physical contracts included in the Trading Portfolios	6.189	222	209	317	95	6,284	4,081
- Raw materials and services used from physical contracts included in the Trading Portfolios (***)	(5,979)	(180)	(166)	(247)	(67)	(6,046)	(4,003)
Total margin on physical trading activities	*210*	*42*	*43*	*70*	*28*	*238*	*78*
- Sales revenues from financial contracts included in the Trading Portfolios	33	29	27	62	33	66	55
- Raw materials and services used from financial contracts included in the Trading Portfolios (***)	(206)	(45)	(42)	(101)	(56)	(262)	(80)
Total margin on financial trading activities	*(173)*	*(16)*	*(15)*	*(39)*	*(23)*	*(196)*	*(25)*
Total margin on trading activities	***37***	***26***	***28***	***31***	***5***	***42***	***53***
Total (A)	**430**	**73**	**66**	**383**	**310**	**740**	**274**
Raw materials and services used and Net change in fair value of commodity derivatives (see Note 3 and 6 to the Income Statement)							
Price risk hedges for energy products							
- definable as hedges pursuant to IAS 39 (CFH) (**)	(38)	(1)	(1)	(30)	(29)	(67)	(62)
- not definable as hedges pursuant to IAS 39	(132)	(55)	(25)	(77)	(22)	(154)	(93)
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(10)	-	-	-	-	(10)	(97)
- not definable as hedges pursuant to IAS 39	(12)	(8)	(8)	(12)	(4)	(16)	(18)
Total (B)	**(192)**	**(64)**	**(34)**	**(119)**	**(55)**	**(247)**	**(270)**
TOTAL INCLUDED IN EBIT (A+B)	**238**	**9**	**32**	**264**	**255**	**493**	**4**
Interest rate hedges, broken down as follows:							
Financial income							
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	57	56	12	45	(11)	46	41
- not definable as hedges pursuant to IAS 39	17	4	2	-	(4)	13	18
Total financial income (C)	**74**	**60**	**14**	**45**	**(15)**	**59**	**59**
Financial expense							
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(28)	-	-	-	-	(28)	(42)
- not definable as hedges pursuant to IAS 39	(27)	(14)	(2)	(2)	12	(15)	(16)
Total financial expense (D)	**(55)**	**(14)**	**(2)**	**(2)**	**12**	**(43)**	**(58)**
Margin on interest rate hedging transactions (C+D)=(E)	**19**	**46**	**12**	**43**	**(3)**	**16**	**1**
Foreign exchange rate hedges broken down as follows:							
Foreign exchange gains							
- definable as hedges pursuant to IAS 39	23	1	1	-	(1)	22	33
- not definable as hedges pursuant to IAS 39	12	1	1	5	4	16	35
Total foreign exchange gains (F)	**35**	**2**	**2**	**5**	**3**	**38**	**68**
Foreign exchange losses							
- definable as hedges pursuant to IAS 39	(11)	(1)	(1)	-	1	(10)	(35)
- not definable as hedges pursuant to IAS 39	(3)	(2)	(2)	-	2	(1)	(25)
Total foreign exchange losses (G)	**(14)**	**(3)**	**(3)**	**-**	**3**	**(11)**	**(60)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**21**	**(1)**	**(1)**	**5**	**6**	**27**	**8**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 9 to the Income Statement)	**40**	**45**	**11**	**48**	**3**	**43**	**9**

(*) Includes the effective portion included in "Raw materials and services used" (Note 3 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Includes the fair value adjustment of trading inventories, the carrying amount of which was immaterial at 12.31.2014.

