
# 2014 ANNUAL REPORT

## SEPARATE FINANCIAL STATEMENTS

EDISON

# Contents

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## Income Statement

| (in euros) | See Note | 2014 | amount with related parties | 2013 (*) | amount with related parties |
|---|---|---|---|---|---|
| Sales revenues | 1 | 4,822,090,468 | 2,339,759,781 | 5,792,266,926 | 2,341,211,899 |
| Other revenues and income | 2 | 149,111,260 | 17,687,390 | 450,060,026 | 79,735,570 |
| **Total revenues** | | **4,971,201,728** | | **6,242,326,952** | |
| Raw materials and services used (-) | 3 | (5,094,810,956) | (190,287,157) | (6,043,936,877) | (100,129,832) |
| Labor costs (-) | 4 | (134,558,421) | | (138,045,377) | |
| **EBITDA** | 5 | **(258,167,649)** | | **60,344,698** | |
| Net change in fair value of derivatives (commodities and foreign exchange) | 6 | 204,916,597 | | (17,128,815) | |
| Depreciation, amortization and writedowns (-) | 7 | (337,535,747) | | (220,278,324) | |
| Other income (expense), net | 8 | (11,524,984) | | (403,394) | |
| **EBIT** | | **(402,311,783)** | | **(177,465,835)** | |
| Net financial income (expense) | 9 | (39,363,419) | 42,049,339 | (37,507,040) | 30,234,153 |
| Income from (Expense on) equity investments | 10 | 278,035,187 | 266,746,070 | 227,211.231 | 201,805,829 |
| **Profit (Loss) before taxes** | | **(163,640,015)** | | **12,238,356** | |
| Income taxes | 11 | 126,170,339 | | 65,376,413 | |
| **Profit (Loss) from continuing operations** | | **(37,469,676)** | | **77,614,769** | |
| Profit (Loss) from discontinued operation | 12 | - | | - | |
| **Profit (Loss) for the period** | | **(37,469,676)** | | **77,614,769** | |

(*) The amounts of 2013 have been restated for the new exposure of derivatives and nonrecurring expense.

## Other Components of the Comprehensive Income Statement

| (in euros) | See Note | 2014 | 2013 |
|---|---|---|---|
| **Profit (Loss) for the year** | | **(37,469,676)** | **77.614.769** |
| Other components of comprehensive income: | | | |
| **A) Change in the cash flow hedge reserve** | 24 | **(316,353,835)** | **(1,937,401)** |
| - Gains (Losses) from valuations for the period | | (461,709,306) | 1,293,051 |
| - Income taxes (-) | | 145,355,471 | (3,230,452) |
| **B) Change in reserves for available-for-sale investments** | 24 | **-** | **(4.440,311)** |
| - Unrealized gains (losses) on securities or equity investments | | - | (4,517,311) |
| - Income taxes (-) | | - | 77,000 |
| **C) Actuarial gains (losses) (*)** | | **(2,018,520)** | **(872,410)** |
| - Actuarial gains (losses) | | (2,018,520) | (872,410) |
| **Total other components of comprehensive income net of taxes (A+B+C)** | | **(318,372,355)** | **(7,250,122)** |
| **Total comprehensive profit (loss)** | | **(355,842,031)** | **70,364,647** |

(*) These amounts cannot be reclassified into profit or loss.

# Balance Sheet

| 1/1/13 (*) | amount with related parties | (in euros) | See Note | 12/31/2014 | amount with related parties | 12/31/13 (*) | amount with related parties |
|---|---|---|---|---|---|---|---|
| | | **ASSETS** | | | | | |
| 2,733,172,277 | | Property, plant and equipment | 13 | 2,537,869,905 | | 2,625,980,739 | |
| 9,437,875 | | Investment property | 14 | 5,679,433 | | 6,023,909 | |
| 2,407,570,046 | | Goodwill | 15 | 2,287,340,046 | | 2,407,570,046 | |
| 137,235,384 | | Hydrocarbon concessions | 16 | 111,752,294 | | 123,267,672 | |
| 18,757,933 | | Other intangible assets | 17 | 85,773,606 | | 6,840,424 | |
| 1,317,025,151 | 1,317,025,151 | Investments in associates | 18 | 1,433,137,463 | 1,433,137,463 | 1,383,546,388 | 1,383,546,388 |
| 193,866,477 | | Available-for-sale investments | 18 | 174,176,207 | | 182,860,861 | |
| 7,113,007 | 7,113,007 | Other financial assets | 19 | 19,346,240 | | 11,451,390 | |
| - | | Deferred-tax assets | 20 | 243,163,767 | | - | |
| 96,080,947 | | Other assets | 21 | 163,331,219 | | 176,634,965 | |
| **6,920,259,097** | | **Total non-current assets** | | **7,061,570,180** | | **6,924,176,394** | |
| 305,605,800 | | Inventories | | 229,523,965 | | 347,451,700 | |
| 1,268,578,623 | 438,593,878 | Trade receivables | | 726,379,602 | 341,579,622 | 1,108,639,774 | 565,492,539 |
| 11,704,941 | | Current tax assets | | 14,667,427 | | 15,355,227 | |
| 363,526,392 | 118,632,308 | Other receivables | | 1,289,892,040 | 471,277,620 | 510,410,642 | 156,267,828 |
| 2,683,100,867 | 2,588,399,560 | Current financial assets | | 2,162,297,408 | 2,215,646,707 | 2,704,559,572 | 2,638,475,226 |
| 633,039,145 | | Cash and cash equivalents | | 75,874,809 | - | 318,528,764 | 214,693,444 |
| **5,265,555,768** | | **Total current assets** | 22 | **4,498,635,251** | | **5,004,945,679** | |
| **-** | | **Assets held for sale** | 23 | **-** | | **-** | |
| **12,185,814,865** | | **Total assets** | | **11,560,205,431** | | **11,929,122,073** | |
| | | **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| 5,291,700,671 | | Share capital | | 5,291,700,671 | | 5,291,700,671 | |
| 125,290,832 | | Statutory reserve | | 131,970,891 | | 128,090,153 | |
| 473,057,622 | | Other reserves and retained earnings (Loss carryforward) | | 520,533,169 | | 509,304,082 | |
| 40,279 | | Reserves for other components of comprehensive income | | (325,582,199) | | (7,210,041) | |
| 55,568,810 | | Profit (Loss) for the year | | (37,469,676) | | 77,614,769 | |
| **5,945,658,214** | | **Total shareholders' equity** | 24 | **5,581,152,856** | | **5,999,499,634** | |
| 24,470,550 | | Provision for employee severance indemnities and provisions for pensions | 25 | 24,836,267 | | 24,400,008 | |
| 13,448,903 | | Provision for deferred taxes | 26 | - | | 12,839,295 | |
| 746,718,926 | | Provision for risks and charges | 27 | 751,875,245 | | 754,012,005 | 829,399 |
| 1,795,634,544 | | Bonds | 28 | 598,565,508 | | 1,097,667,397 | |
| 119,232,481 | | Long-term financial debt and other financial liabilities | 29 | 969,659,469 | 796,473,985 | 950,540,212 | 795,496,942 |
| 23,175,667 | | Other liabilities | 30 | - | | - | |
| **2,722,681,071** | | **Total non-current liabilities** | | **2,344,936,489** | | **2,839,458,917** | |
| 103,725,734 | | Bonds | | 552,808,602 | | 772,190,955 | |
| 1,922,775,637 | 682,635,789 | Short-term financial debt | | 489,949,557 | 415,826,815 | 949,100,471 | 781,929,788 |
| 1,085,836,802 | 82,412,534 | Trade payables | | 1,146,006,984 | 77,033,645 | 966,254,031 | 26,169,352 |
| 4,904,642 | | Current taxes payable | | - | | - | |
| 400,232,765 | 6,739,453 | Other liabilities | | 1,445,350,943 | 117,411,747 | 402,618,065 | 10,852,363 |
| **3,517,475,580** | | **Total current liabilities** | 31 | **3,634,116,086** | | **3,090,163,522** | |
| **-** | | **Liabilities held for sale** | 32 | **-** | | **-** | |
| **12,185,814,865** | | **Total liabilities and shareholders' equity** | | **11,560,205,431** | | **11,929,122,073** | |

(*) The amounts of 2013 have been restated for the new exposure of derivatives and nonrecurring expense.

# Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months), which amounted to 75,875,000 euros, compared with 318,529,000 euros in 2013.

| (in euros) | | 2014 | | 2013 (*) | |
|---|---|---|---|---|---|
| | See Note | | amount with related parties | | amount with related parties |
| **Profit (Loss) before taxes of Edison Spa** | | **(163,640,015)** | | **12,238,356** | |
| Amortization, depreciation and writedowns | 7 | 337,535,747 | | 220,278,324 | |
| Net additions to provisions for risks | | (26,589,352) | | (17,251,806) | |
| (Gains) Losses on the sale of non-current assets | | (10,692,608) | | (23,133,529) | |
| (Revaluations) Writedowns of non-current financial assets | 9 | 86,681,146 | 85,043,039 | 60,974,435 | 59,157,078 |
| Change in the provision for employee severance indemnities and provisions for pensions | 25 | (436,259) | | (70,542) | |
| Change in fair value recognized in EBIT | | (204,916,597) | | (17,128,815) | |
| Change in operating working capital | | 681,274,604 | 273,777,209 | (4,197,240) | (182,141,843) |
| Dividends from subsidiaries, associates and third parties | 9 | (353,612,414) | (349,743,988) | (264,758,456) | (260,092,486) |
| Dividends collected (included previous years) | | 362,915,417 | 359,046,991 | 273,329,584 | 268,663,614 |
| Net financial (income) expense | 8 | 40,532,078 | 21,510,148 | 44,774,174 | (33,329,300) |
| Financial income collected | | 75,961,850 | 56,955,972 | 82,060,192 | 62,118,620 |
| Financial (expense) paid | | (120,071,330) | (36,969,275) | (111,065,828) | (25,487,263) |
| Income taxes paid | | (14,777,619) | | (19.829.211) | |
| Change in other operating assets and liabilities | | (222,060,707) | (208,450,408) | (138,646,398) | (33,522,610) |
| **A. Cash from (used in) operating activities of continuing operations** | | **468,103,941** | | **97,573,240** | |
| Additions to intangibles and property, plant and equipment (-) | 13-17 | (237,527,908) | | (90,193,001) | |
| Additions to non-current financial assets (-) | 18 | (169,803,542) | (169,803,542) | (124,862,575) | (124,862,575) |
| Proceeds from the sale of intangibles and property, plant and equipment | | 1,216,124 | | 5,453,278 | |
| Proceeds from the sale of non-current financial assets | | 134,002,138 | - | - | - |
| Capital distributions from non-current equity investments | 18 | 240,113,774 | | 7,369,970 | |
| Change in other current assets | | 542,262,164 | 522,828,519 | (21,458,705) | (50,075,666) |
| **B. Cash from (used in) investing activities** | | **510,262,750** | | **(223,691,033)** | |
| Proceeds from new medium-term and long-term loans | 29, 30, 32 | - | - | 1,800,073,419 | 1,350,000,000 |
| Redemptions of medium-term and long-term loans (-) | 29, 30, 32 | (731,727,612) | (892,344) | (2,067,873,058) | (550,000,000) |
| Capital contributions provided by controlling companies or minority shareholders | | - | | - | |
| Dividends declared to controlling companies or minority shareholders (-) | | (62,504,746) | | (16,523,227) | |
| Other changes in short-term financial debt | | (426,788,288) | (31,603,658) | 95,930,278 | (99,294,999) |
| **C. Cash from (used in) financing activities** | | **(1,221,020,646)** | | **(188,392,588)** | |
| **D. Net change in cash and cash equivalents (A+B+C)** | | **(242,653,955)** | | **(314,510,381)** | |
| **E. Cash and cash equivalents at the beginning of the period** | | **318,528,764** | | **633,039,145** | |
| **F. Net cash and cash equivalents from discontinued operations** | | **-** | | **-** | |
| **G. Cash and cash equivalents at the end of the period (D+E+F)** | | **75,874,809** | **-** | **318,528,764** | **214,693,444** |
| **H. Total cash and cash equivalents at the end of the period (G)** | | **75,874,809** | | **318,528,764** | |
| **I. (-) Cash and cash equivalents from discontinued operations** | | **-** | | **-** | |
| **L. Cash and cash equivalents from continuing operations (H-I)** | | **75,874,809** | | **318,528,764** | |

(*) The amounts of 2013 have been restated for the new exposure of derivatives and nonrecurring expense.

# Statement of Changes in Shareholders' Equity

(in euros)

| | Share capital | Statutory reserve | Other reserve and retained earnings | Reserve for other components of comprehensive income: Cash flow hedge reserve | Reserve for other components of comprehensive income: Reserve for available-for-sale investments | Reserve for other components of comprehensive income: Actuarial gains (losses) | Profit (Loss) for the period | Total shareholders' equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2012** | **5,291,700,671** | **125,290,832** | **473,057,622** | **(4,817,640)** | **4,440,311** | **417,608** | **55,568,810** | **5,945,658,214** |
| Allocation of the 2012 result | - | 2,799,321 | 36,663,870 | - | - | - | (39,463,191) | - |
| Actuarial gains and losses | - | - | (417,608) | - | - | - | 417,608 | - |
| Dividend distribution | - | - | - | - | - | - | (16,523,227) | (16,523,227) |
| **Total net comprehensive result for 2013** | **-** | **-** | **-** | **(1,937,401)** | **(4,440,311)** | **(872,410)** | **77,614,769** | **70,364,647** |
| broken down as follows: | | | | | | | | |
| Change in comprehensive result for the year | - | - | - | (1,937,401) | (4,440,311) | (872,410) | - | (7,250,122) |
| Net result for 2013 | - | - | - | - | - | - | 77,614,769 | 77,614,769 |
| **Balance at December 31, 2013** | **5,291,700,671** | **128,090,153** | **509,303,884** | **(6,755,041)** | **-** | **(454,802)** | **77,614,769** | **5,999,499,634** |
| Allocation of the 2013 result | - | 3,880,738 | 11,229,285 | - | - | - | (15,110,023) | - |
| Dividend distribution | - | - | - | - | - | - | (62,504,746) | (62,504,746) |
| **Total net comprehensive result for 2014** | **-** | **-** | **-** | **(316,353,836)** | **-** | **(2,018,520)** | **(37,469,676)** | **(355,842,032)** |
| broken down as follows: | | | | | | | | |
| Change in comprehensive result for the year | - | - | - | (316,353,836) | - | (2,018,520) | - | (318,372,356) |
| Net result for 2014 | - | - | - | - | - | - | (37,469,676) | (37,469,676) |
| **Balance at December 31, 2014** | **5,291,700,671** | **131,970,891** | **520,533,169** | **(323,108,877)** | **-** | **(2,473,322)** | **(37,469,676)** | **5,581,152,856** |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2014

# ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

## Content and Presentation

Dear Shareholders:

We submit for your approval the separate financial statements of Edison Spa at December 31, 2014, which consist of an Income Statement, a Statement of Other Components of Comprehensive Income, a Balance Sheet, a Cash Flow Statement, a Statement of Changes in Shareholders' Equity and the accompanying notes.

The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Accounting Standards Board (IASB), as published in the *Official Journal of the European Union* (*O.J.E.U.*).

With regard to accounting principles, which are consistent with those used for the 2013 Separate Financial Statements, please note that the following amendments to principles and interpretations are applicable as of January 1, 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. 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 is applicable in the separate financial statements only insofar as definitions are concerned.
- **IFRS 11 "Joint Arrangements"**: It replaces the IAS 31 "Interests in Joint Ventures" and it is applicable to all the companies that are parties to agreements through which two or more parties that share control through unanimous consent, have the power to direct the relevant decisions and govern the exposure to future performances. Two types of agreements are identified:
  - **Joint operation**: a party to the agreement accounts for its share of assets, liabilities and revenues and costs in its separate financial statements.
  - **Joint venture**: the contractual agreement is managed by means of a company and a party to the agreement has only a right to the net cash flows resulting from the business activity. The interest in the joint venture is valued by the equity method.
- **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 is applicable in the separate financial statements only insofar as definitions are concerned. Investments are valued at cost, in accordance with IAS 27.
- **IAS 32 revised "Financial Instruments: Presentation":** It introduces an application guide on the subject of offsetting agreements that clarifies the requirements that must be satisfied for offsetting financial assets and liabilities when netting agreements are executed.
- **IAS 36 revised "Impairment of Assets"**: This standard includes the requirements of IFRS 13, introducing the obligation to provide additional disclosures when a loss is recognized or derecognized and the recoverable amount of the assets or cash generating unit corresponds to its 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 the enactment of legislation or regulations (i.e., EMIR). This principle is not applicable to Edison Spa.

In addition, a new interpretation **IFRIC 21** "Levies" will be applicable retrospectively starting in 2015, pursuant to law. 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. At this time, this interpretation has no impact on these financial statements.

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

Unless otherwise stated, the amounts that appear in the Notes to the Separate Financial Statements are in thousands of euros.

## 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), Parco Eolico San Francesco and 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 are 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 will take delivery at a fixed price of all of the energy produced by the new renewable energy hub, according to an Off-Take agreement, optimizing it with its production portfolio, while the management company handles O&M activities for the generating facilities on the basis of a specific contract, 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.

In execution of the agreements signed, a series of corporate reorganizations, that are described below, have been implemented.

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

The establishment of the new renewable energy hub has been reflected both in the recognition of an intangible asset either in the carrying amounts of the new equity investments acquired and subsequently incorporated into the company in which has been concentrated all the production capacity (EDENS); this is also due to the signing of new intercompany contracts (since October 1st, 2014) concerned the management of energy (Off-Take Agreement), the support to the repowering activities and the development of projects within the existing portfolio (Development Contract), the corporate service and the operation and maintenance of operating facilities.

In October 2014 some assets were therefore reallocated between the Edison Group and the EDF Energies Nouvelles Group.

More specifically:

- EDF EN Italia and EDF EN Partecipazioni Italia Srl transferred to Edison Spa, respectively, 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, and Parco Eolico San Francesco Srl, already a wholly owned subsidiary, were absorbed by EDENS; a result of which Edison Spa sold its full interest in EDENS to Edison Partecipazioni Energie Rinnovabili Srl, which has become the new 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% in the capital of 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 F2i of a 70% equity stake in EDENS, with Edison Partecipazioni Energie Rinnovabili Srl holding the remaining 30%.

## Presentation Formats of the Financial Statements Adopted by Company

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 **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 **Balance Sheet** assets and liabilities are analyzed by maturity. Current and noncurrent 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 Shareholders' Equity** shows separately the flows from component of the reserve for other components of comprehensive income.

## Comparability

Starting from 2014, some items are being reclassified, in order to provide a better economic and financial presentation. In details:

| Financial statement items | 2014 | 2013 |
|---|---|---|
| **Income statement** | | |
| Margin on financial trading activities | Sales revenues | Other revenues and income (if positive) and Raw materials and services used (if negative) |
| Gains on industrial portfolio derivatives | Sales revenues and Raw materials and services used (sundry purchases) | Other revenues and income and Raw materials and services used (sundry charges) |
| Other income and expense, net | in EBIT | in Profit (Loss) before taxes |
| $CO_2$ writedown | Raw materials and services used | Depreciation, amortization and writedowns |
| **Balance sheet** | | |
| Receivables and payables for physical trading derivatives | Other receivables and Other liabilities | Trade receivables and payables |

The schedules that follow show the effects of these reclassifications on the:
- 2013 Income Statement;
- Balance Sheet at January 1, 2013 and December 31, 2013;
- 2013 Cash Flow Statement.

## 2013 Income Statement *Restated*

| (in euros) | 2013 as published | change | 2013 restated |
|---|---|---|---|
| Sales revenues | 5,601,004,509 | 191,262,417 | 5,792,266,926 |
| Other revenues and income | 642,059,117 | (191,999,091) | 450,060,026 |
| **Total revenues** | **6,243,063,626** | **(736,674)** | **6,242,326,952** |
| Raw materials and services used (-) | (6,044,673,551) | 736,674 | (6,043,936,877) |
| Labor costs (-) | (138,045,377) | - | (138,045,377) |
| **EBITDA** | **60,344,698** | **-** | **60,344,698** |
| Net change in fair value of derivatives (commodities and foreign exchange) | (17,128,815) | - | (17,128,815) |
| Depreciation, amortization and writedowns (-) | (220,278,324) | - | (220,278,324) |
| Other income (expense), net | - | (403,394) | (403,394) |
| **EBIT** | **(177,062,441)** | **(403,394)** | **(177,465,835)** |
| Net financial income (expense) | (37,507,040) | - | (37,507,040) |
| Income from (Expense on) equity investments | 227,211,231 | - | 227,211,231 |
| Other income and (expense), net | (403,394) | 403,394 | - |
| **Profit (Loss) before taxes** | **12,238,356** | **-** | **12,238,356** |
| Income taxes | 65,376,413 | - | 65,376,413 |
| **Profit (Loss) from continuing operations** | **77,614,769** | **-** | **77,614,769** |
| Profit (Loss) from discontinued operation | - | - | - |
| **Profit (Loss) for the period** | **77,614,769** | **-** | **77,614,769** |

## Balance sheet at January 1, 2013 *Restated*

| (in euros) | 1/1/13 | change | 1/1/13 Restated |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 2,733,172,277 | - | 2,733,172,277 |
| Investment property | 9,437,875 | - | 9,437,875 |
| Goodwill | 2,407,570,046 | - | 2,407,570,046 |
| Hydrocarbon concessions | 137,235,384 | - | 137,235,384 |
| Other intangible assets | 18,757,933 | - | 18,757,933 |
| Investments in associates | 1,317,025,151 | - | 1,317,025,151 |
| Available-for-sale investments | 193,866,477 | - | 193,866,477 |
| Other financial assets | 7,113,007 | - | 7,113,007 |
| Deferred-tax assets | - | - | - |
| Other assets | 96,080,947 | - | 96,080,947 |
| **Total non-current assets** | **6,920,259,097** | **-** | **6,920,259,097** |
| Inventories | 305,605,800 | - | 305,605,800 |
| Trade receivables | 1,290,214,971 | (21,636,348) | 1,268,578,623 |
| Current tax assets | 11,704,941 | - | 11,704,941 |
| Other receivables | 341,890,044 | 21,636,348 | 363,526,392 |
| Current financial assets | 2,683,100,867 | - | 2,683,100,867 |
| Cash and cash equivalents | 633,039,145 | - | 633,039,145 |
| **Total current assets** | **5,265,555,768** | **-** | **5,265,555,768** |
| **Assets held for sale** | **-** | **-** | **-** |
| **Total assets** | **12,185,814,865** | **-** | **12,185,814,865** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Share capital | 5,291,700,671 | - | 5,291,700,671 |
| Statutory reserve | 125,290,832 | - | 125,290,832 |
| Other reserves and retained earnings (Loss carryforward) | 473,057,622 | - | 473,057,622 |
| Reserves for other components of comprehensive income | 40,279 | - | 40,279 |
| Profit (Loss) for the year | 55,568,810 | - | 55,568,810 |
| **Total shareholders' equity** | **5,945,658,214** | **-** | **5,945,658,214** |
| Provision for employee severance indemnities and provisions for pensions | 24.470.550 | - | 24.470.550 |
| Provision for deferred taxes | 13.448.903 | - | 13.448.903 |
| Provision for risks and charges | 746.718.926 | - | 746.718.926 |
| Bonds | 1.795.634.544 | - | 1.795.634.544 |
| Long-term financial debt and other financial liabilities | 119.232.481 | - | 119.232.481 |
| Other liabilities | 23.175.667 | - | 23.175.667 |
| **Total non-current liabilities** | **2.722.681.071** | **-** | **2.722.681.071** |
| Bonds | 103.725.734 | - | 103.725.734 |
| Short-term financial debt | 1.922.775.637 | - | 1.922.775.637 |
| Trade payables | 1.110.180.568 | (24.343.766) | 1.085.836.802 |
| Current taxes payable | 4.904.642 | - | 4.904.642 |
| Other liabilities | 375.888.999 | 24.343.766 | 400.232.765 |
| **Total current liabilities** | **3.517.475.580** | **-** | **3.517.475.580** |
| **Liabilities held for sale** | **-** | **-** | **-** |
| **Total liabilities and shareholders' equity** | **12.185.814.865** | **-** | **12.185.814.865** |

## Balance sheet at December 31, 2013 *Restated*

| (in euros) | 12/31/13 as published | change | 12/31/13 restated |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 2,625,980,739 | - | 2,625,980,739 |
| Investment property | 6,023,909 | - | 6,023,909 |
| Goodwill | 2,407,570,046 | - | 2,407,570,046 |
| Hydrocarbon concessions | 123,267,672 | - | 123,267,672 |
| Other intangible assets | 6,840,424 | - | 6,840,424 |
| Investments in associates | 1,383,546,388 | - | 1,383,546,388 |
| Available-for-sale investments | 182,860,861 | - | 182,860,861 |
| Other financial assets | 11,451,390 | - | 11,451,390 |
| Deferred-tax assets | - | - | - |
| Other assets | 176,634,965 | - | 176,634,965 |
| **Total non-current assets** | **6.924.176.394** | **-** | **6.924.176.394** |
| Inventories | 347,451,700 | - | 347,451,700 |
| Trade receivables | 1,121,894,266 | (13,254,492) | 1,108,639,774 |
| Current tax assets | 15,355,227 | - | 15,355,227 |
| Other receivables | 497,156,150 | 13,254,492 | 510,410,642 |
| Current financial assets | 2,704,559,572 | - | 2,704,559,572 |
| Cash and cash equivalents | 318,528,764 | - | 318,528,764 |
| **Total current assets** | **5,004,945,679** | **-** | **5,004,945,679** |
| **Assets held for sale** | **-** | **-** | **-** |
| **Total assets** | **11,929,122,073** | **-** | **11,929,122,073** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Share capital | 5,291,700,671 | - | 5,291,700,671 |
| Statutory reserve | 128,090,153 | - | 128,090,153 |
| Other reserves and retained earnings (Loss carryforward) | 509,303,884 | - | 509,303,884 |
| Reserves for other components of comprehensive income | (7,209,843) | - | (7,209,843) |
| Profit (Loss) for the year | 77,614,769 | - | 77,614,769 |
| **Total shareholders' equity** | **5,999,499,634** | **-** | **5,999,499,634** |
| Provision for employee severance indemnities and provisions for pensions | 24,400,008 | - | 24,400,008 |
| Provision for deferred taxes | 12,839,295 | - | 12,839,295 |
| Provision for risks and charges | 754,012,005 | - | 754,012,005 |
| Bonds | 1,097,667,397 | - | 1,097,667,397 |
| Long-term financial debt and other financial liabilities | 950,540,212 | - | 950,540,212 |
| Other liabilities | - | - | - |
| **Total non-current liabilities** | **2,839,458,917** | **-** | **2,839,458,917** |
| Bonds | 772,190,955 | - | 772,190,955 |
| Short-term financial debt | 949,100,471 | - | 949,100,471 |
| Trade payables | 978,174,778 | (11,920,747) | 966,254,031 |
| Current taxes payable | - | - | - |
| Other liabilities | 390,697,318 | 11,920,747 | 402,618,065 |
| **Total current liabilities** | **3,090,163,522** | **-** | **3,090,163,522** |
| **Liabilities held for sale** | **-** | **-** | **-** |
| **Total liabilities and shareholders' equity** | **11,929,122,073** | **-** | **11,929,122,073** |

## 2013 Cash Flow Statement *Restated*

| (in euros) | 2013 as published | change | 2013 restated |
|---|---|---|---|
| **Profit (Loss) before taxes of Edison Spa** | **12,238,356** | **-** | **12,238,356** |
| Amortization, depreciation and writedowns | 220,278,324 | - | 220,278,324 |
| Net additions to provisions for risks | (17,251,806) | - | (17,251,806) |
| (Gains) Losses on the sale of non-current assets | (23,133,529) | - | (23,133,529) |
| (Revaluations) Writedowns of non-current financial assets | 60,974,435 | - | 60,974,435 |
| Change in the provision for employee severance indemnities and provisions for pensions | (70,542) | - | (70,542) |
| Change in fair value recognized in EBIT | (17,128,815) | - | (17,128,815) |
| Change in operating working capital | (5,530,985) | 1,333,745 | (4,197,240) |
| Net financial (income) expense | 44,774,174 | - | 44,774,174 |
| Financial income collected | 82,060,192 | - | 82,060,192 |
| Financial (expense) paid | (111,065,828) | - | (111,065,828) |
| Income taxes paid | (19,829,211) | - | (19,829,211) |
| Change in other operating assets and liabilities | (128,741,525) | (1,333,745) | (130,075,270) |
| Change in other operating assets and liabilities from extraordinary transactions | - | - | - |
| **A. Cash from (used in) operating activities of continuing operations** | **97,573,240** | **-** | **97,573,240** |
| Additions to intangibles and property, plant and equipment (-) | (90,193,001) | - | (90,193,001) |
| Additions to non-current financial assets (-) | (124,862,575) | - | (124,862,575) |
| Proceeds from the sale of intangibles and property, plant and equipment | 5,453,278 | - | 5,453,278 |
| Proceeds from the sale of non-current financial assets | - | - | - |
| Capital distributions from non-current equity investments | 7,369,970 | - | 7,369,970 |
| Change in other current assets | (21,458,705) | - | (21,458,705) |
| **B. Cash from (used in) investing activities** | **(223,691,033)** | **-** | **(223,691,033)** |
| Proceeds from new medium-term and long-term loans | 1,800,073,419 | - | 1,800,073,419 |
| Redemptions of medium-term and long-term loans (-) | (2,067,873,058) | - | (2,067,873,058) |
| Capital contributions provided by controlling companies or minority shareholders | - | - | - |
| Dividends declared to controlling companies (-) or minority shareholders | (16,523,227) | - | (16,523,227) |
| Other net changes in short-term financial debt | 95,930,278 | - | 95,930,278 |
| **C. Cash from (used in) financing activities** | **(188,392,588)** | **-** | **(188,392,588)** |
| **D. Net change in cash and cash equivalents (A+B+C)** | **(314,510,381)** | **-** | **(314,510,381)** |
| **E. Cash and cash equivalents at the beginning of the period** | **633,039,145** | **-** | **633,039,145** |
| **F. Net cash and cash equivalents from discontinued operations** | **-** | **-** | **-** |
| **G. Cash and cash equivalents at the end of the period (D+E+F)** | **318,528,764** | **-** | **318,528,764** |
| **H. Total cash and cash equivalents at the end of the period (G)** | **318,528,764** | **-** | **318,528,764** |
| **I. (-) Cash and cash equivalents from discontinued operations** | **-** | **-** | **-** |
| **L. Cash and cash equivalents from continuing operations (H-I)** | **318,528,764** | **-** | **318,528,764** |

# Valuation Criteria

## Property, Plant and Equipment and Investment Property

Land and buildings 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 Company 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 Company 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 Company expects to recover at the end of an asset's useful life is not depreciated. Property, plant and equipment is depreciated each year on a straight-line basis at rates based on technical and financial estimates of the assets' remaining useful lives.

The range of depreciation rates applied is shown below:

| | Electric Power | | Hydrocarbons | | Corporate | |
|---|---|---|---|---|---|---|
| | min. | max. | min. | max. | min. | max. |
| Buildings | 2.1% | 12.2% | 0.1% | 0.3% | - | 3.4% |
| Plant and machinery | 3.9% | 10.2% | 2.6% | 42.8% | 9.6% | 22.4% |
| Manufacturing and distribution equipment | 5.0% | 10.0% | 17.5% | 35.0% | 5.0% | 25.0% |
| Other assets | 6.0% | 20.0% | 6.0% | 25.0% | 6.0% | 20.0% |
| Investment property | - | - | - | - | 2.1% | 3.4% |

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 method, which is also used to amortize the underlying concessions. The depreciation rate is determined as the ratio between the quantity 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 up-to-date estimates available at the end of each reporting period.

Depreciation, for 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 also into account any renewals/ extensions) or their estimated useful lives, whichever is shorter.

Assets acquired under a finance lease 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 Company 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 reduction in value, assets are tested for impairment in the manner described below in the section entitled "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

Goodwill acquired for consideration, which upon transition to the IFRS was recognized at the same carrying amount as in the statutory financial statements at December 31, 2003, 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 be reasonably allocated. The impairment test is described below in the section entitled "Impairment of Assets." Writedowns cannot be reversed in subsequent periods.
The decision to take the conservative approach of using for the transition to the IAS/IFRS principles on January 1, 2004 the same carrying amounts as those used in the statutory financial statements prepared in accordance with Italian accounting principles is justified by the uncertainty that currently exists with respect to the accounting treatment that should be applied to these assets in the separate financial statements prepared in accordance with the IAS/IFRS principles.

## Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits qualify as intangible assets. Intangible assets are recognized at their purchase price 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.

## 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 exploration license. If an exploration project is later abandoned, the residual cost is immediately recognized in profit or loss.
**Exploration costs** and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are classified 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 classified 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 (so-called **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 method. The amortization rate is determined as the ratio between the quantity 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 up-to-date estimates available at the end of each reporting period. In addition, a test is conducted each year to ensure that the carrying amounts of these assets are not greater than their realizable values computed by discounting future cash flows, which are estimated based on future production programs and market values.

## Environmental Securities (Emissions Rights and Green Certificates)

Edison Spa secures a supply of environmental securities (emissions rights and green certificates) to meet its own requirements in the exercise of its industrial activities (so-called "own use").

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 Company at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge and used for compliance purposes are recognized at a zero carrying value. These assets are tested for impairment; 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 and charges 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 calendar year or the production generated, will be derecognized (compliance) using any reserves for risks set aside the previous year.

## Equity Investments in Subsidiaries and Affiliated Companies

Subsidiaries are companies with respect to which Edison has the power to independently make strategic corporate decisions for the purpose of obtaining the resulting benefits. As a rule, control is presumed to exist when the controlling company holds, directly or indirectly, more than half of the votes that can be cast at an Ordinary Shareholders' Meeting, counting the so-called "potential votes" (i.e., votes conveyed by convertible instruments).

Affiliated companies are companies with respect to which Edison exercises a significant influence over the process of making strategic corporate decisions, even though it does not have control, when the so-called "potential votes" (i.e., voting rights conveyed by convertible instruments) are counted. A significant influence is presumed to exist when the controlling company holds, directly or indirectly, more than 20% of the votes that can be cast at an Ordinary Shareholders' Meeting.

Equity investments in subsidiaries and affiliated companies are valued at cost, written down to reflect any distributions of share capital or equity reserves or any impairment losses detected as a result of an impairment test. If the reasons that justified the writedown cease to apply in subsequent years, the original cost is reinstated.

## 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 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 its fair value, less cost to sell, and it 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 Edison's organizational and business structure, are homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.

## Translation of Items Denominated in Foreign Currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the year, cash assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences are recognized in profit or loss. Non-cash assets and liabilities denominated in foreign currencies are valued at cost and translated at the exchange rates in force on the transaction date.

## Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries and affiliate companies) that are held for trading and held-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and other current financial assets, such as cash and cash equivalents. Cash and cash equivalents include deposits in bank and postal 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 the obligations conveyed contractually by the financial instrument.

The initial amount at which these items are recognized shall include transaction costs directly attributable to the purchase or the issue costs that are included in the initial valuation of all 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 are recognized in profit or loss. This class of assets consists mainly of equity investments held for trading and of the so-called trading activities, as described 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 un the purchasing/selling phase (e.g., issue premiums or discounts, 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 has 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 profit or loss 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.
- **Assets held for sale** are measured at fair value and any resulting gains or losses are recognized in equity, posted to the "Reserve for other components of comprehensive income," and transferred to the income statement upon the disposal of the corresponding asset. Losses that result from measurement at fair value are recognized directly in profit or loss 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, as a rule, any resulting changes are recognized in the income statement. However, whenever possible, the Company uses hedge accounting. 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, posted to the "Reserve for other components of comprehensive income," while the ineffective portion is recognized directly in profit or loss. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged items.

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 profit or loss. The carrying amounts of the hedged items are 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 have been 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 Company's core businesses include physical and financial trading in commodities. 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, which are measured at fair value, with changes in fair value recognized in profit or loss. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in profit or loss.

The amounts shown in the 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 related to the so-called 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 profit or loss.

## Valuation of Long-term Take-or-pay Contracts

Under the terms of medium-term and long-term contracts for the importation of natural gas, the importer is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the importer 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 updated forecasts. 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 provisions for pensions are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in profit or loss as a labor cost. 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 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 the vested employee severance benefits that remained with the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits was 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").

## Provisions for Risks and Charges

Provisions 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 by 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 and costs and expenses are recognized net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of goods 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 green certificates and emissions rights attributable to the period, as well as those attributable to divested plants for the accrual period attributable to the seller. 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 based on an estimate of taxable income, in accordance with the tax rates and laws that have been enacted or substantively enacted 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 to the extent that their future recovery is probable. The valuation of deferred-tax assets must be carried out taking into account future tax liabilities, as projected in approved Company industrial plans. When gains and losses are recognized directly in equity, posted to the "Reserve for other components of comprehensive income," the corresponding deferred-tax assets or liabilities shall also be recognized in equity.

## 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 profit or loss. In particular it should be noted that after two years of stability the Brent price has decreased, especially in the last two months of the year, reaching the lowest level since May 2009.

The assessments have been performed on the basis of a scenario of Edison taking into account the impact of a sensitivity analysis on the future trend.

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

- Amortization of intangible assets (for assets with a finite useful life), depreciation of property, plant and equipment and impairment tests. Information about the impairment test is provided later in the section these Notes entitled "Impairment Test Pursuant to IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles." The valuation of the decommissioning provisions is affected by estimates concerning cost, the rate of inflation and the discount rate, as well as assumptions about payment dynamics. At each financial statement date, these estimates are reviewed in order to ensure that the amounts shown in the financial statements represent the best estimate of the costs that the Company may eventually incur. In the event of material changes the amounts carried in the financial statements are revised.
- Valuation of derivatives and financial instruments in general. Information about valuation criteria and quantitative disclosures are provided, respectively, in the paragraph entitled "Financial Instruments" and in the Notes to the financial statement, which supplement and complete the financial statements. The methods applied to determine fair value and manage inherent risks in connection with energy commodities traded by the Company, foreign exchange rates and interest rates are described in the section of this Report entitled "Financial Risk Management."
- Measurement of certain sales revenues, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on currently available information.
- Advances paid under long-term contracts to import natural gas (take-or-pay contracts). 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); and 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 do so. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best estimates available at the time of valuation. If applicable, these estimates may take into account, as a price adjustment, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

# NOTES TO THE INCOME STATEMENT

## Operating Performance in 2014

Edison Spa reported a **net loss** of 37 million euros at December 31, 2014, compared with a net profit of 78 million euros in 2013.
This result reflects the impact of the ongoing negative trend of contraction that has been affecting the Italian economy since 2008, depressing national consumption of electric power and natural gas. Consequently, the continuation of a situation in which weak demand is accompanies by a steady increase in power generating capacity and the available supply on gas generated increased competitive pressure on sales prices both of electric power and natural gas. As a result, **sales revenues** totaled 4.822 million euros in 2014, down 16.7% compared with the previous year (5,792 million euros).