The table below provides a breakdown of the amounts recognized on the Balance Sheet following the measurement at fair value of the derivatives and physical contracts outstanding at December 31, 2014:

(in millions of euros)	12.31.2014		12.31.2013 (*)	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	342	(16)	16	(159)
Interest rate transactions	45	(2)	60	(14)
Physical Trading transactions	317	(247)	222	(180)
Other commodity transactions	461	(1.260)	230	(116)
Fair value recognized as current assets or current liability (a)	**1,165**	**(1,525)**	**528**	**(469)**
Broken down as follows:				
- recognized as "Other receivables" and "Other liabilities"	1,120	(1,523)	468	(455)
- recognized as "Current financial assets" and "Short-term financial debt"	45	(2)	60	(14)
IFRS 7 potential offsetting (b)	**(478)**	**478**	**(216)**	**216**
Potential net Fair Value (a+b)	**687**	**(1,047)**	**312**	**(253)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

With regard to these items, please note that a negative Cash Flow Hedge reserve amounting to 673 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements (at December 31, 2014, and for comparative purpose, at December 31, 2013) showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 13. The last column in the table shows, if applicable, the fair value of financial instruments at the end of period.

The Edison Group has chosen not to adopt the value option and, consequently, neither financial debt nor bonds were restated at fair value.

Situation at December 31, 2014

(in millions of euros)

Criteria applied to value financial instruments in the financial statements

Financial instrument type	Financial instruments valued at fair value							Financial instruments valued at amortized cost	Equity investments valued at cost	Carrying value at 12.31.2014 (A+B+C)	Fair Value at 12.31.2014
	with change in fair value recognized in:			Total Fair Value (A)	Fair Value Hierarchy (notes a, b, c)			(B)	(C)		
	earnings	equity			1	2	3				
	(a)	(b)	(c)				(i)	(d)	(e)		
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	165	-	-	**165**	-	-	165	**-**	**5**	**170**	n.a.
- listed securities	4	-	-	**4**	4	-	-	**-**	**-**	**4**	4
										174	
Other financial assets (h)	-	-	-	**-**	-	-	-	**47**	**-**	**47**	47
Other assets (h)	-	-	-	**-**	-	-	-	**171**	**-**	**171**	171
Trade receivables (h)	-	-	-	**-**	-	-	-	**2,848**	**-**	**2,848**	2,848
Other receivables (f) (l)	737	383	-	**1,120**	33	1,084	3	**514**	**-**	**1,634**	1,634
Current financial assets (f) (g) (h)	47	-	-	**47**	2	45	-	**85**	**-**	**132**	132
Cash and cash equivalents (h)	-	-	-	-	-	-	-	**473**	**-**	**473**	473
LIABILITIES											
Bonds (current and non-current)	1,138	-	-	**1,138**	-	1,138	-	**13**	**-**	**1,151**	1,177
Financial debt (current and non-current) (f) (h)	2	-	-	**2**	-	2	-	**1,218**	**-**	**1,220**	1,301
Trade payables (h)	-	-	-	**-**	-	-	-	**2,321**	**-**	**2,321**	2,321
Other liabilities (f) (h)	467	1,056	-	**1,523**	21	1,502	-	**555**	**-**	**2,078**	2,078

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes equity investments held for trading.
(h) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(i) The fair value classified at Level 3 is recognized in the amount of 3 million euros as part of the physical trading margin included in Sales revenues (3 million euros as revenues).

Situation at December 31, 2013

(in millions of euros) Criteria applied to value financial instruments in the financial statements

Financial instrument type	Financial instruments valued at fair value: with change in fair value recognized in: earnings (a)	equity (b)	(c)	Total Fair Value (A)	Fair Value Hierarchy (notes a, b, c) 1	2	3 (i)	Financial instruments valued at amortized cost (B) (d)	Equity investments valued at cost (C) (e)	Carrying value at 12.31.2013 (*) (A+B+C)	Fair Value at 12.31.2013 (*)
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	172	-	-	**172**	-	-	172	**-**	**5**	**177**	n.a.
- listed securities	6	-	-	**6**	6	-	-	**-**	**-**	**6**	6
										183	
Other financial assets (h)	-	-	-	**-**	-	-	-	**106**	**-**	**106**	106
Other assets (h)	-	-	-	**-**	-	-	-	**189**	**-**	**189**	189
Trade receivables (h)		-	-	**-**	-			**2,876**	**-**	**2,876**	2,876
Other receivables (f) (h)	302	166	-	**468**	19	442	7	**407**	**-**	**875**	875
Current financial assets (f) (g) (h)	66	-	-	**66**	6	60	-	**11**	**-**	**77**	77
Cash and cash equivalents (h)	-	-	-	-	-	-	-	**492**	**-**	**492**	492
LIABILITIES											
Bonds (current and non-current)	1,845	-	-	**1,845**	-	1.845	-	**25**	**-**	**1,870**	1,935
Financial debt (current and non-current) (f) (h)	14	-	-	**14**	-	14	-	**1,226**	**-**	**1,240**	1,270
Trade payables (h)	-	-	-	**-**	-	-	-	**1,997**	**-**	**1,997**	1,997
Other liabilities (f) (h)	293	162	-	**455**	22	422	11	**395**	**-**	**850**	850