More specifically, for the **hydrocarbons operations** the contraction in revenues (-16.8%) is chiefly the result of a reduction in sales volumes and lower average sales prices for natural gas, while the shortfall reported by the **electric power operations** (-16.8%) reflects a decrease in production volumes, particularly in the thermoelectric area, caused in part by the sale of a power plant, offset in part by an increase in hydroelectric generation, thanks to more abundant water resources in the year 2014.

**EBITDA** were negative by 258 million euros, as against positive EBITDA of 60 million euros in 2013, an amount that included the one-off benefit generated by the price revisions of the long-term contracts for the supply of natural gas from Algeria and Qatar.

More in detail:

- The EBITDA of the **hydrocarbons operations** were negative by 171 million euros, positive by 81 million euros in 2013. This negative change is attributable to the activities that engage in buying and selling natural gas, which, while benefiting from the price revision of the long-term contract to import gas from Russia, were faced with an unfavorable comparison with the previous year's data, which included the one-off components related to the price revisions of the supply contracts for gas from Algeria and Qatar. The result for 2014 primarily reflects the impact of the ongoing compression of the margins generated by the activities that involve buying and selling natural gas. For this reason, Edison is pursuing a second cycle of price reviews, with the aim of restoring to a reasonable level of profitability its portfolio of multi-year gas procurement contracts. As for the Exploration & Production operations, crude oil production increased compared with 2013 thanks to the full availability of the output from the Rospo Mare field, where production had been suspended at the end of January 2013.
- The EBITDA of the **electric power operations** were positive by 43 million euros, compared with 90 million euros in 2013. This result, achieved despite a particularly challenging market environment, with steadily declining demand for electric power and energy prices, mainly reflects the positive impact of an increase in hydroelectric production, made possible by an abundance of water resources.

**EBIT** were negative by 402 million euros, compared with negative EBIT 177 million euros in 2013, restated to provide a better presentation of Other income and expense, net, which represents items that are not directly related to industrial or financial activities or nonrecurring items.

In addition to the items discussed above, EBIT include:

- for 205 million euros, the positive impact generated by the volatility of the net change in the fair value of commodity and foreign exchange derivatives (negative impact of 17 million euros in 2013);
- for 338 million euros, Depreciation, amortization and writedowns of non-current assets (220 million euros in 2013) and writedown of Goodwill for 120 million euros resulting from the impairment test;
- for 12 million euros, Other expense, net, (less than 1 million euros in 2013), consisting mainly of legal expenses.

In addition to the industrial margin dynamics discussed above, the following factors affected the performance in 2014, compared with the previous year:

- **Net financial expense,** which increased to 39 million euros (38 million euros in 2013), due mainly to the fair value measurement of bond issues and higher net foreign exchange losses on fuel procurement transactions.
- **Net income on equity investments**, which totaled 278 million euros (227 million euros in 2013) and consists mainly of dividends from investee companies and the distribution of retained earnings from subsidiaries (354 million euros compared with 271 million euros in 2013), net of 87 million euros in writedowns of some equity investments recognized to adjust the corresponding carrying amounts (63 million euros in 2013).
- **Income taxes,** positive by 126 million euros (65 million euros in 2013). The main reason for this change is a net positive effect of 60 million euros, deriving from the realignment of the tax base of a portion of the Company's non-current assets, which required the payment of a substitute tax of 45 million euros, net of 105 million euros for the utilization of deferred taxes, thanks to the new tax bases of the abovementioned non-current assets. This item also includes, for 60 million euros, the effect of the benefit from the participation to the national consolidated tax return filed by Transalpina di Energia Spa, the controlling company.

## 1. Sales Revenues

Sales revenues totaled 4,822,090,000 euros or 16.7% less than the restated 2013 amount (5,792,267,000 euros). A breakdown by type of the Company's sales revenues, which were earned mainly in Italy, is provided below:

| (in thousands of euros) | 2014 | 2013 (*) | Change | % change |
|---|---|---|---|---|
| Revenues from the sale of: | | | | |
| - Natural gas | 3,283,629 | 4,256,862 | (973,233) | (22.9%) |
| - Electric power | 819,683 | 1,021,901 | (202,218) | (19.8%) |
| - Oil | 122,143 | 128,242 | (6,099) | (4.8%) |
| - Steam | 33,490 | 68,569 | (35,079) | (51.2%) |
| - Green certificates and $CO_2$ emissions rights | 110,120 | 68,230 | 41,890 | 61.4% |
| - Realized commodity derivatives | 399,242 | 191,999 | 207,243 | n.m. |
| - Sundry items | 1,163 | 3,422 | (2,259) | n.m. |
| **Revenues from product sales** | **4,769,470** | **5,739,225** | **(969,755)** | **(16.9%)** |
| Revenues from services provided | 43,981 | 43,715 | 266 | 0.6% |
| Revenues from power plant maintenance | 8,901 | 9,853 | (952) | (9.7%) |
| **Revenues from the provision of services** | **52,882** | **53,568** | **(686)** | **(1.3%)** |
| Margin on physical trading activities | (544) | 211 | (755) | n.m. |
| Margin on financial trading activities | 282 | (737) | 1,019 | n.m. |
| **Margin on trading activities** | **(262)** | **(526)** | **264** | **(50.2%)** |
| **Total sales revenues** | **4,822,090** | **5,792,267** | **(970,177)** | **(16.7%)** |
| Breakdown by business segment: | | | | |
| Hydrocarbons operations | 3,822,758 | 4,593,506 | (770,748) | (16.8%) |
| Electric power operations | 978,093 | 1,175,588 | (197,495) | (16.8%) |
| Corporate activities | 21,239 | 23,173 | (1,934) | (8.3%) |
| **Total sales revenues** | **4,822,090** | **5,792,267** | **(970,177)** | **(16.7%)** |

(*) The amounts of 2013 have been restated for the new exposure of derivatives.

An analysis of revenues by business segment is provided below:

- The **hydrocarbon operations** reported sales revenues of 3,822,758,000 euros, down 16.8% compared with 2013, due to the combined effect of lower sales volumes of natural gas, particularly in the thermoelectric and residential sectors, offset only in part by increased sales to industrial customers, and a contraction in average sales prices for natural gas in the benchmark scenario;
- For the **electric power operations,** sales revenues totaled 978,093,000 euros, for a decrease of 16.8% compared with 2013, chiefly as a result of a decrease in production by thermoelectric power plant, offset only in part by a gain in hydroelectric output, made possible by the abundant water resources;
- Revenues from services provided, which are included in **corporate activities,** refer mainly to the coordination support provided by Edison to other Group companies and to engineering services.

As for **Realized commodity derivatives,** which should be analyzed in conjunction with the corresponding cost included in **Raw materials and services used** (increased from 103,367,000 euros to 214,110,000 euros) and **Net change in fair value of derivatives (commodities and foreign exchange),** (improved from a negative 17,129,000 euros in 2013 to a positive 204,917,000 euros in 2014), includes primarily the results of commodity and foreign exchange hedging transactions executed to mitigate the risk of fluctuations in the cost of natural gas. This result primarily reflects the effect of fluctuations in the commodity and foreign exchange markets during the reporting period, including specifically the contraction in prices in the crude oil market.
**Realized commodity derivatives** includes revenues from Edison Energia for 2,060,000 euros, Edison Trading for 17,938,000 euros and EDF Trading Limited for 46,588,000 euros.
A comprehensive presentation of the effects of these transactions is provided in a separate disclosure in the section entitled “Financial Risk Management by the Group’s Parent Company.”

## Margin on Trading activities

The table below shows the results, included in sales revenues, generated, respectively, by transactions involving trading in physical and financial contracts for energy commodities included in the trading portfolios.

| (in thousands of euros) | See Note | 2014 | 2013 | Change | % change |
|---|---|---|---|---|---|
| **Margin on physical trading activities** | | | | | |
| Sales revenues | | 1,096,049 | 1,100,931 | (4,882) | (0.4%) |
| Raw materials and services used | | (1,096,593) | (1,100,720) | 4,127 | (0.4%) |
| **Total included in sales revenues** | 1 | **(544)** | **211** | **(755)** | **n.m.** |
| **Margin on financial trading activities** | | | | | |
| Sales revenues | | 1,366 | 3,499 | (2,133) | (61.0%) |
| Raw materials and services used | | (1,084) | (4,236) | 3,152 | n.m. |
| **Total included in sales revenues** | 1 | **282** | **(737)** | **1,019** | **n.m.** |
| **Total margin on trading activities** | | **(262)** | **(526)** | **264** | **n.m.** |

A comprehensive presentation of the effects of these transactions is provided in a separate disclosure in the section entitled “Financial Risk Management.”

## 2. Other Revenues and Income

Other revenues and income amounted to 149,111,000 euros, for a reduction of 66.9% compared with the restated amount for 2013 (450,060,000 euros). A breakdown of this item is provided below:

| (in thousands of euros) | 2014 | 2013 (*) | Change | % change |
|---|---|---|---|---|
| Recovery of costs from partners in hydrocarbon exploration projects | 25,956 | 28,507 | (2,551) | (8.9%) |
| Reversals of allowances for doubtful accounts and sundry provisions | 9,416 | 44,720 | (35,304) | (78.9%) |
| Out-of-period income and sundry items | 113,739 | 376,833 | (263,094) | (69.8%) |
| **Total** | **149,111** | **450,060** | **(300,949)** | **(66.9%)** |

(*) The amounts of 2013 have been restated for the new exposure of derivatives.

As was the case in 2013, **Out-of-period income and sundry items** includes the benefits generated by the revision of long-term natural gas contracts applicable to costs incurred in previous years.

## 3. Raw Materials and Services Used

Raw materials and services used totaled 5,094,810,000 euros, or 15.7% less than the restated amount for 2013 (6,043,937,000 euros), due mainly to a reduction in the volumes of purchased commodities. A breakdown is provided below:

| (in thousands of euros) | 2014 | 2013 (*) | Change | % change |
|---|---|---|---|---|
| - Natural gas | 3,654,632 | 4,842,380 | (1,187,748) | (24.5%) |
| - Electric power | 29,530 | 8,676 | 20,854 | n.m. |
| - Blast-furnace, recycled and coke-oven gas | 8,001 | 26,494 | (18,493) | (69.8%) |
| - Oil and fuel | 2,813 | 1,689 | 1,124 | 66.5% |
| - Demineralized industrial water | 762 | 1,970 | (1,208) | (61.3%) |
| - Green certificates | 42,563 | 38,968 | 3,595 | 9.2% |
| - $CO_2$ emissions rights | 16,583 | 21,792 | (5,209) | (23.9%) |
| - Utilities and other materials | 49,987 | 71,299 | (21,312) | (29.9%) |
| **Materials used** | **3,804,871** | **5,013,268** | **(1,208,397)** | **(24.1%)** |
| | | | | |
| - Transmission of natural gas | 439,095 | 480,104 | (41,009) | (8.5%) |
| - Realized commodity derivatives | 214,110 | 103,367 | 110,743 | n.m. |
| - Regasification fee | 109,501 | 106,028 | 3,473 | 3.3% |
| - Facilities maintenance | 92,221 | 86,480 | 5,741 | 6.6% |
| - Professional services | 66,009 | 58,298 | 7,711 | 13.2% |
| - Insurance services | 14,455 | 14,713 | (258) | (1.8%) |
| - Writedowns of trade receivables and sundry items | 19,708 | 524 | 19,184 | n.m. |
| - Change in inventories | 117,621 | (41,662) | 159,283 | n.m. |
| - Additions to provisions for risks | 16,277 | 19,561 | (3,284) | (16.8%) |
| - Use of property not owned | 67,981 | 68,548 | (567) | (0.8%) |
| - Sundry charges | 132,961 | 134,708 | (1,747) | (1.3%) |
| **Total materials and services used** | **5,094,810** | **6,043,937** | **(949,127)** | **(15.7%)** |
| Breakdown by business segment: | | | | |
| Hydrocarbons operations | 4,701,226 | 5,612,530 | (911,304) | (16.2%) |
| Electric power operations | 253,157 | 304,918 | (51,761) | (17.0%) |
| Corporate activities | 140,427 | 126,489 | 13,938 | 11.0% |
| **Total materials and services used** | **5,094,810** | **6,043,937** | **(949,127)** | **(15,7%)** |

(*) The amounts of 2013 have been restated for the new exposure of derivatives.

The decrease in purchasing costs of **natural gas** compared with 2013, which should be analyzed in conjunction with the **change in inventories,** is due to a reduction in the quantities of purchased gas that is consistent with the shortfall in sales volumes. This item also reflects the impact of the effective portion of derivatives hedging foreign exchange risk on commodities, which reduced gas purchasing costs by 5,857,000 euros (a gas purchasing cost increase of 78,235,000 euros in 2013).

The variation shown for **electric power** also reflects the effect of taking delivery, since November, at a fixed price of the energy produced by the new renewable energy hub as already discussed in the "Accounting Principles and Valuation Criteria" of these Notes.

The increase in **green certificate** costs is due primarily to the price difference between 2014 and the previous year.

**Realized commodity derivatives** include costs to Edison Energia for 2,872,000 euros, to Edison Trading for 25,699,000 euros and to EDF Trading Limited for 33,856,000 euros.

A reduction in gas imports, which more than offset the impact of an increase in the rates charged, is the reason for the lower **transmission** costs.

The **regasification fee** reflects the charges paid to Terminale GNL Adriatico Srl for regasification of liquefied gas originating from Qatar.

The **additions to provisions for risks,** amounting to 16,277,000 euros, include provision for future charges in the industrial area.

The **change in inventories** reflects primarily the change in stored natural gas. For a more in-depth analysis please see Note 22 "Current Assets".

## 4. Labor Costs

Labor costs amounted to 134,558,000 euros (138,045,000 euros in 2013).
The table below shows the amount of labor costs, the number of employees at the end of the period and the average staff and provides a comparison with the data for 2013:

| 2014 | | | 2013 | | | Change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Labor costs | Number of employees at end of period | Average number of employees | Labor costs | Number of employees at end of period | Average number of employees | Labor costs | % | Number of employees at end of period | % | Average number of employees | % |
| 134,558 | 1,506 | 1,519 | 138,045 | 1,552 | 1,574 | (3,487) | (2.6%) | (46) | (3.1%) | (55) | (3.6%) |

The table that follows provides a breakdown by category of the Company's staff:

| (number of employees) | 01/01/2014 | Added to payroll | Removed from payroll | Change of classifica-tion | 31/12/2014 | Average payroll |
|---|---|---|---|---|---|---|
| Executives | 126 | - | (4) | 3 | 125 | 124 |
| Office staff and middle managers | 1,231 | 53 | (89) | - | 1,195 | 1,205 |
| Production staff | 195 | 1 | (7) | (3) | 186 | 190 |
| **Total** | **1,552** | **54** | **(100)** | **-** | **1,506** | **1,519** |

## 5. EBITDA

Edison Spa reported negative EBITDA of 258,168,000 euros (positive EBITDA of 60,345,000 euros in 2013). A breakdown by type of business is provided below:

| (in thousands of euros) | 2014 | as a % of sales revenues | 2013 | as a % of sales revenues | % change |
|---|---|---|---|---|---|
| Hydrocarbons operations | (170,909) | (4.5%) | 80,751 | 1.8% | n.m. |
| Electric power operations | 42,904 | 4.4% | 89,625 | 7.6% | (52.1%) |
| Corporate activities | (130,163) | n.m. | (110,031) | n.s. | 18.3% |
| **Total** | **(258,168)** | **(5.4%)** | **60,345** | **1.0%** | **n.m.** |

The performance of the different business segments is reviewed below:

- The EBITDA of the **hydrocarbons operations** were negative by 170,909,000 euros, as against positive EBITDA of 80,751,000 euros in 2013. Both reporting periods reflect the benefits, more significant in 2013 than in 2014, deriving from the revision of the long-term contracts to import natural gas related to costs incurred in previous years. The continuing compression of the margins generated by buying and selling natural gas and a reduction in gas sales, caused in part by mild winter weather, are the main reasons for the negative result reported in 2014.
  Volumes purchased in 2014 reflect the effect of a reduction both in gas imports and production, offset in part by spot purchases. The contraction in the quantities of gas sold is attributable mainly to lower production by thermoelectric power plants.
  The margins generated by the Exploration and Production activities remained positive, aided in part, compared with 2013, by the full availability of oil production from the Rospo Mare field.
  Lastly, the EBITDA of the hydrocarbons operations were also boosted by the effective portion of derivatives hedging foreign exchange risk on commodities, amounting to 5,857,000 euros in 2014 (negative by 78,235,000 euros in 2013).

- The EBITDA of the **electric power operations** were positive by 42,904,000 euros, but lower than the 89,625,000 euros earned in 2013. This result reflects the effect of a reduction in volumes, attributable in part to the sale of the Porcari thermoelectric power plant in February 2014. Please note that the net production of electricity decreased due to lower production of the thermoelectric power plants offset only in part by increase in hydroelectric production that benefitted from the availability of abundant water resources.

## 6. Net Change in Fair Value of Derivatives (Commodities and Foreign Exchange)

The net change in the fair value of derivatives was positive by 204,917,000 euros in 2014 (negative by 17,129,000 euros in 2013). A breakdown is provided below:

| (in thousands of euros) | 2014 | 2013 | Change | % change |
|---|---|---|---|---|
| **Change in fair value of derivatives hedging the price risk on energy products:** | **23,958** | **18,307** | **5,651** | **30.9%** |
| - definable as hedges pursuant to IAS 39 (CFH) (*) | 5,927 | 4,927 | 1,000 | 20.3% |
| - not definable as hedges pursuant to IAS 39 | 18,031 | 13,380 | 4,651 | n.m. |
| **Change in fair value of derivatives hedging the foreign exchange risk on commodities:** | **180,959** | **(35,435)** | **216,394** | **n.m.** |
| - definable as hedges pursuant to IAS 39 (CFH) (*) | 17,904 | (58) | 17,962 | n.m. |
| - not definable as hedges pursuant to IAS 39 | 163,055 | (35,377) | 198,432 | n.m. |
| **Total** | **204,917** | **(17,128)** | **222,045** | **n.m.** |

(*) Refers 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 however recognized directly into "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

Depreciation, amortization and writedowns increased to 337,536,000 euros, or 117,258,000 euros more than in 2013 (220,278,000 euros). A breakdown is provided in the table below:

| (in thousands of euros) | 2014 | 2013 | Change | % change |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | 198,022 | 200,814 | (2,792) | (1.4%) |
| Depreciation of investment property | 72 | 156 | (84) | (53.8%) |
| Amortization of hydrocarbon concessions | 10,994 | 13,968 | (2,974) | (21.3%) |
| Amortization of other intangible assets | 6,796 | 5,340 | 1,456 | 27.3% |
| **Total depreciation and amortization** | **215,884** | **220,278** | **(4,394)** | **(2.0%)** |
| Writedown of goodwill | 120,230 | - | 120,230 | n.m. |
| Writedown of property, plant and equipment | 1,370 | - | 1,370 | n.m. |
| Writedown of investment property | 52 | - | 52 | n.m. |
| **Total writedowns** | **121.652** | **-** | **121,652** | **n.m.** |
| **Totale** | **337,536** | **220,278** | **117,258** | **53.2%** |
| Breakdown by business segment: | | | | |
| Electric power operations | 148,641 | 150,766 | (2,125) | (1.4%) |
| Hydrocarbons operations | 59,449 | 60,858 | (1,409) | (2.3%) |
| Corporate activities | 129,446 | 8,654 | 120,792 | n.m. |
| **Total** | **337,536** | **220,278** | **117,258** | **53.2%** |

More specifically:

- In the **electric power** segment, depreciation and amortization decreased to 148,641,000 euros or 2,125,000 euros less than in 2013, when the total amount was 150,766,000 euros;
- In the **hydrocarbons** segment, depreciation and amortization totaled 59,449,000 euros (60,858 in 2013), for a decrease of 1,409,000 euros compared with the previous year, consistent with the extraction profiles of hydrocarbon deposits. The amortization of exploration costs amounted to 1,675,000 euros, while the amortization of hydrocarbon concessions totaled 10,994,000 euros;
- In the **corporate segment** the writedown of goodwill for 120,230,000 euros; for more details please refer to the following paragraph "Impairment test".

A detailed analysis of the effects of the Company's impairment test is provided later in these Notes in the disclosure entitled "Impairment Test Pursuant to IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles."

## 8. Other Income (Expense), Net

Net other expense totaled 11,525,000 euros in 2014, compared with net other expense of 403,000 euros the previous year. The balance in this account is the net result of nonrecurring items that are not directly related to the Group's industrial or financial operations, including:

- **income** of 17,813,000 euros (41,309,000 euros in 2013), referring mainly to the reversal into income of some provisions recognized in connection with litigation for which the relative risk is no longer considered probable, amounting to 14,236,000 euros;

- **expense** of 29,338,000 euros (41,713,000 euros in 2013), related mainly to charges and accruals of a legal nature concerning the former Montedison Group. Please note that the amount for 2013 included an accrual for environmental risks of 20,000,000 euros related to non-core activities.

## 9. Net Financial Income (Expense)

**Net financial expense** increased to 39,363,000 euros, or 1,856,000 euros more than in 2013 (37,507,000 euros), due mainly to the effect of the fair value adjustment on bond issues and higher net foreign exchange losses on fuel procurement transactions. A breakdown and a comparison with 2013 is provided below:

| (in thousands of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| **Financial income** | | | |
| Financial income from Group companies | 60,292 | 64,582 | (4,290) |
| Financial income from financial derivatives | 58,690 | 58,159 | 531 |
| Interest earned on trade receivables | 3,724 | 2,722 | 1,002 |
| Bank interest earned | 187 | 2,677 | (2,490) |
| Interest received from EDF | 96 | - | 96 |
| Other financial income | 5,218 | 73 | 5,145 |
| **Total financial income** | **128,207** | **128,213** | **(6)** |
| **Financial expense** | | | |
| Interest paid on bond issues | (58,226) | (71,447) | 13,221 |
| Fair value adjustment on bonds | 7,460 | 31,699 | (24,239) |
| Financial expense on financial derivatives | (42,640) | (57,606) | 14,966 |
| Financial expense paid to EDF | (26,430) | (22,482) | (3,948) |
| Financial expense on decommissioning projects | (16,976) | (16,192) | (784) |
| Financial expense paid to Group companies | (12,448) | (10,903) | (1,545) |
| Bank fees paid | (5,189) | (5,253) | 64 |
| Interest paid to banks | (2,861) | (2,872) | 11 |
| Other financial expense | (11,429) | (17,931) | 6,502 |
| **Total financial expense** | **(168,739)** | **(172,987)** | **4,248** |
| **Net financial income (expense)** | **(40,532)** | **(44,774)** | **4,242** |
| **Foreign exchange gains (losses)** | | | |
| Foreign exchange gains | 70,874 | 122,747 | (51,873) |
| Foreign exchange losses | (69,705) | (115,480) | 45,775 |
| **Net foreign exchange gain (loss)** | **1,169** | **7,267** | **(6,098)** |
| **Total net financial income (expense)** | **(39,363)** | **(37,507)** | **(1,856)** |

Please note that:

- **Other financial expense** includes 3,538,000 euros in financial charges to update provisions for risks (6,448,000 euros in 2013), 2,692,000 euros in expense for the assignment of receivables without recourse (4,835,000 euros in 2013), 1,934,000 euros in interest paid on the lease for the Leonis ship (1,148,000 euros in 2013), and 823,000 euros in accrued financial expense on employee severance indemnities computed with the method required by IAS 19 (943,000 euros in 2013);
- **Foreign exchange gains (losses)** include the effects of derivative transactions executed to hedge foreign exchange risks on commodity purchases, which generated a **net gain** of 27,742,000 euros (**net gain** of 8,182,000 euros in 2013);
- Information about other **transactions in financial derivatives** is provided in a separate disclosure.

## 10. Income from (Expense on) Equity Investments

**Net income from equity investments** increased to 278,035,000 euros, for an improvement of 50,824,000 euros compared with 227,211,000 euros the previous year. The table below provides a breakdown of this item:

| (in thousands of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| **Income from equity investments** | | | |
| **Dividends from subsidiaries and affiliated companies** | | | |
| - Edison Trading | 294,113 | 200,000 | 94,113 |
| - Edison Stoccaggio | 17,000 | 16,200 | 800 |
| - Edison Energie Speciali | 15,750 | 19,332 | (3,582) |
| - Edison DG | 4,500 | 3,500 | 1,000 |
| - Dolomiti Edison Energy | 3,185 | 725 | 2,460 |
| - AMG Gas | 2,748 | 1,592 | 1,156 |
| - Infrastrutture Trasporto Gas Spa | 2,500 | 1,000 | 1,500 |
| - ETA 3 | 2,311 | - | 2,311 |
| - Sel Edison | 2,098 | 1,958 | 140 |
| - Hydros | 1,800 | 1,000 | 800 |
| - Ibiritermo | 1,700 | 3,442 | (1,742) |
| - Terminale GNL Adriatico | 1,696 | 1,962 | (266) |
| - Prometeo | 1,370 | - | 1,370 |
| - Sistemi di Energia | 689 | - | 689 |
| - Termica Cologno | 611 | 1,053 | (442) |
| - Termica Milazzo | - | 6,089 | (6,089) |
| - Edison Energia | - | 4,000 | (4,000) |
| - Other subsidiaries and affiliated companies | 1,107 | 1,071 | 36 |
| | **353,178** | **262,924** | **90,254** |
| **Dividends from other companies** | **435** | **1,833** | **(1,398)** |
| **Revaluation of trading securities** | **74** | **1,764** | **(1,690)** |
| **Gains on the sale of equity investments** | **11,304** | **23,427** | **(12,123)** |
| **Total income from equity investments** | **364,991** | **289,948** | **75,043** |
| **Expense on equity investments** | | | |
| **Writedowns of equity investments** | | | |
| - Edison Energia | (71,773) | (27,000) | (44,773) |
| - Edison International Holding | (9,424) | (16,000) | 6,576 |
| - Jesi Energia | (1,081) | (1,500) | 419 |
| - Gever | (486) | (850) | 364 |
| - Nuova Alba | (407) | (2,895) | 2,488 |
| - Termica Milazzo | - | (10,300) | 10,300 |
| - Galsi | (1,500) | (550) | (950) |
| - Other companies | (2,191) | (3,515) | 1,324 |
| **Total writedowns of equity investments** | **(86,862)** | **(62,610)** | **(24,252)** |
| **Writedowns of trading securities** | **(94)** | **(127)** | **33** |
| **Losses on divestments of equity investments** | **-** | **-** | **-** |
| **Total expense on equity investments** | **(86,956)** | **(62,737)** | **(24,219)** |
| **Income from (Expense on) equity investments, net** | **278,035** | **227,211** | **50,824** |

More in detail:
- **Revaluation of trading securities** refers to the mark to market of the investment held in ACSM;
- **Writedowns of equity investments** totaling 86,862,000 euros reflects adjustments made to the carrying amounts of some subsidiaries, the value of which had been impaired, as shown by impairment tests conducted on their assets;
- **Writedowns of trading securities** refers to the mark to market of the interest held in American Superconductors;
- **Gains on the sale of equity investments** refers mainly to the sale of the subsidiary D.S. Smith Paper Italia Srl for 6,046,000 euros, to which the Porcari thermoelectric power plant had been conveyed at the beginning of the year, and for 4,153,000 euros to the net gain generated by the sale of a 70% interest in Energy O&M Solutions and a 16.70% interest in Edison Partecipazioni Energie Rinnovabili, as described in the "Accounting Principles and Valuation Criteria" section of these notes.

## 11. Income Taxes

Income taxes were positive by 126,170,000 euros in 2013, compared with a positive balance of 65,376,000 euros in 2013. The improvement of 60,794,000 euros reflects the net positive effect of the realignment of the tax base of a portion of the Company's non-current assets, as explained below. A breakdown of income taxes and a comparison with 2013 is provided in the table that follows:

| (in thousands of euros) | 2014 | 2013 | Change |
|---|---|---|---|
| Current taxes | (14,979) | (59,556) | 44,577 |
| Net deferred-tax liabilities (assets) | (110,104) | (3,763) | (106,341) |
| Income taxes attributable to previous years | (1,087) | (2,057) | 970 |
| **Total** | **(126,170)** | **(65,376)** | **(60,794)** |

Edison Spa, availing itself of the option provided by Article 1, Section 147, of Law No. 147 of December 27, 2013 (2014 Stability Law), decided to opt for realigning the carrying amounts and the tax bases of some of its amortizable and depreciable assets by paying a 16% substitute tax in lieu of the corporate income tax (IRES), the IRES surcharge (so-called Robin Tax) and the regional tax (IRAP).
The realignment covered the entire difference between the carrying amounts, as listed in the financial statements at December 31, 2012 and still carried at December 31, 2013, and the corresponding tax bases. The assets involved can be selected at the company's discretion, but the substitute tax must be paid on the entire difference in value for each chosen asset.
The new tax bases become fully valid for tax purpose and can be the subject of depreciation and amortization expense that is fully deductible for IRES and IRAP purposes, starting with the third year after the reference year, i.e., as of January 1, 2016.
Based on the new tax bases, deferred tax recognized on differences between the carrying amounts and tax bases were restated.
In the second half of 2014, in order to benefit from the abovementioned value realignment option, Edison Spa paid a substitute tax amounting to 45,081,000 euros, for which it used provisions for deferred taxes totaling 105,363,000 euros, for a positive net effect of 60,282,000 euros.

**Current taxes** include, in addition to 45,081,000 euros for the substitute tax mentioned above, a benefit of 59,949,000 euros arising from the IRES tax losses contributed to the national consolidated tax return filed by the controlling company Transalpina di Energia Spa.

**Net deferred-tax liabilities (assets)** show a net positive balance of 110,104,000 euros attributable for the most part to the effect of the partial realignment of the carrying amounts and tax bases of non-current assets, amounting to 105,363,000 euros.

The table below shows, in relative terms, the composition of the tax rate for 2014 and provides a comparison with the previous year (permanent differences mainly include the tax effect of the goodwill impairment):

| (in thousands of euros) | 2014 | | 2013 | |
|---|---|---|---|---|
| **Result before taxes** | **(163,640)** | | **12,238** | |
| **Theoretical income taxes applicable in 2014 (*)** | **(45,001)** | **27.5%** | **3,365** | **27.5%** |
| Non-taxable dividends | (92,317) | | (69,200) | |
| Writedowns (Revaluations) of equity investments | 23,892 | | 16,768 | |
| Permanent differences | 49,686 | | (1,234) | |
| Income taxes applicable to previous years and other differences | (1,086) | | (2,057) | |
| Effect of IRES surcharge | - | | (14,051) | |
| Effect of realigning art.1 s.147 L. 147/2013 | (60,282) | | - | |
| Deferred taxes | (1,062) | | 1,033 | |
| **Total income taxes in the income statement** | **(126,170)** | **n.m.** | **(65,376)** | **n.m.** |

(*) IRES surcharge (so called Robin Tax) provided by L. 133/2008 is not applicable in the reporting period in lack of requirements.

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

| (in thousands of euros) | 12/31/13 | Additions | Utilizations | Reclassif./Other changes | 12/31/14 |
|---|---|---|---|---|---|
| **Provision for deferred taxes:** | | | | | |
| Valuation differences of property, plant and equipment | 162,383 | - | (106,117) | (965) | 55,301 |
| Valuation differences of intangible assets | (105,826) | (2,709) | | 360 | (108,175) |
| Adoption of IAS 17 to value finance leases | 25,664 | - | (640) | - | 25,024 |
| Adoption of IAS 39 to value financial instruments: | | | | | |
| - impact on the income statement | - | - | - | - | - |
| - impact on shareholders' equity | - | - | - | - | - |
| Other deferred taxes | 1,305 | 13 | (1,305) | - | 13 |
| | **83,526** | **(2,696)** | **(108,062)** | **(605)** | **(27,837)** |
| Offsets | (83,526) | 2,696 | 108,062 | 605 | 27,837 |
| **Provision for deferred taxes net of offsets** | **-** | **-** | **-** | **-** | **-** |
| **Deferred-tax assets:** | | | | | |
| Tax assets from tax losses | 22,071 | - | - | - | 22,071 |
| Taxed provisions for risks | 44,944 | 4,276 | (7,801) | (64) | 41,355 |
| Adoption of IAS 39 to value financial instruments: | | | | | |
| - impact on the income statement | 7 | - | (7) | - | - |
| - impact on shareholders' equity | 240 | 145,596 | (240) | - | 145,596 |
| Other deferred-tax assets | 3,425 | 6,305 | (3,425) | - | 6,305 |
| | **70,687** | **156,177** | **(11,473)** | **(64)** | **215,327** |
| Offsets | (83,526) | 2,696 | 108,062 | 605 | 27,837 |
| **Deferred-tax assets net of offsets** | **(12,839)** | **158,873** | **96,589** | **541** | **243,164** |

## 12. Profit (Loss) from Discontinued Operations

This account had a zero balance.

# NOTES TO THE BALANCE SHEET

## Assets

### 13. Property, Plant and Equipment

Property, plant and equipment, which consist of the Company's production assets, totaled 2,537,870,000 euros, 88,111,000 euros less than the 2,625,981,000 euros reported at December 31, 2013. The table below shows the main changes that occurred in 2014:

| (in thousands of euros) | Land and buildings | Plant and machinery | Manufacturing and distribution equipment | Other assets | Constr. in progress and advances | Total |
|---|---|---|---|---|---|---|
| **Balance at 12/31/13 (A)** | **385,364** | **2,139,907** | **1,821** | **2,880** | **96,009** | **2,625,981** |
| Changes in 2014: | | | | | | |
| - Additions | 997 | 120,530 | 332 | 393 | 29,547 | 151,799 |
| - Disposals (-) | (368) | (1,243) | (4) | - | - | (1,615) |
| - Conveyances (-) | (2,354) | (42,513) | (39) | (17) | (23) | (44,946) |
| - Depreciation (-) | (11,970) | (184,630) | (461) | (961) | - | (198,022) |
| - Writedowns (-) | (1,370) | - | - | - | - | (1,370) |
| - Revision of decommissioning costs | - | 6.043 | - | - | - | 6,043 |
| - Other changes | 970 | 24,136 | 100 | 337 | (25,543) | - |
| **Total changes (B)** | **(14,095)** | **(77,677)** | **(72)** | **(248)** | **3,981** | **(88,111)** |
| **Balance at 12/31/14 (A+B)** | **371,269** | **2,062,230** | **1,749** | **2,632** | **99,990** | **2,537,870** |
| Breakdown: | | | | | | |
| - Historical cost | 554,308 | 4,776,360 | 9,658 | 13,261 | 99,990 | 5,453,577 |
| - Writedowns (-) | (37,806) | (452,709) | (50) | (72) | - | (490,637) |
| - Accumulated depreciation (-) | (145,233) | (2,261,421) | (7,859) | (10,557) | - | (2,425,070) |
| **Net carrying amount** | **371,269** | **2,062,230** | **1,749** | **2,632** | **99,990** | **2,537,870** |

The total value of these assets reflects **construction in progress and advances** amounting to 99,990,000 euros (96,009,000 euros at December 31, 2013), which are attributable almost entirely to the **hydrocarbons operation,** mainly for the development of some onshore and offshore gas fields in Italy.

The main changes that occurred in 2014 are reviewed below:

- **Additions** of 151,799,000 euros, including:
  - 23,284,000 euros for the **electric power operations,** mainly to replace components of some hydroelectric ad thermoelectric power plants;
  - 125,853,000 euros for the **hydrocarbons operations,** mainly consisting of investments to develop the Fauzia field and the Clara platform.
- **Conveyances** of 44,946,000 euros, recognized at the corresponding carrying amounts in the first half of 2014, included the following:
  - 25,792,000 euros for the Porcari thermoelectric power plant, conveyed to the subsidiary DS Smith Paper Italia Srl, which was later divested, as explained in "Note 18. Investments in Associates and Available-for-sale Investments;"
  - 19,153,000 euros in exploration and production assets conveyed to the Edison Idrocarburi Sicilia subsidiary.
- **Depreciation,** which decreased to 198,022,000 euros, or 2,792,000 euros less than the amount reported in 2013 (200,814,000 euros); more detailed information is provided in "Note 7. Depreciation, Amortization and Writedowns."

- **Decommissioning revision** reflects a revision of certain projected costs for remediation work at some production fields of hydrocarbons.
- The net carrying amount of **property, plant and equipment** also includes:
  - **Assets transferable without consideration** valued at 45,619,000 euros (54,318,000 euros at December 31, 2013), attributable mainly to Edison's hydroelectric operations, which hold directly 23 concessions. A breakdown is as follows:

| *Assets transferable without consideration* (in thousands of euros) | Historical cost | Depreciation and writedowns | **Net carrying amount at 12/31/14** | Net carrying amount at 12/31/13 |
|---|---|---|---|---|
| Buildings and other assets | 12,098 | (11,465) | 633 | 809 |
| Plant and machinery | 300,946 | (255,960) | 44,986 | 53,509 |
| **Total** | **313,044** | **(267,425)** | **45,619** | **54,318** |

As for **assets held under finance leases,** which are recognized by the method of IAS 17 Revised, there was no balance due at December 31, 2014, as these assets, consisting of the to the Leonis ship put into service at the Vega field, were purchased outright ahead of schedule.