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes equity investments held for trading.
(h) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(i) The fair value classified at Level 3 is recognized in the amount of -2 million euros as part of the physical trading margin included in Sales revenues (7 million euros as revenues and 9 million euros as costs) and for -2 million euros in Raw materials and services used.
(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements" and for the new exposure of the fair value on physical contracts included in trading portfolios.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at December 31, 2014 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	Related Parties pursuant to IAS 24					
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies	Total for related parties	Total for financial stat. line item	Impact %
Balance Sheet transactions:						
Investments in associates	149	-	-	149	149	100.0%
Other financial assets	5	-	-	5	47	10.6%
Trade receivables	4	-	71	75	2,848	2.6%
Other receivables	4	175	6	185	1,634	11.3%
Current financial assets	85	-	-	85	132	64.4%
Cash and cash equivalents	-	12	-	12	473	2.5%
Long-term financial debt and other financial liabilities	-	-	796	796	990	80.4%
Short-term financial debt	16	13	4	33	230	14.3%
Trade payables	9	2	66	77	2,321	3.3%
Other liabilities	1	235	4	240	2,078	11.5%
Income Statement transactions:						
Sales revenues	4	-	330	334	12,325	2.7%
Other revenues and income	4	2	15	21	255	8.2%
Raw materials and services used	(37)	(17)	(222)	(276)	(11,545)	2.4%
Financial income	7	-	-	7	100	7.0%
Financial expense	-	(4)	(23)	(27)	(208)	13.0%
Net foreign exchange translation gains (losses)	-	18	-	18	16	n.m.

A) Intercompany Transactions and with Controlling Companies

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

- commercial transactions involving the buying and selling of electric power, natural gas, green certificates and CO_2 emission rights;
- transactions involving the provision of services (technical, organizational, legal and administrative) by headquarters staff of Edison Spa;
- financial transactions involving hedging exchange rate risk, lending and current account facilities established within the framework of the Edison Group's centralized cash management system of Edison Spa with its subsidiaries and of EDF Sa with Edison Spa;
- transactions required to file a consolidated VAT return for the Edison Group (so-called VAT Pool);
- transactions required to file the consolidated IRES return with its controlling company Transalpina di Energia Spa;
- transactions with EDF Sa involving the provision of services (mainly financial and insurance).

All of the transactions listed above are governed by contracts with conditions that are consistent with market terms (i.e., terms that would have been agreed upon by independent parties), with the exception of those related to the VAT Pool and the consolidated corporate income tax (IRES) return, which were executed pursuant to law.

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for December, 2014 showed a credit of 7 million euros.

Consolidated IRES Return

Starting in 2013, for the three-year period from 2013 to 2015, Edison Spa and its principal subsidiaries agreed to be included in the consolidated corporate income tax (IRES) return filed by Transalpina di Energia Spa (TdE - ex WGRM). The relationships between the filers of the consolidated tax return are governed by special agreements.
Consequently, the companies included in the consolidated corporate income tax (IRES) return will determine their IRES liability in coordination with the Group's controlling company.
Please note that Group companies that operate primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a corporate income tax surcharge, which has been set at 6.5%. The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return.

Centralized Cash Management System by EDF Sa

It is worth mentioning that on September, 27 2012, EDF Sa and Edison Spa executed a framework agreement for centralized cash management services, pursuant to which EDF manage the surplus cash and cash needs of the Edison Group, with the aim of optimizing short-term cash flows. At December 31, 2014, the current account established with EDF Sa has a debit balance for 12 million euros. Please also note that the current account between Edison E&P UK e EDF Sa has a positive balance for 12 million euros.

Loan by EDF Sa

It is worth mentioning that in April 2013 EDF Sa granted to Edison Spa a credit line, for a face amount of 600 million euros and with maturity on April 9, 2015, which had not been drawn at December 31, 2014. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

Other intercompany Transaction with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the year amounted to about 17 million euros.

B) Transactions with Other EDF Group Companies

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

1) Commercial Transactions

Transactions executed during the year are the following:

- With Fenice Spa, sales revenues of about 36 million euros, mainly from sales of natural gas.
- With EDF Trading Ltd, energy and gas sales revenues of 354 million euros and costs of 188 million euros stemming from sales and purchases of commodities.
- With EDF Trading Ltd as part of the **physical trading activity**, revenues of 537 million euros and costs of 611 million euros, these amounts are included in "Sales revenues" on a net basis (negative for 74 million euros), and as part of **financial trading activity,** revenues for 2 million euros and costs for 36 million euros, these amounts are recorded on a net basis in "Sales revenues" (negative for 34 million euros).
- With EDF Trading Ltd relating to commodity derivatives, revenues of 47 million euros and cost of 34 million euros, respectively recorded in "Sales Revenues" and "Raw materials and services used" in the item "Realized commodity derivatives".

The table provided earlier in this section of the Notes shows the impact on the balance sheet of the various transactions reviewed above.

2) Financial Transactions

The financial transactions executed with other companies of the EDF Group are reviewed below:

Loan by EDF Investissement Groupe Sa

It is worth mentioning that in April 2013 EDF Investissement Groupe Sa, an EDF Group company that handles long-term funding for Group companies, provided Edison Spa with a long-term loan for a face amount of 800 million euros and with maturity on April 9, 2020, which had been drawn down in full at December 31, 2014. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

Renewable Energy Transactions

Within the framework of the establishment of the new renewable energy hub, the Edison Group executed transactions with some companies of the EDF Energies Nouvelles Group. Information about these transactions is provided below, in the "Other Information" section of these Notes. It is worth mentioning that the spin-off of the business activities providing plant Operations and Maintenance services and the transfer of these operations and their control to EDF EN Services Sa generated a gain of about 12 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006, please note that the arbitration with Promgas for the revision of the price of the long term natural gas contract from Russia was concluded in the month of August 2014. Moreover the following is a note referring to operations occurred in the year as part of the constitution of the new hub of renewables.

Renewable Energy Transaction

On July 31, 2014, F2i, Edison and EDF Energies Nouvelles signed an agreement creating Italy's third largest operator in the renewable energy sector that, following the combination of the facilities operated by Edison Energie Speciali (EDENS) (now E2I Energie Speciali Srl) and Parco Eolico San Francesco and of some of the facilities that EDF EN Italia operates, will control about 600 MW of capacity (mainly wind power).

The agreement required that, once all contractually stipulated conditions precedent were satisfied, a 70% interest in by the new company, created through the reorganization, be sold to F2i; the transaction was executed in November.

Under an innovative business model, Edison takes delivery at a fixed price of all of the energy produced by the new renewable energy hub, optimizing it with its production portfolio, while the management company handles O&M activities for the generating facilities, guaranteeing technical performance and plant availability. This approach delivers the full benefit from the existing industrial and operational competencies, while minimizing market and operational risks for the new company.

The transaction entailed a series of corporate reorganizations that are described below.

Energy O&M Solutions Srl, a wholly owned subsidiary of Edison Spa, was established in the third quarter. At the same time, Edison Energie Speciali Sicilia Srl changed its name to Edison Partecipazioni Energie Rinnovabili Srl and is now a wholly owned subsidiary of Edison Spa.