## 14. Investment Property

The Company's investment property, valued at 5,679,000 euros (6,024,000 euros at December 31, 2013), consists of land and buildings not used for production purposes. The sale of an office and a warehouse in Milan and of a housing unit in the town of Taio account for the decrease of 345,000 euros. A breakdown of the changes that occurred in this account is provided below:

| (in thousands of euros) | |
|---|---|
| **Balance at 12/31/13 (A)** | **6,024** |
| Changes in 2014: | |
| - Additions | - |
| - Disposals (-) | (221) |
| - Depreciation (-) | (72) |
| - Writedowns (-) | (52) |
| **Total changes (B)** | **(345)** |
| **Balance at 12/31/14 (A+B)** | **5,679** |
| Breakdown: | |
| - Historical cost | 7,412 |
| - Accumulated depreciation (-) | (804) |
| - Writedowns (-) | (929) |
| **Net carrying amount** | **5,679** |

## 15. Goodwill

Goodwill totaled 2,287,340,000 euros, 120,230,000 euros less than the amount reported at December 31, 2013 as a result of an impairment loss mainly due to the reduction in market profitability also from a future perspective. For more details please see the notes entitled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles." The residual value of goodwill 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, which consist of 47 hydrocarbon production leases in Italy, amounted to 111,752,000 euros. The decrease of 11,516,000 euros is the result of the amortization for the period. The table below shows the balance in this account and the changes that occurred in 2014:

(in thousands of euros)

| | |
|---|---|
| **Balance at 12/31/13 (A)** | **123,268** |
| Changes in 2014: | |
| - Amortization (-) | (10,994) |
| - Conveyances (-) | (522) |
| **Total changes (B)** | **(11,516)** |
| **Balance at 12/31/14 (A+B)** | **111,752** |
| Breakdown: | |
| - Historical cost | 328,178 |
| - Accumulated amortization (-) | (216,337) |
| - Writedowns (-) | (89) |
| **Net carrying amount** | **111,752** |

### Disclosure About the Concessions Held by Edison Spa

The table below shows a breakdown of the concessions held by Edison. As explained earlier in these Notes, the corresponding carrying amounts are included under “Intangibles” and “Hydrocarbon concessions.”

| | Number | Remaining life from | Remaining life to |
|---|---|---|---|
| Hydroelectric concessions | 24 | 1 | 29 |
| Hydrocarbon concessions | 47 | unit of production (*) | |

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

## 17. Other Intangible Assets

The balance of 85,774,000 euros includes the following:

- 79,714,000 euros of the intangible accounted in 2014 reflecting the value of the ten-year offtake contract executed in connection with the transaction establishing a new renewable energy hub, as mentioned in the “Accounting Principles and Valuation Criteria” section of these Notes;
- 5,343,000 euros for patents, licenses and similar rights consisting mainly of software licenses;
- 717,000 euro for work in progress.

The table that follows shows the changes that occurred in 2014:

(in thousands of euros)

| | |
|---|---|
| **Balance at 12/31/13 (A)** | **6,840** |
| Changes in 2014: | |
| - Additions | 85,730 |
| - Amortization (-) | (6,796) |
| - Disposals (-) | - |
| - Writedowns (-) | - |
| - Other changes | - |
| **Total changes (B)** | **78,934** |
| **Balance at 12/31/14 (A+B)** | **85,774** |
| Breakdown: | |
| - Historical cost | 189,042 |
| - Accumulated amortization (-) | (102,613) |
| - Writedowns (-) | (655) |
| **Net carrying amount** | **85,774** |

**Impairment Test Pursuant to IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles**

The impairment test performed on the separate financial statements of the Group's Parent Company in accordance with IAS 36 required the recognition of writedowns totaling 120,230,000 euros for goodwill, due to the reduction of market margins also in prospective viewpoint.

Specifically with regard to the value of **goodwill**, 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 examined, 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 top management's best estimates with regard to the main assumptions concerning the Company's operating activities (macroeconomic and price trends, working hypothesis for production assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, on February, 11 2015, which approved the results.

With regard to this, please note that IAS 36 defines the recoverable value of an asset or a cash generating unit 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 Company expects to receive from a given asset, determined in the manner specified below.
For the purpose of estimating value in use, 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 Company's management and analyzed variances shown by actual data.
The recoverable value (understood as value in use) was determined based on a medium-term plan's explicit projection horizon which is of four years and the long-term management projections (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 payments 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.

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.

In accordance with the process described above, the independent appraiser determined a recoverable value that was lower than the corresponding carrying amount, resulting in the recognition of a goodwill impairment for 120 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 Company's core businesses that could be identified as cash generating units. These assets are used primarily for the production activities of the Electric Power and Hydrocarbons Operations.

Consistent with the previous years' practice, the assets were aggregated in CGUs based on the following two factors, as the previous years:

a. the production source and the corresponding technology (hydrocarbon and electric, the latter subdivided into thermoelectric and hydroelectric);
b. the current target market, i.e., "merchant" and "captive".

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 time horizons equal to the useful lives of its assets: the cash flows used 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 profiles and prices 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.
Moreover, additional sensitivity and other analyses were performed and, 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 & Production segment, 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.

The impairment test carried out with the process described above showed no reductions in recoverable value compared with the carrying amount.

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

The balance of 1,607,313,000 euros includes the following:

- **Investments in associates** of 1,433,137,000 euros, consisting of investments in subsidiaries totaling 1,360,972,000 euros and investments in joint ventures and affiliated companies amounting to 72,165,000 euros;
- **available-for-sale investments** valued at 174,176,000 euros, including 164,885,000 euros for a 7.297% equity interest in Terminale GNL, which is the company that owns the offshore regasification terminal near Porto Viro, and 4,377,000 euros for the investment in RCS Mediagroup Spa.

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

| (in thousands of euros) | Equity investments | Available-for-sale investments | Total |
|---|---|---|---|
| **Balance at 12/31/13 (A)** | **1,383,546** | **182,861** | **1,566,407** |
| Changes in 2014: | | | |
| - Acquisitions | 50,007 | - | 50,007 |
| - Disposals (-) | (111,011) | - | (111,011) |
| - Changes in share capital and reserves | (113,444) | (6,874) | (120,318) |
| - Coverage of losses | - | - | - |
| - Writedowns recognized in P&L (-) | (85,051) | (1,811) | (86,862) |
| - Other changes (-) | 309,090 | - | 309,090 |
| **Total changes (B)** | **49,591** | **(8,685)** | **40,906** |
| **Balance at 12/31/14 (A+B)** | **1,433,137** | **174,176** | **1,607,313** |
| Breakdown: | | | |
| - Historical cost | 1,963,743 | 186,074 | 2,149,817 |
| - Writedowns (-) | (530,606) | (11,898) | (542,504) |
| **Net carrying amount** | **1,433,137** | **174,176** | **1,607,313** |

The main changes are reviewed below:

- The main **acquisitions** include the companies Freil Campania and Gargano Energia, which were later merged into Edison Energie Speciali.
- **Disposals** concern the sale of the DS Smith Paper subsidiary, which was the beneficiary of the conveyance of the business related to the Porcari thermoelectric power plant at the beginning of the year and was later sold for 31,160,000 euros, and the divestment of a 16.70% interest in the Edison Partecipazione Energie Rinnovabili subsidiary, as described in the "Accounting Principles and Valuation Criteria" section of these Notes.
- The **changes in share capital and reserves** reflect an advance on capital contributions of 116,900 provided to Edison International Spa and distributions of reserves of 233,400,000 euros by Edison Partecipazione Energie Rinnovabili and of 6,873,000 euros by Terminale GNL Adriatico Srl.
- **Writedowns recognized in profit or loss** reflects adjustments to the carrying values of some equity investments, as described earlier in the note on "Income from (Expense on) Equity Investments."
- **Other changes** reflects the effect of the Renewable transactionproject executed in November between F2i, Edison and EDF Energies Nouvelles discussed in the "Accounting Principles and Valuation Criteria" section of these Notes.

A detailed list of the equity investments held at December 31, 2014 and the changes that occurred during the year is provided in the schedule entitled "List of Equity Investments" annexed to these Separate Financial Statements.

## 19. Other Financial Assets

The net carrying amount of 19,346,000 euros (11,451,000 euros at December 31, 2014) represents loans receivable due in more than one year.

## 20. Deferred-tax Assets

The net deferred tax assets, which totaled 243,164,000 euros, were evaluated under the assumption of probable disposal and recoverability of tax, taking into account the time horizon of disposal. The following table shows a breakdown of this item by type of underlying temporary difference, keeping in mind that, since it met the requirements of IAS 12, this item was offset against the Provision for deferred taxes.

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| **Deferred-tax liabilities:** | | | |
| - Differences in the valuation of property, plant and equipment | 55,301 | 162,383 | (107,082) |
| - Differences in the valuation of property, plant and equipment | (108,175) | (105,826) | (2,349) |
| - Adoption of standard on finance leases (IAS 17) | 25,024 | 25,664 | (640) |
| - Adoption of standard on financial instruments (IAS 39) with impact on:" | | | |
| - the income statement | - | - | - |
| - shareholders' equity | - | - | - |
| - Other deferred taxes | 13 | 1,305 | (1,292) |
| **Total deferred-tax liabilities (A)** | **(27,837)** | **83,526** | **(111,363)** |
| **Deferred-tax assets usable for offset purposes:** | | | |
| - Tax assets for tax losses | 22,071 | 22,071 | - |
| - Taxed provisions for risks | 41,355 | 44,944 | (3,589) |
| - Adoption of standard on financial instruments (IAS 39) with impact on:" | | | |
| - the income statement | - | 7 | (7) |
| - shareholders' equity | 145,596 | 240 | 145,356 |
| - Other prepaid taxes | 6,305 | 3,425 | 2,880 |
| **Total deferred-tax assets (B)** | **215,327** | **70,687** | **144,640** |
| **Total provision for deferred taxes (A-B)** | **(243,164)** | **12,839** | **(256,003)** |

## 21. Other Assets

Other assets totaled 163,331,000 euros, or 13,304,000 euros less than at December 31, 2013 (176,635,000 euros). They include the following:

- 144,245,000 euros (165,905,000 euros at the end of 2013) for advances paid under long-term natural gas procurement contracts, corresponding to natural gas volumes that Edison was required to pay for, even though it was unable to take delivery, due to the activation of the take-or-pay clause. The Company expects to make up these volumes over the remaining lives of the contracts.
- 7,792,000 euros (8,037,000 euros at the end of 2013) for income tax refunds receivable and accrued interest at December 31, 2014.
- 4,027,000 euros (2,678,000 euros at the end of 2013) for security deposits.

## 22. Current Assets

A review of the individual components and a comparison with the corresponding items at December 31, 2013 is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 (*) | Change |
|---|---|---|---|
| Inventories | 229,524 | 347,452 | (117,928) |
| Trade receivables | 726,380 | 1,108,640 | (382,260) |
| Current-tax assets | 14,667 | 15,355 | (688) |
| Other receivables | 1,289,892 | 510,410 | 779,482 |
| Current financial assets | 2,162,297 | 2,704,560 | (542,263) |
| Cash and cash equivalents | 75,875 | 318,529 | (242,654) |
| **Totale** | **4,498,635** | **5,004,946** | **(506,311)** |

(*) The amounts of 2013 have been restated for the new exposure of derivatives.

- **Inventories,** which when necessary are aligned to their estimated realizable value, amounted to 229,524,000 euros. Inventories consist mainly of stored hydrocarbon products totaling 212,332,000 euros (329,826,000 euros at the end of 2013) and supplies and equipment used to maintain and operate the Company's production facilities valued at 17,192,000 euros (17,437,000 euros at the end of 2013). Inventories also include, for 108,052,000 euros (19,050,000 euros at the end of 2013), restricted quantities of stored natural gas reserved for use as a strategic reserve and to ensure the reliability of the balancing system.

- **Trade receivables** totaled 726,380,000 euros. A breakdown by business segment is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 (*) | Change |
|---|---|---|---|
| Hydrocarbons operations | 596,128 | 862,642 | (266,514) |
| Electric power operations | 130,252 | 245,998 | (115,746) |
| **Total** | **726,380** | **1,108,640** | **(382,260)** |
| Broken down as follows: | | | |
| - amount owed by outside customers | 399,846 | 602,529 | (202,683) |
| - amount owed by subsidiaries and affiliated companies | 326,534 | 506,111 | (179,577) |
| **Totale** | **726,380** | **1,108,640** | **(382,260)** |

(*) The amounts shown include a reclassification to Other receivables for 13.254,000 euros

They originate mainly from contracts to supply electric power, steam and natural gas.
Please note that Edison Spa carries out on a regular basis transactions irrevocably assigning receivables without recourse, both on a revolving monthly and quarterly basis and on a spot basis, in implementation of a policy aimed at controlling and minimizing credit risk with such transactions. The total value of the assigned receivables amounted to 1,388 million euros (1,902 million euros at December 31, 2013) and there were no receivables exposed to the risk of recourse at December 31, 2014.
It should be noted that at the end of 2014, Edison Spa transferred to the subsidiary Edison Energia Spa the business operations “gas wholesale customers” consisting in 43 supply contracts, for an amount of receivables equal to approximately 43,188,000 euros and related liabilities for 39,991,000 euros; the aim of the transaction is to focus the commercial activities into the subsidiary which became the only company of the Group that will interface with the electricity and natural gas end users.

A breakdown of trade receivables owed by subsidiaries and affiliated companies is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| **Subsidiaries** | | | |
| Edison Energia | 231,089 | 311,921 | (80,832) |
| Edison Trading | 38,438 | 168,043 | (129,605) |
| Edison Stoccaggio | 46,507 | 8,772 | 37,735 |
| Termica Milazzo | 9,564 | 9,153 | 411 |
| Edison Idricarburi Sicilia | 488 | - | 488 |
| Termica Cologno | 198 | 216 | (18) |
| Edison DG | 175 | - | 175 |
| AMG Gas | - | 7,565 | (7,565) |
| Edison International | - | 327 | (327) |
| Other companies | 6 | 50 | (44) |
| **Total subsidiaries (A)** | **326,465** | **506,047** | **(179,582)** |
| **Joint ventures and affiliated companies** | | | |
| Sel Edison | 69 | 64 | 5 |
| **Total joint ventures and affiliated companies (B)** | **69** | **64** | **5** |
| **Total (A+B)** | **326,534** | **506,111** | **(179,577)** |

Trade receivables are shown net of an allowance for doubtful accounts of 35,810,000 euros. The table below shows the changes that occurred in this allowance in 2014 in the different business segments:

| (in thousands of euros) | Balance at 12/31/13 | Utilizations | Additions | Balance at 12/31/14 |
|---|---|---|---|---|
| Electric power operations | 8,860 | (1,191) | 3,102 | 10,771 |
| Hydrocarbons operations | 3,838 | (1,576) | 11,957 | 14,219 |
| Corporate activities | 10,850 | (35) | 5 | 10,820 |
| **Total** | **23,548** | **(2,802)** | **15,064** | **35,810** |

- **Current-tax assets** totaled 14,667,000 euros. This amount includes 10,259,000 euros receivable from the revenue administration for the Robin Hood corporate income tax (IRES) surcharge accrued in previous years and 4,408,000 euros receivable from the revenue administration for estimated regional tax (IRAP) surcharge accrued in previous years;
- **Other receivables** amounted to 1,289,892,000 euros, net of an allowance for doubtful accounts totaling 16,260,000 euros. A breakdown of this account is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 (*) | Change |
|---|---|---|---|
| Valuation of derivatives of which (*): | | | |
| - from subsidiaries | 230,642 | 32,192 | 198,450 |
| - from EDF Trading | 65,959 | 13,760 | 52,199 |
| - from outsiders | 710,293 | 216,746 | 493,547 |
| Receivable from TdE for the consolidated income tax return | 133,996 | 71,957 | 62,039 |
| Provision of technical, admin. and financial services to Group companies | 21,119 | 46,066 | (24,947) |
| Amounts owed by partners and assoc. in hydrocarbon exploration projects | 45,513 | 23,260 | 22,253 |
| VAT credits in pools with subsidiaries | 11,639 | 18,563 | (6,924) |
| VAT receivable from the tax administration | 6,803 | 16,509 | (9,706) |
| Advances paid to suppliers | 1,415 | 6,557 | (5,142) |
| Prepaid insurance premiums | 2,196 | 2,545 | (349) |
| Prepaid hydroelectric concession fees | 1,619 | 1,246 | 373 |
| Dividends receivable from subsidiaries | - | 10,260 | (10,260) |
| Amounts owed by local governments | - | 316 | (316) |
| Sundry items | 58,698 | 50,433 | 8,265 |
| **Total** | **1,289,892** | **510,410** | **779,482** |
| Broken down as follows: | | | |
| - amount owed by outsiders | 1,026,692 | 428,447 | 598,245 |
| - amount owed by subsidiaries and affiliated companies | 263,200 | 81,963 | 181,237 |
| **Total** | **1,289,892** | **510,410** | **779,482** |
| **amount of allowance for doubtful accounts** | **(16,260)** | **(15,634)** | **(626)** |

(*) The amounts shown include a reclassification to trade receivables for 13.254,000 euros.

The increase shown for receivables arising from the **valuation of derivatives** (amounting to 1,006,894,000 euros) should be analyzed in conjunction with the corresponding liability included in "Current liabilities" (up from 263,491,000 euros to 1,256,284,000 euros). These effects are related to changes in the forward market price scenario, specifically the commodities and the foreign exchange markets. A comprehensive description of the impact of derivatives is provided in a separate disclosure included in the "Financial Risk Management" section of this Report. This item also includes, for 34,777,000 euros (13,254,000 euros at the end of 2013), the fair value of physical contracts for energy commodities included in the trading portfolios, the entire amount of which is attributable to the hydrocarbons operations.

Miscellaneous receivables owed by Group companies consist mainly of receivables for activity in derivatives, services provided, dividends receivable and receivables under the VAT pool. A breakdown is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| *Subsidiaries* | | | |
| Edison Trading | 243,579 | 41,919 | 201,660 |
| Edison Energia | 6,672 | 9,549 | (2,877) |
| Hydros | 2,776 | 1,578 | 1,198 |
| AMG Gas | 1,675 | 1,329 | 346 |
| Edison International | 1,633 | - | 1,633 |
| Edison Energie Speciali | 895 | 2,122 | (1,227) |
| Dolomiti Edison Energy | 624 | 1,152 | (528) |
| Termica Milazzo | - | 11,338 | (11,338) |
| Gever | - | 8,322 | (8,322) |
| Oher companies | 5,346 | 4,654 | 692 |
| **Total** | **263,200** | **81,963** | **181,237** |

- **Current financial assets,** which are included in the computation of net financial debt, totaled 2,162,297,000 euros, or 542,263 ,000 euros less than at December 31, 2013. A breakdown is as follows:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Loans receivable | 2,115,646 | 2,638,475 | (522,829) |
| Derivatives | 44,917 | 59,445 | (14,528) |
| Equity investments held for trading | 1,734 | 6,640 | (4,906) |
| **Total** | **2,162,297** | **2,704,560** | **(542,263)** |

More in detail:

- **Loans receivable** reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intercompany current accounts and the facilities provided to these companies, a list of which is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| *Subsidiaries* | | | |
| Edison International S.a. | 1,031,715 | 1.295,822 | (264,107) |
| Edison Energia | 641,525 | 702,153 | (60,628) |
| Edison Stoccaggio | 201,343 | 205,125 | (3,782) |
| Edison International S.p.a. | 96,718 | - | 96,718 |
| Infrastrutture Trasporto Gas | 81,612 | 89,144 | (7,532) |
| Edison DG | 32,635 | 32,032 | 603 |
| Compagnia Energetica Bellunese | 10,247 | 10,068 | 179 |
| Gever | 6,415 | - | 6,415 |
| Sistemi di Energia | 5,352 | 8,829 | (3,477) |
| Edison Energy Solutions | 1,327 | - | 1,327 |
| Parco Eolico Castelnuovo | 246 | - | 246 |
| AMG Gas | 204 | - | 204 |
| Edison Energie Speciali | - | 283,911 | (283,911) |
| Hydros | - | 4,000 | (4,000) |
| **Total subsidiaries (A)** | **2,109,339** | **2,631,084** | **(521,745)** |
| *Joint ventures and affiliated companies* | | | |
| Ibiritermo | 6,307 | 7,391 | (1,084) |
| **Total joint ventures and affiliated companies (B)** | **6,307** | **7,391** | **(1,084)** |
| **Total (A+B)** | **2,115,646** | **2,638,475** | **(522,829)** |

- The entire amount of the balance shown for **derivatives** refers to the measurement at fair value of derivatives hedging interest rate and foreign exchange risks that were outstanding at December 31, 2014. A comprehensive description of the impact of derivatives is provided in a separate disclosure included in the "Financial Risk Management" section of this Report.
- **Equity investments held for trading** consist of investments in listed companies, the carrying amounts of which are marked to market at the end of the reporting year. A breakdown is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| HERA (formerly Acegas Spa) | - | 4,887 | (4,887) |
| ACSM Spa | 1,637 | 1,562 | 75 |
| American Superconductor Corp. | 97 | 190 | (93) |
| **Total** | **1,734** | **6,639** | **(4,905)** |

During 2014, the Hera shares were sold at market prices generating a gain of 1,105,000 euros.

- **Cash and cash equivalents,** which totaled 75,875,000 euros (318,529,000 euros at December 31, 2013), consist of short-term deposits in bank and postal accounts and other readily available assets. At December 31, 2013, this account included 214,693,000 euros available in a current account with EDF Sa.

## 23. Assets Held for Sale

This account had a zero balance.

# Liabilities and Shareholders' Equity

## 24. Shareholders' Equity

Edison's shareholders' equity decreased to 5,581,153,000 euros, or 418,347,000 euros less than at December 31, 2013, when it totaled 5,999,500,000 euros.

A breakdown of shareholders' equity and the changes that occurred in 2014 are detailed in the "Statement of Changes in Shareholders' Equity." The main changes include the following:

- 37,470,000 euros for the loss for the year;
- 316,354,000 euros for the net negative change in the Cash flow hedge reserve;
- 62,505,000 euros for the distribution of dividends including 56,997,000 euros on the common shares to the controlling company Transalpina di Energia and 5,508,000 euros on the savings shares.

**Other reserves** include a reserve of 382,362,000 euros recognized in connection with the adjustment to fair value as the deemed cost of property, plant and equipment upon transition to the IFRSs, which includes for a total amount of 236,673,000 euros a tax lien due to the realigning of the carrying amounts and the tax bases of some property, plant and equipment, as described in the "Tax status of share capital and reserves in the event of repayment or distribution" section of this report.

The share capital is divided into shares with a par value of 1 euro each, as follows:

| | Number of shares | Millions of euros |
|---|---|---|
| Common shares | 5,181,545,824 | 5,182 |
| Savings shares | 110,154,847 | 110 |
| **Total** | **5,291,700,671** | **5,292** |

The table below provides a breakdown of the change that occurred in the cash flow hedge reserve due to the adoption of IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities.

### Reserve for Cash Flow Hedge Transactions

| (in thousands of euros) | Gross reserve | Deferred taxes | Net reserve |
|---|---|---|---|
| Reserve at December 31, 2013 | (6,996) | 241 | (6,755) |
| - Change in 2014 | (461,709) | 145,355 | (316,354) |
| **Reserve at December 31, 2014** | **(468,705)** | **145,596** | **(323,109)** |

The change is attributable to changes in the benchmark scenario, in particular in the commodities and currency markets. A comprehensive presentation of the effects of these transactions is provided in a separate disclosure in the section entitled "Financial Risk Management by the Group's Parent Company."

The following changes occurred in the Reserve for actuarial gains and losses pursuant to IAS 19:

### Reserve for Actuarial Gains and Losses

| (in thousands of euros) | Reserve |
|---|---|
| Reserve at December 31, 2013 | (455) |
| - Change in 2014 | (2,018) |
| **Reserve at December 31, 2014** | **(2,473)** |

## 25. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which amounted to 24,836,000 euros, reflects the accrued severance indemnities and other benefits owed to employees. Actuarial gains and losses are recognized directly in equity; at December 31, 2014, this account had a balance of 2,473,000 euros. A valuation in accordance with the criteria of IAS 19 was performed only for the liability corresponding to the provision for employee severance indemnities that is still held at the Company.

As for the economic-financial scenario, the following parameters were used for valuation purposes:

- 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 thousands of euros)

| | |
|---|---|
| **Opening balance at December 31, 2013 (A)** | **24,400** |
| Changes in 2014: | |
| - Utilizations (-) | (1,715) |
| - Actuarial (gains) losses (+/-) | 2,018 |
| - Financial expense (+) | 824 |
| - Other changes | (691) |
| **Total changes (B)** | **436** |
| **Balance at 12/31/14 (A+B)** | **24,836** |

## 26. Provision for Deferred Taxes

As it met the requirements of IAS 12, this item was offset against the deferred-tax assets. See the corresponding note for additional information.

## 27. Provisions for Risks and Charges

The Provisions for risks and charges, which were established to cover contingent liabilities, decreased to 751,875,000 euros, or 2,137,000 euros less than at December 31, 2013 (754,012,000 euros), as a result of the changes listed in the table that follows:

| (in thousands of euros) | 12/31/13 | Additions | Utilizations | Other changes | 12/31/14 |
|---|---|---|---|---|---|
| - Risks for disputes, litigation and contracts | 137,515 | 2,599 | (779) | - | 139,335 |
| - Charges for contractual guarantees on sale of equity investments | 74,595 | - | - | - | 74,595 |
| - Environmental risks | 56,857 | 10,356 | (2,322) | - | 64,891 |
| - Other judicial risks | 13,280 | 10,002 | (13,280) | - | 10,002 |
| - Disputed tax items | 37,653 | 3,699 | (696) | - | 40,656 |
| **Total for judicial and tax-related disputes** | **319,900** | **26,656** | **(17,077)** | **-** | **329,479** |
| - Provisions for site decommissioning and remediation | 377,115 | 17,576 | (3,699) | 4,768 | 395,760 |
| - Risks on equity investments | 871 | - | - | (829) | 42 |
| - Provision for $CO_2$ emissions rights and Green Certificates | 15,836 | 313 | (15,836) | - | 313 |
| - Other risks and charges | 40,290 | - | (14,009) | - | 26,281 |
| **Total** | **754,012** | **44,545** | **(50,621)** | **3,939** | **751,875** |

Significant changes to the existing **Provisions for judicial and tax-related disputes,** which totaled 329,479,000 euros, include an addition of about 9,605,000 euros for environmental risks at some industrial sites of the former Montedison (now Edison Spa) and additions of about 2,761,000 euros for tax issues recognize to provide additional coverage for certain disputes.

The **Provisions for site decommissioning and remediation,** amounting to 395,760,000 euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Company expects to incur for industrial sites and mineral extraction facilities. These provisions shows a net increase of 18,645,000 euros mainly as a result of the following items:

- 16,976,000 euros for financial expense related to the discounting process;
- 6,043,000 euros listed as other changes, attributable to production fields of hydrocarbons and carried as a direct addition to the corresponding assets (see Note 13 "Property, plant and equipment").

The **Provisions for other risks and charges,** amounting to 26,281,000 euros, include a total of 12,220,000 euros was drawn from these provisions to cover costs attributable to the thermoelectric activities.

More detailed information about the entries that resulted in the current composition of these provisions is provided later in these notes, in the sections entitled "Risks and Contingent Liabilities Arising from Judicial and Tax-related Disputes."

## 28. Bonds

The balance of 598,566,000 euros (1,097,667,000 euros at December 31, 2013) represents the non-current portion of bonds issues, valued at amortized cost. The decrease compared with December 31, 2013 is due to the reclassification into **current liabilities** of the bond issue maturing on March 17, 2015.

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

| (in thousands of euros) | | | | | | Carrying value | | | |
|---|---|---|---|---|---|---|---|---|---|
| Market where traded | Currency | Par value outstand-ing | Coupon | Rate | Maturity | Non-current portion | Current portion | Total | Fair value |
| Euro Medium Term Notes: | | | | | | | | | |
| Luxembourg Secur. Exch. | EUR | 500,000 | Annual in arrears | 3.250% | 3/17/15 | - | 513,525 | 513,525 | 515,934 |
| Luxembourg Secur. Exch. | EUR | 600,000 | Annual in arrears | 3.875% | 11/10/17 | 598,566 | 39,284 | 637,850 | 660,925 |
| **Total** | | **1,100,000** | | | | **598,566** | **552,809** | **1,151,375** | **1,176,859** |

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 fluctuations, was adjusted in accordance with hedge accounting rules to reflect the change in hedged risk.

## 29. Long-term Financial Debt and Other Financial Liabilities

A breakdown of the balance of 969,659,000 euros is as follows:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Due to banks | 173,185 | 137,000 | 36,185 |
| Due to other lenders including: | | | |
| - EDF | 796,430 | 795,497 | 933 |
| - other lenders | 44 | 18,043 | (17,999) |
| **Total** | **969,659** | **950,540** | **19,119** |

In November 2014, Edison signed an agreement for a facility in the amount of 500 million euros provided by a pool of banks, with Banca IMI serving as Agent and Documentation Bank. This credit line, structured as a Club Deal without subsequent syndication, calls for unsecured utilizations on a revolving basis (Revolving Credit Facility). The interest rate is indexed to the Euribor, plus a spread in line with the best terms currently available in the market. The facility is scheduled to expire in November 2016. This new credit line replaces the July 2013 Revolving Credit Facility of equal amount, which was cancelled ahead of schedule, enabling Edison to further increases its level of financial flexibility.

It is also worth mentioning that in April 2013, the Company signed agreements with EDF for two facilities used to refinance a standby credit line of 1,500 million euros (see "Note 31. Current Liabilities"). The loan received from EDF Investissement Groupe Sa, for a face amount of 800 million euros and with a duration of seven years, was secured on competitive terms, in line with those available in the market to a company with a credit rating like that of Edison Spa.

The decrease in the amount due to **other lenders** reflects the purchase of the Leonis ship by the hydrocarbons operations, previously held under a finance lease.

More comprehensive information is provided in the section of these Notes entitled "Financial Risk Management."

## 30. Other Liabilities

This item had a zero balance, unchanged compared with December 31, 2013.

## 31. Current Liabilities

Current liabilities totaled 3,634,116,000 euros, for an increase of 543,953,000 euros compared with December 31, 2013. A breakdown is as follows:

| (in thousands of euros) | 12/31/14 | 12/31/13 (*) | Change |
|---|---|---|---|
| Bonds | 552,809 | 772,191 | (219,382) |
| Short-term financial debt | 489,950 | 949,100 | (459,150) |
| Trade payables | 1,146,006 | 966,254 | 179,752 |
| Current taxes payable | - | - | - |
| Other liabilities | 1,445,351 | 402,618 | 1,042,733 |
| **Total** | **3,634,116** | **3,090,163** | **543,953** |

(*) The amounts of 2013 have been restated for the new exposure of derivatives.

The main current liability accounts are reviewed below:

- **Bonds** totaling 552,809,000 euros includes, in addition to the bond issues maturing within one year (see Note 28. Bonds), the total accrued interest at December 31, 2014. The change compared with December 31, 2013 reflects both the reclassification from **non-current liabilities** of the bond issue maturing on March 17, 2015, with a face value of 500 million euros, and the repayment of the bond issue that matured on July 22, 2014, with a face value of 700 million euros.
- **Short-term financial debt** amounted to 489,950,000 euros. The table below shows a breakdown of this account:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Due to subsidiaries and affiliated companies | 398,768 | 777,834 | (379,066) |
| Due to banks | 37,189 | 103,944 | (66,755) |
| Due to factor companies | 35,113 | 46,158 | (11,045) |
| Due to the controlling company EDF | 17,059 | 4,095 | 12,964 |
| Interest rate and foreign exchange derivatives | 1,796 | 12,553 | (10,757) |
| Finance leases | - | 2,820 | (2,820) |
| Other | 25 | 1,696 | (1,671) |
| **Total** | **489,950** | **949,100** | **(459,150)** |

For more detailed information about the changes that occurred in 2014, please consult the "Net Financial Debt" section of this Report. Detailed information about the content is provided in the "Liquidity Risk" paragraph of the "Financial Risk Management" section of this Report.

The table below shows the amounts owed to subsidiaries and affiliated companies:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Edison Trading | 205,777 | 670,483 | (464,706) |
| Edison Partecipazioni Energie Rinnovabili | 53,954 | - | 53,954 |
| Edison International Holding | 28,350 | 17,015 | 11,335 |
| Edison Idrocarburi Sicilia | 28,643 | - | 28,643 |
| Termica Milazzo | 12,737 | 18,406 | (5,669) |
| Termica Cologno | 12,163 | 9,986 | 2,177 |
| Edison Stoccaggio | 10,936 | 6,835 | 4,101 |
| Poggio Mondello | 10,358 | 10,549 | (191) |
| Edison Energie Speciali | 10,067 | - | 10,067 |
| Jesi Energia | 9,134 | 8,217 | 917 |
| Nuova Alba | 6,180 | 4,817 | 1,363 |
| Nuova Cisa | 5,668 | 5,652 | 16 |
| Infrastrutture Trasporto Gas | 4,721 | 4,988 | (267) |
| Parco Eolico San Francesco | - | 10,878 | (10,878) |
| AMG Gas | - | 4,508 | (4,508) |
| Edison Energy Solutions | - | 2,566 | (2,566) |
| Dolomiti Edison Energy | - | 2,206 | (2,206) |
| Parco Eolico Castelnuovo | - | 574 | (574) |
| Other subsidiaries | 80 | 154 | (74) |
| **Total subsidiaries** | **398,768** | **777,834** | **(379,066)** |

- **Trade payables** totaled 1,146,006,000 euros (966,254,000 euros at December 31, 2013). A breakdown by business segment is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 (*) | Change |
|---|---|---|---|
| Hydrocarbons operations | 1,004,937 | 854,876 | 150,061 |
| Electric power operations | 110,574 | 69,769 | 40,805 |
| Corporate activities | 30,495 | 41,609 | (11,114) |
| **Total** | **1,146,006** | **966,254** | **179,752** |

(*) The amounts shown include a reclassification to Other liabilities for 11,921,000 euros.

Trade payables refer mainly to purchases of natural gas, other utilities and services.

Payables owed to subsidiaries and affiliated companies amounted to 61,387,000 euros, including 41,036,000 euros due to Edison Trading Spa, 11,155,000 euros due to Edison Energie Speciali and 5,486,000 euros due to Edison International.

- **Other liabilities,** which totaled 1,445,351,000 euros, or 1,042,733,000 euros more than at December 31, 2013, especially refer to the increase of debts arising from the **valuation of derivatives** (amounting to 1,256,284,000 euros). A breakdown is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Valuation of derivatives (*) | | | |
| - to subsidiaries | 48,235 | 21,960 | 26,275 |
| - to EDF Trading | 41,297 | 9,714 | 31,583 |
| - to outsiders | 1,166,752 | 231,817 | 934,935 |
| Joint holders of permits and concessions for the production of hydrocarbons | 75,716 | 41,406 | 34,310 |
| Amounts payable to employees | 19,652 | 23,350 | (3,698) |
| Royalties payable | 12,179 | 18,492 | (6,313) |
| Consulting and other services | 32,568 | 18,419 | 14,149 |
| Due to pension and social security institutions | 15,932 | 17,606 | (1,674) |
| Customer advances | 975 | 7,205 | (6,230) |
| Other income and excise taxes | 2,049 | 3,358 | (1,309) |
| Payables for VAT in pool with subsidiaries | 14,761 | 2,106 | 12,655 |
| Sundry items | 15,235 | 7,185 | 8,050 |
| **Total** | **1,445,351** | **402,618** | **1,042,733** |
| Breakdown: | | | |
| - outsiders | 1,369,278 | 372,441 | 996,837 |
| - subsidiaries and affiliated companies | 76,073 | 30,177 | 45,896 |
| **Totale** | **1,445,351** | **402,618** | **1,042,733** |

(*) The amounts include a reclassification from Trade payables for 11,921,00 euros.

Other liabilities to subsidiaries and affiliated companies refer mainly to debts arising from activity in derivatives and from VAT Pool; a breakdown is provided below:

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| *Subsidiaries* | | | |
| Edison Energia | 44,056 | 3,412 | 40,644 |
| Edison Trading | 28,236 | 18,548 | 9,688 |
| Termica Milazzo | 623 | - | 623 |
| Gever | 576 | 1,481 | (905) |
| Edison International | 436 | 167 | 269 |
| Edison Stoccaggio | 433 | - | 433 |
| Others | 1,713 | 6,569 | (4,856) |
| **Total** | **76,073** | **30,177** | **45,896** |

## 32. Liabilities Held for Sale

This account had a zero balance.

# NET FINANCIAL DEBT

At December 31, 2014, net financial debt totaled 373 million euros, for a decrease of 373 million euros compared with 746 million euros at December 31, 2013.
The table below provides a simplified breakdown of the Company's net financial debt:

| (in millions of euros) | Note | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|---|
| Bonds – non-current portion | 28 | 599 | 1,098 | (499) |
| Non-current bank loans | 29 | 173 | 137 | 36 |
| Amounts due to other lenders – non-current portion | 29 | 796 | 814 | (18) |
| **Total net long-term financial debt** | | **1.568** | **2,049** | **(481)** |
| Bonds – current portion | 31 | 553 | 772 | (219) |
| Current loans payable | 31 | 490 | 949 | (459) |
| Current financial assets | 22 | (2,162) | (2,705) | 543 |
| Cash and cash equivalents | 22 | (76) | (319) | 243 |
| **Total net short-term financial debt** | | **(1,195)** | **(1,303)** | **108** |
| **Total net financial debt** | | **373** | **746** | **(373)** |

Net financial debt decreased compared with the previous reporting period, in addition to the dynamics of the working capital, due mainly to the effects of the Renewable transaction already described, the dividends received from subsidiaries and affiliated companies (363 million euros), which more than offset the outlays for investments in tangible assets (151 million euros), net investments in financial assets (114 million euros), VAT for the period (113 million euros), dividends (63 million euros), other taxes paid (60 million euros) and net financial expenses paid (45 million euros).

Net financial debt includes 813 million euros in net indebtedness owed to EDF and EDF Group companies, broken down as follows:

- 796 million euros included in non-current financial debt owed to other lenders, unchanged compared with December 31, 2013;
- 17 million euros included in current financial debt, compared with 4 million euros at December 31, 2013;

These amounts are also listed in the corresponding table shown in the section of these Notes entitled "Intercompany and Related-party Transactions."