In October 2014, in implementation of earlier agreements, some assets were reallocated between the Edison Group and the EDF Energies Nouvelles Group.

More specifically:

- EDF EN Italia and EDF EN Partecipazioni Italia Srl sold to Edison Spa, respectively, the entire equity capital of Gargano Energia Srl and FRI-EL Campania Srl, two companies active in the renewable energy sector;
- the acquired companies, FRI-EL Campania Srl and Gargano Energia Srl, together with Parco Eolico San Francesco Srl, already wholly owned by EDENS, were absorbed by EDENS; subsequent to these transactions Edison Spa conveyed its full ownership stake in EDENS to Edison Partecipazioni Energie Rinnovabili Srl, which thus became its new direct parent company;
- Energy O&M Solutions received, through a partial demerger of EDENS, the business operations that provide Operations & Maintenance services for the generating facilities; subsequently, (i) Edison Spa sold its 70% equity stake in the abovementioned company to EDF EN Services Sa, a company of the EDF Energies Nouvelles Group; (ii) the company changed its name to EDF EN Services Italia Srl;
- Edison Spa then sold its 16.7% equity stake in Edison Partecipazioni Energie Rinnovabili Srl to EDF EN Partecipazioni Italia Srl, a company of the EDF Energies Nouvelles Group, retaining ownership of the remaining 83.3%.

The transactions between Edison, EDF Energies Nouvelles and F2i closed on November 5, 2014, resulting in the transfer to a subsidiary of F2i of a 70% equity stake in EDENS, with Edison Partecipazioni Energie Rinnovabili Srl holding the remaining 30%.

In accordance with the international accounting principles in effect as of January 1, 2014 and the stipulated governance arrangements Edison continues to consolidate the renewable energy hub on a line-by-line basis.

These transactions generated a significant improvement in the Group's net financial debt and a positive effect of 12 million euros on its income statement.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in the 2014, as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

ADDITIONAL DISCLOSURE ABOUT NATURAL GAS AND OIL (unaudited)

1) Reserves of Natural Gas and Oil

“Proven” reserves of gas and oil (P1) are estimated quantities of natural gas and crude oil that it is believed, with reasonable certainty and based on the evidence of available geological and engineering data, can be extracted in future years from known deposits at current economic and operating conditions and at the prices and costs on the date the estimate is made. “Developed proven” reserves are the quantities of hydrocarbons that it is estimated can be recovered from existing wells with the existing equipment and operating methods. “Undeveloped proven” reserves are the estimated quantities of hydrocarbons that may be recovered in future years from known deposits with new development investments to drill new wells and build the required production facilities.

“Probable” gas and oil reserves (P2) are estimated quantities of natural gas and crude oil that it is estimated could be recovered by drilling new wells, reworking existing wells to develop untapped formations and benefits resulting from a lowering of the operating pressure. These reserves are not classified as “proven” due to lack of evidence and/or conclusive evidence and are based on known formations, assuming larger on-site volumes, by extending mineralization to hypothetical, unconfirmed contacts. Probable reserves should be viewed as having a lower degree of certainty than proven reserves.

“Possible” gas and oil reserves (P3) are estimated quantities of natural gas and crude oil that it is estimated could be produced from known formations, the volume of which is estimated at the spill point, absent certain contacts. The assumption is to extend the mineralization to the maximum allowable depth, which, usually, coincides with the structural spill point. Obviously, the development of these reserves presupposes the drilling of appraisal wells and the reserves are clearly more uncertain than probable reserves.

Estimates of proven and probable reserves of natural gas and crude oil at December 31, 2014 were certified in early February 2015 by Studio di Ingegneria Mineraria (SIM).

The methods applied to estimate reserves, make production projections and determine the timing of development investments entail a margin of uncertainty. The accuracy of any estimate of reserves is a function of the quality of available information and engineering and geological valuations. Compared with estimates made, subsequent results of drilling programs and production tests could require upward or downward adjustments of the initial estimates. Changes in the price of natural gas and crude oil could also have an effect on the quantity of reserves, in that reserve estimates are based on prices and expected costs in effect on the date the estimates are made.