# COMMITMENTS, RISKS AND CONTINGENT ASSETS

| (in thousands of euros) | 12/31/14 | 12/31/13 | Change |
|---|---|---|---|
| Guarantees provided | 1,178,658 | 1,264,899 | (86,241) |
| Collateral provided | 7,469 | 75,901 | (68,432) |
| Other commitments and risks | 212,890 | 102,947 | 109,943 |
| **Total** | **1,399,017** | **1,443,747** | **(44,730)** |

**Guarantees provided** totaled 1,178,658,000 euros. This figure was determined based on the undiscounted amount of contingent commitments on the balance sheet date.
Guarantees provided included the following:

- 17,643,000 euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits;
- Guaranteed provided by the Group's Parent Company on its own behalf and on behalf of subsidiaries and affiliated companies to secure the performance of contractual obligations account for the balance.

**Collateral provided,** which represents the value on the reporting date of the assets or rights provided as collateral, totaled 7,469,000 euros, or 68,432,000 euros less than at December 31, 2013 (75,901,000 euros). The cancellation of mortgages and encumbrances placed on a thermoelectric facility to secure facilities provided by financial institutions (49,583,000 euros in 2013) accounts for most of this decrease.

**Other commitments and risks** totaled 212,890,000 euros, for an increase of 109,943,000 euros compared with the previous year. This items reflects primarily commitments undertaken under take-or-pay clauses (116,119,000 euros) and those related to the completion of investment projects in progress (46,962,000 euros).
With regard to long-term contracts to import natural gas, which contain take-or-pay clauses requiring the buyer to pay for quantities of which it is unable to take delivery in accordance with scheduled volumes, advances totaling 144,245,000 euros were included under Other assets (Note 21) at December 31, 2014. Updated risk profiles and economic recoverability are verified periodically during the year.

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 modifying the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China BY 202 for up to 26,400,000 euros (computed based on a maximum theoretical price of 15 euros per ton). These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.
- Cartiere Burgo Spa holds 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, exercisable in 2022.
- Edison Spa provided a guarantee on behalf of the indirect subsidiary Edison E&P UK Ltd as part of the acquisition by the company of production activities in the Oil&Gas field. At the time of the agreement Edison has paid 6,3 million dollars for the purchase of the option (about 5 million dollars): the said amount is a down payment.

## Unrecognized Commitments and Risks

Significant commitments and risks not included in the amounts listed above are reviewed below.

1) In the **hydrocarbon area,** the Company is a party to long-term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. These contracts have terms ranging from 5 to 20 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

| | U.M. | within 1 year | between 2 and 5 years | after 5 years | Total |
|---|---|---|---|---|---|
| Natural gas (*) | Billion $m^3$ | 11.1 | 53.2 | 127.0 | 191.3 |

(*) The economic data are based on prospective pricing formulas.

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

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%, the agreements between shareholders include the right for the other shareholders to buy the 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.
Thanks to the regasification contract currently in effect, Edison will benefit from access to 80% of the terminal's regasification capacity for a total 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 upstream and midstream chain 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 be provided 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 Arising from Judicial and Tax-related Disputes

A review, based on information currently available for Edison Spa, of the main judicial and tax-related disputes outstanding at December 31, 2014 is provided below. Disputes are divided 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

Judicial 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. The **liabilities for which a provision for disputes, litigation and contracts risks was recognized in the balance sheet** refer mainly to the following disputes:

**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 has been 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, which 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 that ended with a decision awarding damages for an amount acceptable to Edison. A similar lawsuit pending before the Venice Court of Appeals, in which the hearing for closing arguments has been held, continued without noteworthy developments.

***Mantova 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 Mantova 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 Mantova 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 Mantova 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 Mantova 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 Mantova 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 Mantova 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 Factory - 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 Factory - 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 coming months.

***Brindisi Petrochemical Plant - 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 plant. The four companies filed separate challenges against this order before the Regional Administrative Court of Apulia - Lecce

and the four corresponding decisions were handed down in February 2014. By its decisions regarding the challenges filed by Eni, Syndial and Versalis, the Regional Administrative Court voided the order by the Provincial Administration for lack of jurisdiction, which, consequently, lost any effect against anyone. The same Regional Administrative Court denied Edion's challenge upholding Edison's alleged co-responsibility for the contamination of the soil. The Company is appealing this decision to 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 Italian 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 an 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.

**Civil proceeding between Axpo Italia and Edison - supply contract for natural gas**

On December 23rd, 2013, Axpo Italia Spa initiated a civil action before the Court of Milan against Edison S.p.A. aimed to obtain compensation for the damages resulting from the alleged breach of the contract for the supply of natural gas in place between the parties and signed on 26 October 2012. In particular, Axpo Italia requires compensation for all the damages resulting from the alleged failure to provide the gas volumes - as set in the contract - by Edison.
Edison joined the proceeding in 2014, flatly denying any breaches and promoting its counterclaim.
The litigation is still pending in the discovery phase.

**Claims for Damages Caused by Exposure to Asbestos**

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

* * * * *

B. The **liabilities for which a provision for contractual guarantees provided for divestments of equity investments was recognized in the balance sheet** refer mainly to the following proceedings:

**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.

* * * * *

C. The **liabilities for which a provision for environmental risks was recognized in the balance sheet** refer mainly to the following disputes:

**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.

* * * * *

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

**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 decisions 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 recognized in 2014.

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## Contingent liabilities associated with legal disputes

The current status of principal legal disputes that have arisen from past events which are dependent on the occurrence of events that are possible, but non probable, or are probable but their impact cannot be quantified reliably and that are likely to result in a cash outlay of an amount that cannot reasonably be estimated as a result of obligations that existed on the balance sheet date, based on available information, is reviewed below:

**Environmental Legislation**

In recent years, in addition to the probable liabilities for environmental risks covered by provisions and described above, 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 this Report. 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, considering the current and past industrial activities of the Company and the Group, particularly in the chemical sector, even though these were carried out in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new alleged contamination charges may be levied against the Company in addition to those that are already the subject of existing administrative and civil proceedings.

**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 have started.

**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 with the Venice Court of Appeals, which 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 then filed motions asking that the proceedings be reinstated before the Court of Terni, which, however, were denied in 2012, with Edison being ordered to pay court costs, quantified at 1,800 euros, as the total professional fee, plus statutory additions. Similar motions for reinstatement filed by Edison Spa and Edison Energia Spa with the Court of Milan were granted and the proceedings are currently in the discovery phase.

**Angelo Rizzoli/Edison and Others**

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, where 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 main tax 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.

### 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 in May 2011.
Based on the issues raised in the 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 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, the 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 probable costs.

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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:

**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 have been 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.

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## 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:

**Dispute for Registration Fees on Transactions Requalified as Disposal of Business Operations Concerning CIP 6/92 Power Plants**

In July 2010, Edison Spa was served with a payment notice for additional registration, mortgage and cadastral fees, totaling about 11 million euros, in connection with the requalification of a transaction executed in 2008 involving the conveyance of business operations (assets consisting of 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 higher tax demanded, in order to avoid prejudicial recovery 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 it's actions, also from a taxation standpoint.

# TAX STATUS OF SHARE CAPITAL AND RESERVES IN THE EVENT OF REPAYMENT OR DISTRIBUTION

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

| (in thousands of euros) | Balance sheet amount | Tax status Type | Tax status Amount | Utilization options | Distributable portion |
|---|---|---|---|---|---|
| **Share capital** | **5,291,701** | | | | |
| | breakdown | C | 192,082 | - | - |
| | | D | 588,628 | - | - |
| **Share capital reserves** | | | | | |
| Additional paid-in capital | - | E | - | 1, 2, 3 | - |
| **Earnings reserves** | | | | | |
| Statutory reserve | **131,971** | | | | |
| | breakdown | A | 114,418 | 2 | - |
| | | D | 17,553 | 2 | - |
| Other reserves | 147,058 | | | | |
| | breakdown | A | 145,689 | 1, 2 | - |
| | | F | 236,673 | 1, 2 | |
| | | A | (235,304) | - | - |
| Reserve for grants | - | B | - | - | - |
| **Retained earnings** | 47,893 | A | 47,893 | 1, 2, 3 | 47,893 |

## Tax Status

**A:** Reserves that, if distributed, would be included in the taxable income of the shareholders.

**B**: Reserves the taxation of which has been suspended and which, if utilized, would be included in the Company's taxable income.

**C**: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.

**D**: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (so-called realignment), which, if utilized, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).

**E**: Reserves that, if distributed, would not be included in the taxable income of the shareholders.

**F**: Shareholders' equity restricted pursuant to Section 147 of Law No. 147/2013 (so-called realignment), which, if utilized, would be included in the Company's taxable income, increased by a 16% substitute tax, with the concurrent earning of a 16% tax credit (equal to the substitute tax paid).

## Utilization Options

**1**: Capital increase.

**2**: Replenishment of losses.

**3**: Distribution to shareholders.

A breakdown according to tax status is provided below:

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

| | |
|---|---|
| No. 576 of 12/1/75 (old Edison form. Montedison) | 31,064 |
| No. 72 of 3/19/83 (old Edison form. Montedison) | 15,283 |
| No. 576 of 12/1/75 (former Finagro) | 1,331 |
| No. 72 of 3/19/83 (former Finagro) | 3,310 |
| No. 72 of 3/19/83 (former Montedison) | 8,561 |
| No. 72 of 3/19/83 (former Silos di Genova S.p.A) | 186 |
| No. 413 of 12/30/91 (former Finagro) | 4,762 |
| No. 576 of 12/1/75 (former Calcemento) | 976 |
| No. 72 of 3/19/83 (former Calcemento) | 4,722 |
| No. 413 of 12/30/91 (former Sondel) | 2,976 |
| No. 413 of 12/30/91 (old Edison) | 118,911 |

Any taxes that may be due (counting also the 6.5% corporate income tax surcharge) on the reserves listed above would amount to 65.3 million euros for those of Item C, 150 million euros (net of tax credit) for those of Item D and 50 million euros (net of tax credit) for those of Item F.

With reference to the restriction referring to the Article 1, Section 147, of Law No. 147 of December 27, 2013, the Shareholders' meeting held on in September 2014, approved to restrict available reserves for a total amount of 236,673,228.01 euros, from the corresponding part of reserves denominated in the Financial Statements "Other reserves" and coming from the adjustment to fair value as deemed cost of assets, upon transition to IFRS.

As for the negative income components that are not reflected in the income statement, which until 2008 could be deducted by listing them on a separate schedule annexed to the income tax return, the provision of the tax code require that a corresponding amount of the unrestricted reserves and retained earnings should be maintained on the Company's financial statements and, if the abovementioned amount is distributed, it would be included in the Company's taxable income.

As a result of non-accounting depreciation and amortization taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions still available totaled about 140 million euros. Deferred taxes totaling about 47 million euros were recognized in connection with these entries.

Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in Article 109 of the Uniform Tax Code, totaling 93 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.

Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (Article 47 of the Uniform Tax Code).

# FINANCIAL RISK MANAGEMENT

This chapter provides a description of the policies and principles adopted by Edison to manage and control the commodity price risk, tied to the volatility of the prices of energy commodities and environmental securities ($CO_2$ emissions credits, green certificates, white certificates) and other risks inherent in financial instruments (foreign exchange risk, interest rate risk, credit risk, liquidity risk).

As required by IFRS 7, the paragraphs that follow provide information about the nature of risks resulting from financial instruments, based on sensitivities of an accounting or managerial nature.

## 1. Commodity Price Risk and Exchange Rates Risk Related to Commodity Transactions

Edison Spa is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, petroleum products and environmental securities) because they have an impact, directly through pricing formulas or indirectly through statistical correlations and economic relationships, on the revenues and costs of its production and buying and selling activities. Moreover, because some of the abovementioned commodity contracts are settled in currencies different from the euro and/or entail a translation into different currencies within the price indexing formulas, the Company is also exposed to the foreign exchange rate risk.
Insofar as the derivatives held by the Group's Parent Company that were outstanding at December 31, 2014 are concerned, the maximum negative variance in the fair value of financial instruments expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at December 31, 2014, is 406.2 million euros (256.0 million euros at December 31, 2013), as shown in the table below:

| *Profit at Risk (PaR)*[1] | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| (in millions of euros) | Level of probability | Expected negative variance in fair value | Level of probability | Expected negative variance in fair value |
| **Edison Spa** | **97.5%** | **406.2** | **97.5%** | **256.0** |

1 Profit at Risk: statistical measure of the maximum potential negative margin in response to unfavorable market moves with a given time horizon and confidence interval.

In other words, compared with the fair value determined for the contracts outstanding at December 31, 2014, the probability of a negative variance greater than 406.2 million euros by the end of 2015 is limited to 2.5% of the scenarios.
The higher amount, compared with the level measured at December 31, 2013, is mainly the result of a greater net volume of financial contracts related to the hydrocarbons operations.
The hedging strategy deployed in 2014 enabled Edison to comply with Group risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved Economic Capital limit. Without hedging activities, the average amount of Economic Capital absorbed in 2014 by the Industrial Portfolio would have been equal to 105% of the approved limit, with a peak of 165% in October.
With hedging, the average amount of Economic Capital absorbed by the Industrial Portfolio was 53%, with a peak of 94% in March.
Consistent with the risk mandates defined in the Group Energy Risk Policies and the Company Risk Committees, the Edison Energia Spa and Edison Trading Spa subsidiaries executed intercompany financial hedges with Edison Spa, the Group's Parent Company, with the aim of mitigating the exposure of their margins to fluctuations in prices of energy commodities.
Edison Spa engages in this activity in derivatives by virtues of the coordination and control function that it performs for at risk positions within the Group's entire industrial portfolio.
Approved activities that are part of the core businesses of Edison Spa include physical and financial commodity trading (natural gas), which must be carried out in accordance with special procedures

and segregated at inception in special Trading Portfolios, separated from the Industrial Portfolio. Trading Portfolio are monitored based on strict risk ceilings, based on the allocation of an Economic Capital limit, measured in terms of Value at Risk (VaR, or 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), and a stop loss limit. More specifically, the daily Value-at-Risk limit with a 95% probability on the Trading Portfolios on the balance sheet date is 0.5 million euros. This limit had not been used at December 31, 2014. The Economic Capital of the Trading Portfolios represents the total risk capital available to support the market risks entailed by trading activities and takes into account both the risk capital associated with the VaR and the risk capital estimated by means of stress tests for potentially illiquid positions. The Economic Capital limit for the Trading Portfolios of Edison Spa is 7.8 million euros. This limit had not been used at December 31, 2014.

## 2. Foreign Exchange Risk

The foreign exchange risk arises from the activities of Edison Spa that are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contract components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates, with 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).

## 3. Interest Rate Risk

Edison Spa is exposed to fluctuations in interest rates 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.

| *Profit at Risk (PaR)* | 12/31/14 | | | 12/31/13 | | |
|---|---|---|---|---|---|---|
| *Mix fixed and variable rate:* (in millions of euros) | without derivatives | with derivatives | % with deriv. | without derivatives | with derivatives | % with deriv. |
| - fixed rate portion (including structure with CAP) | 1,900 | 1,300 | 50% | 2,621 | 2,021 | 54% |
| - variable rate portion | 711 | 1,311 | 50% | 1,149 | 1,749 | 46% |
| **Total gross financial debt (*)** | **2,611** | **2,611** | **100%** | **3,770** | **3,770** | **100%** |

(*) For a breakdown of gross financial debt see the "Liquidity Risk" section of this Report.

In 2014, Edison did not significantly modify its strategy to manage the interest rate risk: on July 22, 2014, upon repayment of the five-year bond issue of 700 million euros, the corresponding hedging position was also closed out.

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 2014 and provides a comparison with the corresponding data in 2013.

| Sensitivity analysis | 2014 | | | 12/31/14 | | |
|---|---|---|---|---|---|---|
| (in millions of euros) | Impact on financial expense (P&L) | | | Impact on the cash flow hedge reserve (S.E.) | | |
| | +50 bps | base | -50 bps | +50 bps | base | -50 bps |
| Edison Spa | 63 | 59 | 55 | - | - | - |

| Sensitivity analisys | 2013 | | | 12/31/13 | | |
|---|---|---|---|---|---|---|
| (in millions of euros) | Impact on financial expense (P&L) | | | Impact on the cash flow hedge reserve (S.E.) | | |
| | +50 bps | base | -50 bps | +50 bps | base | -50 bps |
| Edison Spa | 69 | 60 | 48 | - | - | - |

## 4. Credit Risk

The credit risk represents Edison Spa's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations.
To control this risk, Edison Spa implemented procedures and programs designed to assess customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.
The Company is a party to agreements involving the assignment without recourse of trade receivables on a monthly revolving basis.
In 2014, Edison executed transactions of this type for a total of 1,388 million euros. At December 31, 2014, there were no assigned receivables that were still exposed to the risk of recourse.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating. At December 31, 2014, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table below shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees hold to secure its receivables:

| (in thousands of euros) | 12/31/14 | 12/31/13 |
|---|---|---|
| Gross trade receivables | 762 | 1,146 |
| Allowance for doubtful accounts (-) | (36) | (24) |
| **Trade receivables** | **726** | **1,122** |
| Guarantees held (*) | 234 | 186 |
| Receivables in arrears: | | |
| - up to 6 months | 17 | 18 |
| - from 6 to 12 months | 15 | 5 |
| - past 12 months | 34 | 31 |

(*) Including guarantees covering receivables outstanding at December 31, 2014 totaling 11 million euros.

## 5. Liquidity Risk

The liquidity risk is the risk that Edison Spa may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario, showing the nominal future cash flows required for comprehensive liabilities. In addition to principal and accrued interest, they include all future interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives. The result is a disclosure of an aggregate liability larger than the gross financial debt amount. 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* | 12/31/14 | | | 12/31/13 | | |
|---|---|---|---|---|---|---|
| (in millions of euros) | 1 to 3 months | More than 3 up to 1 year | More than 1 year | 1 to 3 months | More than 3 up to 1 year | More than 1 year |
| Bonds | 516 | 23 | 647 | 16 | 753 | 1.186 |
| Financial debt and other financial liabilities | 25 | 25 | 1.054 | 46 | 76 | 1.075 |
| Trade payables | 1.116 | 30 | - | 949 | 29 | - |
| **Total** | **1,657** | **78** | **1,701** | **1,011** | **858** | **2,261** |
| **Guarantees provided to third parties (*)** | **755** | **309** | **335** | **440** | **375** | **631** |

(*) 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 and Contingent Risks" section of this Report.

As for the financial debt maturing within three months, amounting to 541 million euros, the main item is a bond issue with a face value of 500 million euros and accrued interest, maturing on March 17, 2015.

The main components of the financial debt maturing after one year (amounting to 1,701 million euros) include a bond issues with a face value of 600 million euros, maturing on November 10, 2017, the facility provided by EDF Investissements Groupe Sa for 800 million euros, maturing on April 9, 2020, and the amounts drawn (totaling 137 million euros at December 31, 2014) from the medium/long-term direct line 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 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 in September 2012: at December 31, 2014, the available amount was 187 million euros.

In addition, Edison Spa has access to liquid assets totaling about 75 million euros in its bank accounts.