The table below shows the changes that occurred during 2014 to estimated proven reserves, developed and undeveloped, of natural gas and crude oil.

Developed and undeveloped proven reserves of natural gas and oil (*)	**Italy**		**Egypt**		**Other countries**		**Total**	
	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil
Reserves at 12.31.2013 (A)	**8.25**	**38.41**	**14.66**	**11.75**	**8.77**	**4.90**	**31.68**	**55.06**
Changes in 2014:								
- revision of previous estimates	(0.03)	1.53	(2.41)	(1.87)	0.14	-	(2.30)	(0.34)
- purchases or sales of mineral rights	-	-	-	-	-	-	-	-
- extensions, discoveries and other increases	0.46	-	-	-	-	-	0.46	-
- production	(0.38)	(2.63)	(1.62)	(1.54)	(0.21)	-	(2.21)	(4.17)
Total changes (B)	**0.05**	**(1.10)**	**(4.03)**	**(3.41)**	**(0.07)**	**-**	**(4.05)**	**(4.51)**
Reserves at 12.31.2014 (A+B)	**8.30**	**37.31**	**10.63**	**8.34**	**8.70**	**4.90**	**27.63**	**50.55**

(*) Reserves of natural gas are stated in billion of cubic meters; reserves of crude oil are stated in millions of barrels.

In addition to the proven reserves described above, the Edison Group has probable reserves totaling 20.5 billion cubic meters equivalent, of which about 24% is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

Capitalized costs represent the total cost of property, plant and equipment and concessions relating to reserves and of other ancillary non-current assets used in the production of hydrocarbons. The table below also shows the accumulated depreciation/amortization and writedowns.

Capitalized costs at December 31, 2014 relating to hydrocarbons production assets

(in millions of euros)	Italy	Egypt	Other countries	**Total**
Gross capitalized costs	1,361	1,716	388	3,465
Accum. deprec., amortiz. and writedowns	(689)	(777)	(106)	(1,572)
Total net capitalized costs	**672**	**939**	**282**	**1,893**

3) Costs Incurred in 2014 to Acquire, Explore and Develop Natural gas and Crude Oil Deposits

The costs incurred represent costs capitalized during the year to the extent they were incurred in connection with the acquisition, exploration of hydrocarbon and deposit development.

Costs incurred in 2014 for acquisitions, exploration and development

(in millions of euros)	Italy	Egypt	Norway	UK	Falkland	Algeria	Other countries	**Total**
Acquisitions	-	4	-	2	-	-	-	6
Exploration costs	2	-	39	13	11	-	2	67
Development costs	129	40	29	4	-	25	-	227
Total incurred costs	**131**	**44**	**68**	**19**	**11**	**25**	**2**	**300**

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2014

Unconstitutionality of the Robin Hood Tax

In a decision handed down on February 11, 2015 the Constitutional Court rules that the Robin Hood Tax, an income tax surcharge that applies, under certain conditions, to companies in the energy sector, was unconstitutional.

However, the unconstitutionality ruling is effective as of the day following the date of publication of the Court's decision in the *Official Gazette,* i.e., as of February 12, 2015.

It should be noted, however, that the decision has some peculiarities concerning the temporal effectiveness for which there are several uncertainty in interpretation. In relation to the effectiveness, subsequent to the approval, and in the context of these uncertainties in the application of the decision, the financial statements have been prepared according to the legislation in force at the reporting date.

Milan, February 11, 2015

The Board of Directors
By Bruno Lescoeur
Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2014

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2014

List of equity investments

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Group Parent Company											
Edison Spa	Milan (IT)	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Partecipazioni Energie Rinnovabili Srl ex Edison Energie Speciali Sicilia Srl (single shareholder)	Milan (IT)	EUR	20,000,000	83.30	100.00	83.30	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Srl ex Edison Energie Speciali Spa (single shareholder) (*)	Milan (IT)	EUR	4,200,000	24.99	100.00	30.00	Edison Partecipazioni Energie Rinnovabili Srl ex Edison Energie Speciali Sicilia Srl (single shareholder)	-	-	S	(i)
Edison Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00	90.00	Edison Spa	-	-	S	(i)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	-	-	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
Edison E&P UK Ltd ex Edf Production UK Ltd	Richmond Upon Thames Surrey (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	-	-	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

(*) On 02.11.2015 changed company name in E2I Energie Speciali Srl.

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Norge As	Stavanger (N)	NOK	60,000	100.00	-	100.00	Edison International Spa (Socio unico)	-	-	S	-
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa				
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (I)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JO	(iii)

List of Equity Investments (continued)

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)(v)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.00	50.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)
Elpedison Bv	Amsterdam (NL)	EUR	1,000,000	50.00	50.00	Edison International Holding Nv	-	-	34.1(*)	JV	(iv)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	30.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)(v)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	Edison Spa	-	-	24.3	JV	(iv)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	26,400,000	50.00	50.00	Edison International Holding Nv	-	-	3.0(**)	JV	(iv)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	0.8	JV	(iv)
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	Edison Spa	-	-	37.9	JV	(iv)
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	0.8	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	-	-	AC	-
Edf EN Service Italia Srl ex Energy O&M Solutions Srl	Bologna (I)	EUR	10,000		30.00	Edison Spa	-	-	0.7	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	2.8	AC	-
Energia Senales Scarl - Es Scarl	Senales (BZ) (IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	2.1	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	-	-	4.0	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	20.1	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,419,179		20.82	Edison Spa	-	-	15.6	AC	-
Total investments in companies valued by the equity method									**146.2**		

(*) The carrying value includes the valuation of Elpedison Energy SA and Elpedison Power Sa.

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (e)	Notes
Elpedison Energy Sa	Marousi Athens (GR)	EUR	1,435,600	37.89	75.78	Elpedison Bv	JV	(iv)
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	75.78	Elpedison Bv	JV	(iv)

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (e)	Notes
ICGB AD	Sofia (BG)	BGL	12,517,320	25.00	50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iv)

List of Equity Investments (continued)

C) Investments in companies in liquidation or subject to permanent restrictions

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	-	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
D) Investments in other companies valued at fair value											
D.1) Investments held for trading											
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.7	NG	-
Amsc-American Superconductor	Devens (MA) (USA)	USD	865,071		0.18	Edison Spa	-	-	0.1	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,818,277		14.45	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	475,134,602.10		0.90	Edison Spa	-	-	4.4	NG	-
Syremont Spa	Messina (IT)	EUR	1,550,000		19.35	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	-	-	164.9	NG	-
Total investments in other companies valued at fair value									**176.0**		
Total equity investments									**324.6**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital at 12.31.2014	Consolidated Group
Companies added to the scope of consolidation in the year ended 12.31.2014				
Acquired companies				
Fri-El Campania Srl (single shareholder)	Bolzano (IT)	EUR	1,000,000	100.00
Gargano Energia Srl (single shareholder)	Rome (IT)	EUR	1,500,000	100.00
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00
Newly established companies				
Edison Norge As	Stavanger (N)	NOK	60,000	100.00
Edison O&M Solutions Srl (Socio Unico)	Milan (IT)	EUR	10.000	100,00

Company name	Head office	Currency	Share capital at 12.31.2013	Consolidated Group interest at 2014	Consolidated Group interest at 12.31.2013
Companies removed from the scope of consolidation in the year ended 12.31.2014					
Companies sold					
Ds Smith Paper Italia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00
Merged companies					
Cse Srl (single shareholder)	Pavia (IT)	EUR	12,440	100.00	100.00
Fri-El Campania Srl (single shareholder)	Bolzano (IT)	EUR	1,000,000	100.00	-
Gargano Energia Srl (single shareholder)	Rome (IT)	EUR	1,500,000	100.00	-
Parco Eolico San Francesco Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00
Liquidated companies					
Edison Gas and Power Romania Srl	Bucuresti (RO)	ROL	8,400,000	100.00	100.00
Companies valued by equity method					
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50.00
Ed-Ina D.O.O.	Zagabria (HR)	HRK	20,000	50.00	50.00
Edison O&M Solutions Srl	Milan (IT)	EUR	10,000	30.00	-
Elpedison B.V.	Amsterdam (NL)	EUR	1,000,000	50.00	50.00
Elpedison Energy Sa	Marousi, Athens (GR)	EUR	1,435,600	50.00	50.00
Elpedison Power Sa	Marousi, Athens (GR)	EUR	98,198,000	37.89	37.89
Fayoum Petroleum Co. - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	30.00
Ibiritermo Sa	Ibiritè - Minas Gerais (BR)	BRL	7,651,814	50.00	50.00
ICGB Ad	Sofia (BG)	BGL	12,517,320	25.00	25.00
Igi Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio, Attiki (GR)	EUR	26,400,000	50.00	50.00
Parco Eolico Castelnuovo Srl	Castelnuovo Di Conza (Sa) (IT)	EUR	10,200	50.00	50.00
Sel - Edison Spa	Castelbello (Bz) (IT)	EUR	84,798,000	42.00	42.00

Notes

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

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

(c) The percentage of the voting securities held is equivalent to the ratio between the number of voting securities held directly (irrespective of the ownership of the voting rights) and the total number of voting securities (e.g. common and preferred shares) included in the share capital. The percentage is shown only if it is different from the overall interest held.

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes which can be effectively cast by the investor company attending an Ordinary Shareholders' Meeting and the total number of votes that can be cast at an Ordinary Shareholders' Meeting. The percentage is shown only if it is different from the overall interest held.

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

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

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

(ii) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.

(iii) This company is a contractual joint venture.

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

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

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

BGL	Bulgarian lev	HRK	Croatian kuna
BRL	Brazilian real	NOK	Norvegian krone
CHF	Swiss franc	PTE	Portuguese escudo
EGP	Egyptian pound	RON	Romanian leu
EUR	Euro	USD	U.S. dollar
GBP	British pound	XAF	Central African franc

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

1. We, the undersigned Bruno Lescoeur, in my capacity as "Chief Executive Officer," Didier Calvez and Roberto Buccelli, in our capacity as "Dirigenti Preposti alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2014:

   - were adequate in light of the Company's characteristics; and
   - were properly applied.

2. We further certify that:

   2.1. the Consolidated Financial Statements:

   a. were prepared in accordance with applicable international accounting principles recognized by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
   b. are consistent with the data in the accounting records and other corporate documents;
   c. provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer and of all of the companies included in the scope of consolidation;

   2.2. the report on operations includes a reliable analysis of the developments and results from operations, as well as of the position of the issuer and all of the companies included in the scope of consolidation, together with a description of the main risks and contingencies to which they are exposed.

Milan, February 11, 2015

	Didier Calvez
Bruno Lescoeur	Roberto Buccelli
	"Dirigenti Preposti alla redazione
Chief Executive Officer	dei documenti contabili societari"

REPORT OF THE INDEPENDENT AUDITORS

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
EDISON S.p.A.

1. We have audited the consolidated financial statements of Edison S.p.A. and subsidiaries (the "Edison Group"), which comprise the income statement, the other components of the comprehensive income statement, the balance sheet, the cash flow statement, the statement of changes in consolidated shareholders' equity as of December 31, 2014 and the related notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes the financial data of the prior year consolidated financial statements and the balance sheet as of January 1, 2013. These comparative financial data derive from the consolidated financial statements as of December 31, 2013 and as of December 31, 2012, on which we issued our auditors' reports dated February 13, 2014 and February 14, 2013. As explained in the notes, the Directors have adjusted certain comparative financial data with the purpose of applying IFRS 11 and some reclassifications. These modifications to the comparative financial data and related disclosures have been examined by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2014.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Edison Group as of December 31, 2014, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and on the Company's ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and on the Company's ownership structure, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance and on the Company's ownership structure are consistent with the consolidated financial statements of Edison Group as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
February 12, 2015

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

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

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EDISON