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 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 thousands of euros) | 12/31/15 | 12/31/16 | 12/31/17 | 12/31/18 | 12/31/19 | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Bonds | 552,809 | (729) | 599,295 | - | - | - | 1.151.375 |
| Financial debt and other financial liabilities due to outsiders | 74,123 | 13,753 | 18,489 | 22,837 | 17,367 | 100,782 | 247,351 |
| **Gross financial liabilities due to outsiders** | **626,932** | **13,024** | **617,784** | **22,837** | **17,367** | **100,782** | **1,398,726** |
| Gross intercompany financial debt | 408,768 | - | - | - | - | - | 408,768 |
| Gross financial debt due to EDF, the parent company | 17,059 | (794) | (815) | (839) | (1,122) | 800,000 | 813,489 |
| **Total gross financial debt** | **1,052,759** | **12,230** | **616,969** | **21,998** | **16,245** | **900,782** | **2,620,983** |

## 6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures 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" section above).

The following two bond issues floated by Edison Spa (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 (millions of euros) | Coupon | Current rate |
|---|---|---|---|---|---|---|---|---|
| EMTN 2009 | Edison Spa | Luxembourg Stock Exch. | XS0495756537 | 5 | 03.17.2015 | 500 | Fixed, annual | 3.250% |
| EMTN 2010 | Edison Spa | Luxembourg Stock Exch. | XS0557897203 | 7 | 11.10.2017 | 600 | Fixed, annual | 3.875% |

Outstanding debt obligations of Edison Spa included non-syndicated facilities with a total face value of 1,586 million euros, 600 million euros of which were available at December 31, 2014, and syndicated facilities totaling 500 million euros, the full amount of which was 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 bondholder 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. 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 for the amount of 500 million euros and the intercompany facilities with EDF IG (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 bank 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 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.

At present, the Company is not aware of the existence of any default situation or failure to satisfy the covenants.

# Analysis of Forward Transactions and Derivatives

## Forward Transactions and Derivatives

Edison engages in proprietary trading 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 Company views this activity as part of its regular operations and the results derived from it are recognized in the income statement as part of EBIT. Whenever possible, Edison 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 Hedge - 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 required by IFRS 13, which is determined based on the reliability of inputs used to measure fair value, uses the following hierarchical ranking:

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets;
- **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 point, as was the case at December 31, 2013, there is one 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 thousands of euros) | | December 31, 2014 | |
|---|---|---|---|
| | Fair Value Hierarchy (****) | Notional amount (*) | |
| | | due within one year | due between 2 and 5 years |
| **Interest rate risk management:** | | | |
| - Cash Flow Hedges in accordance with IAS 39 | - | - | - |
| - Fair Value Hedges in accordance with IAS 39 | 2 | 225,000 | 600,000 |
| - contracts that do not qualify as hedges in accordance with IAS 39 | 2 | 225,000 | - |
| **Total interest rate derivatives** | | **450,000** | **600,000** |

| | | due within 1 year | | due between 2 and 5 years | |
|---|---|---|---|---|---|
| | | Receivable | Payable | Receivable | Payable |
| **Foreign exchange rate risk management:** | | | | | |
| - contracts that qualify as hedges in accordance with IAS 39: | | | | | |
| - on commercial transactions | 2 | 2,584,144 | (118,887) | 743,886 | - |
| - on financial transactions | 2 | - | - | - | - |
| - contracts that do not qualify as hedges in accordance with IAS 39: | | | | | |
| - on commercial transactions | 2 | 942,999 | (167,275) | 368,891 | (19,962) |
| - on financial transactions | 2 | 131,081 | - | - | - |
| **Total foreign exchange rate derivatives** | | **3,658,224** | **(286,161)** | **1,112,777** | **(19,962)** |

(*) 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 definitions see the previous paragraph "Fair Value hierarchy according to IFRS 13."

| December 31, 2014 | | | | December 31, 2013 | |
|---|---|---|---|---|---|
| | | **Carrying amount (**)** | Cumulative impact on the income statement (***) | Carrying amount (**) | Cumulative impact on the income statement (***) |
| due after 5 years | Total | | | | |
| - | - | - | - | - | - |
| - | 825,000 | 44,917 | 44,917 | 56,054 | 56.054 |
| - | 225,000 | (1,796) | (1,796) | (9,162) | (9.162) |
| **-** | **1,050,000** | **43,121** | **43,121** | **46,892** | **46.892** |

| due after 5 years | | due within 1 year | | | | | |
|---|---|---|---|---|---|---|---|
| Receivable | Payable | Receivable | Payable | | | | |
| - | - | 3,328,030 | (118,887) | 223,212 | 17,985 | (76,495) | 74 |
| - | - | - | - | - | - | (996) | (996) |
| - | - | 1,311,890 | (187,236) | 97,889 | 97,889 | (65,167) | (65.167) |
| - | - | 131,081 | - | 5,132 | 5,132 | (654) | (654) |
| **-** | **-** | **4,771,001** | **(306,123)** | **326,233** | **121,006** | **(143,312)** | **(66.743)** |

## B) Commodity Risk Management

| | Fair Value Hierarchy (****) | Notional amount (*) Unit of measure | due within 1 year | due within 2 year | due after 2 year | Total | December 31, 2014 Carrying amount (**) (in thousands of euros) | Cumulative impact on the income statement (***) (in thousands of euros) | December 31, 2013 Carrying amount (**) (in thousands of euros) | Cumulative impact on the income statement (***) (in thousands of euros) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Price risk management for energy products** | | | | | | | | | | |
| **A. Cash Flow Hedges pursuant to IAS 39** | | | | | | **(662.859)** | **11,073** | **74,720** | **5,146** | |
| - Natural gas | 2 | Millions of Therm | (517) | (49) | - | (567) | 51,916 | 7,418 | (3,549) | (117) |
| - LNG, crude oil | 2 | Barrels | 21,542,460 | 10,734,440 | - | 32,276,900 | (725,079) | 2,162 | 78,953 | 5,267 |
| - $CO_2$ | 1 | Millions of tons | 4 | 4 | - | 8 | 10,304 | 1,493 | (684) | (4) |
| **B. Fair Value Hedges pursuant to IAS 39** | | | | | | - | - | - | - | |
| **C. Contracts that do not qualify as margin hedges pursuant to IAS 39:** | | | | | | | **85,132** | **85,132** | **67,101** | **67,101** |
| - Electric power | 2 | TWh | 23 | 9 | - | 32 | 182,402 | 182,402 | 10,232 | 10,232 |
| - Natural gas | 2 | Milioni di Therm | (893) | (560) | - | (1,453) | 188,003 | 188,003 | (38,876) | (38,876) |
| - LNG, crude oil | 2 | Barili | 9,018,930 | 4,154,430 | - | 13,173,360 | (288,433) | (288,433) | 95,745 | 95,745 |
| - $CO_2$ | 1 | Millions of tons | 2 | - | - | 2 | 3,160 | 3,160 | - | - |
| **Total** | | | | | | | **(577,727)** | **96,205** | **141,821** | **72,247** |

(*) + 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 definitions see the section "Fair Value Hierarchy According to IFRS 13."

## C) Trading Portfolio

| | Fair Value Hierarchy (****) | Notional amount (*) Unit of measure | due within 1 year | due within 2 year | due after 2 year | Total | December 31, 2014 Carrying amount (**) (in thousands of euros) | Cumulative impact on the income statement (***) (in thousands of euros) | 31 dicembre 2013 Carrying amount (**) (in thousands of euros) | Cumulative impact on the income statement (***) (in thousands of euros) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading portfolio** | | | | | | | | | | |
| ***Physical contracts*** | | | | | | | ***2,105*** | ***2,105*** | ***1,334*** | ***1,334*** |
| - Natural gas | 2 | Millions of Therm | - | - | - | - | 2,105 | 2,105 | 1,334 | 1,334 |
| ***Financial contracts*** | | | | | | | **-** | **-** | ***(635)*** | ***(635)*** |
| - Natural gas | 2 | Millions of Therm | - | - | - | - | - | - | (635) | (635) |
| **Total** | | | | | | | **2,105** | **2,105** | **699** | **699** |

(*) + 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 definitions see the section "Fair Value Hierarchy According to IFRS 13."

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

The disclosure provided below shows an analysis of the financial results generated by derivative and trading transactions in 2014, including the effects of physical energy commodity contracts.

| (in thousands of euros) | Realized during the period (A) | Fair value recognized for contracts outstanding at 12/31/13 (B) | Portion of (B) contracts realized in 2014 (B1) | Fair value recognized for contracts outstanding at 12/31/14 (C) | Change in fair value in 2014 (D)=(C-B) | **Amounts recognized in earnings at 12/31/14 (A+D)** | Amounts recognized in earnings at 12/31/13 |
|---|---|---|---|---|---|---|---|
| **Sales revenues and net change in the fair value of derivatives (commodities and foreign exchange)** (see Notes 1 and 6 to the Income Statement) | | | | | | | |
| **Price risk hedges for energy products** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) (**) | 134,429 | 6,244 | 6,064 | 14,719 | 8,475 | 142,904 | 100,741 |
| - not definable as hedges pursuant to IAS 39 | 249,902 | 145,008 | 106,989 | 537,846 | 392,838 | 642,740 | 163,186 |
| **Exchange risk hedges for commodities** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) (**) | - | 149 | 124 | 18,123 | 17,974 | 17,974 | (552) |
| - not definable as hedges pursuant to IAS 39 | 14,910 | 9,090 | 8,674 | 112,210 | 103,120 | 118,030 | 13,798 |
| **Margin on trading activities** | | | | | | | |
| - Revenues from physical contracts included in the Trading Portfolios | 1,074,527 | 13,254 | 12,369 | 34,777 | 21,523 | 1,096,050 | 1,100,931 |
| - Costs from physical contracts included in the Trading Portfolios | (1,075,842) | (11,921) | (11,000) | (32,672) | (20,751) | (1,096,593) | (1,100,720) |
| *Margin on physical trading activities* | *(1,315)* | *1,333* | *1,369* | *2,105* | *772* | *(543)* | *211* |
| - Revenues from financial contracts included in the Trading Portfolios | 2,425 | 1,059 | 1,059 | - | (1,059) | 1,366 | 3,499 |
| - Costs from financial contracts included in the Trading Portfolios | (2,777) | (1,693) | (1,693) | - | 1,693 | (1,084) | (4,236) |
| *Margin on financial trading activities* | *(352)* | *(634)* | *(634)* | *-* | *634* | *282* | *(737)* |
| ***Total margin on trading activities*** | ***(1,667)*** | ***699*** | ***735*** | ***2,105*** | ***1,406*** | ***(261)*** | ***(526)*** |
| **Total (A)** | **397,574** | **161,190** | **122,586** | **685,003** | **523,813** | **921,387** | **276,647** |
| **Raw materials and services used and net change in the fair value of derivatives (commodities and foreign exchange)** (see Notes 3 and 6 to the Income Statement) | | | | | | | |
| **Price risk hedges for energy products** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) (**) | (22,591) | (1,098) | (935) | (3,646) | (2,548) | (25,139) | (36,344) |
| - not definable as hedges pursuant to IAS 39 | (151,212) | (77,907) | (45,019) | (452,714) | (374,807) | (526,019) | (94,388) |
| **Exchange risk hedges for commodities** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) (**) | 5,857 | (77) | (75) | (145) | (68) | 5,789 | (77,741) |
| - not definable as hedges pursuant to IAS 39 | (40,302) | (74,257) | (50,873) | (14,322) | 59,935 | 19,633 | (75,431) |
| **Total (B)** | **(208,248)** | **(153,339)** | **(96,902)** | **(470,827)** | **(317,488)** | **(525,736)** | **(283,904)** |
| **TOTAL RECOGNIZED IN EBITDA (A+B)** | **189,326** | **7,851** | **25,684** | **214,176** | **206,325** | **395,651** | **(7,257)** |
| **Interest rate hedges, broken down as follows:** | | | | | | | |
| **Financial income** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (FVH) | 56,340 | 56,054 | 12,162 | 44,917 | (11,137) | 45,203 | 40,508 |
| - not definable as hedges pursuant to IAS 39 | 17,040 | 3,553 | 2,202 | - | (3,553) | 13,487 | 17,652 |
| **Total financial income (C)** | **73,380** | **59,607** | **14,364** | **44,917** | **(14,690)** | **58,690** | **58,160** |
| **Financial expense** | | | | | | | |
| - definable as hedges pursuant to IAS 39 (FVH) | (27,383) | - | - | - | - | (27,383) | (42,234) |
| - not definable as hedges pursuant to IAS 39 | (26,013) | (12,553) | (1,506) | (1,796) | 10,757 | (15,256) | (15,372) |
| **Total financial expense (D)** | **(53,396)** | **(12,553)** | **(1,506)** | **(1,796)** | **10,757** | **(42,639)** | **(57,606)** |
| **Margin on interest rate hedging transactions (C+D)=(E)** | **19,984** | **47,054** | **12,858** | **43,121** | **(3,933)** | **16,051** | **554** |
| **Foreign exchange rate hedges broken down as follows:** | | | | | | | |
| **Foreign exchange gains** | | | | | | | |
| - definable as hedges pursuant to IAS 39 | 23,322 | 549 | 549 | 7 | (542) | 22,780 | 33,256 |
| - not definable as hedges pursuant to IAS 39 | 12,261 | 1,595 | 1,595 | 5,132 | 3,537 | 15,798 | 35,163 |
| **Total foreign exchange gains (F)** | **35,583** | **2,144** | **2,144** | **5,139** | **2,995** | **38,578** | **68,419** |
| **Foreign exchange losses** | | | | | | | |
| - definable as hedges pursuant to IAS 39 | (11,721) | (1,545) | (1,545) | - | 1,545 | (10,176) | (35,050) |
| - not definable as hedges pursuant to IAS 39 | (2,909) | (2,249) | (2,249) | - | 2,249 | (660) | (25,188) |
| **Total foreign exchange losses (G)** | **(14,630)** | **(3,794)** | **(3,794)** | **-** | **3,794** | **(10,836)** | **(60,238)** |
| **Margin on foreign exchange hedging transactions (F+G)= (H)** | **20,953** | **(1,650)** | **(1,650)** | **5,139** | **6,789** | **27,742** | **8,181** |
| **TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H)** (see Note 9 to the Income Statement) | **40,937** | **45,404** | **11,208** | **48,260** | **2,856** | **43,793** | **8,735** |

(*) 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.

The table below provides a breakdown of the amounts recognized on the balance sheet for the measurement at fair value of derivatives and physical contracts outstanding at December 31, 2014 and their classification in accordance with the fair value hierarchy according to IFRS 13:

| (in thousands of euros) | 12/31/14 | | 12/31/13 | |
|---|---|---|---|---|
| | Receivables | Payables | Receivables | Payables |
| Transactions on: | | | | |
| - interest rates | 44,917 | (1,796) | 59,445 | (12,553) |
| - foreign exchange | 342,049 | (15,816) | 16,088 | (159,400) |
| - commodities | 630,068 | (1,207,795) | 232,297 | (90,476) |
| - trading transactions | 34,777 | (32,672) | 14,313 | (13,614) |
| **Fair value recognized as a current asset or a current liability (a)** | **1,051,811** | **(1,258,079)** | **322,143** | **(276,043)** |
| Recognized as: | | | | |
| - Other receivables and payables | 1,006,894 | (1,256,283) | 262,698 | (263,490) |
| - Current financial assets or Short-term financial debt | 44,917 | (1,796) | 59,445 | (12,553) |
| **IFRS 7 potential offsetting (b)** | **(414,061)** | **414,061** | **(129,613)** | **129,613** |
| **Net potential fair value (a+b)** | **637,750** | **(844,018)** | **192,530** | **(146,430)** |

With regard to the items listed above, please note that the receivables and payables shown are offset in shareholders' equity by a negative cash flow hedge reserve amounting to 468,705,000 euros (negative by 6,995,000 euros at December 31, 2013), before the applicable deferred taxes.

## 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 purposes 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. The last column in the table shows, if applicable, the fair value of financial instruments at the end of the reporting year.

The Company chose not to adopt the fair value option and, consequently, as the table shows, neither financial debt nor bonds were restated at fair value.

### Status at December 31, 2014

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

| **Financial instrument type** | **Financial instruments measured at fair value** | | | | | | | **Financial instruments valued at amortized cost (B)** | **Unlisted equity investments valued at cost (C)** | **Carrying amount at 12/31/14 (A+B+C)** | Fair value at 12/31/14 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | with change in fair value recognized in: | | | **Total Fair Value (A)** | Fair value hierarchy (notes a, b, c) | | | | | | |
| | earnings | equity | | | 1 | 2 | 3 | | | | |
| | (a) | (b) | (c) | | | | | (d) | (e) | | |
| **ASSETS** | | | | | | | | | | | |
| Available-for-sale equity investments, including: | | | | | | | | | | | |
| - unlisted securities | 164,884 | - | - | **164,884** | - | - | 164.884 | - | **4,915** | **169,799** | nd |
| - listed securities | 4,377 | - | - | **4,377** | 4,377 | - | - | - | - | **4,377** | 4,377 |
| | | | | | | | | | | **174,176** | |
| Other financial assets (h) | - | - | - | - | - | - | - | **19,346** | - | **19,346** | 19,346 |
| Other assets (i) | - | - | - | - | - | - | - | **163,331** | - | **163,331** | 163,331 |
| Trade receivables (i) | - | - | - | - | - | - | - | **726,380** | - | **726,380** | 726,380 |
| Other receivables (f) (h) (i) | 688,038 | 284,079 | - | **972,117** | 13,479 | 958,638 | - | **317,775** | - | **1,289,892** | 1,289,892 |
| Current financial assets (f) (g) (i) | 46,651 | - | - | **46,651** | 1,734 | 44,917 | - | **2.115,646** | - | **2,162,297** | 2,162,297 |
| Cash and cash equivalents (i) | - | - | - | - | - | - | - | **75,875** | - | **75,875** | 75,875 |
| **LIABILITIES** | | | | | | | | | | | |
| Bonds | 1,137,703 | - | - | **1,137,703** | - | 1,137,703 | - | **13,671** | - | **1,151,374** | 1,176,859 |
| Current financial debt (f) (i) | 1,796 | - | - | **1,796** | - | 1,796 | - | **488,154** | - | **489,950** | 471,535 |
| Trade payables (i) | - | - | - | - | - | - | - | **1.146,007** | - | **1,146,007** | 1,146,007 |
| Other liabilities (f) (h) (i) | 470,828 | 752,784 | - | **1,223,612** | 15 | 1,223,597 | - | **221,739** | - | **1,445,351** | 1,445,351 |

(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) Includes receivables and payables from the measurement at fair value of contracts in Trading Portfolio.
(i) 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 amount.

## Status at December 31, 2013

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

| Financial instrument type | Financial instruments measured at fair value – with change in fair value recognized in: earnings (a) | equity (b) | equity (c) | Total Fair Value (A) | Fair value hierarchy (notes a, b, c) 1 | 2 | 3 | Financial instruments valued at amortized cost (B) (d) | Unlisted equity investments valued at cost (C) (e) | **Carrying amount at 12.31.13 (A+B+C)** | Fair value at 12.31.13 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | | | | |
| Available-for-sale equity investments, including: | | | | | | | | | | | |
| - unlisted securities | 171,758 | - | - | **171,758** | - | - | 171,758 | - | **4.924** | **176,682** | n.d. |
| - listed securities | - | - | 6,179 | **6,179** | 6,179 | - | - | - | - | **6,179** | 6,179 |
| | | | | | | | | | | **182,861** | |
| Other financial assets (h) | - | - | - | - | - | - | - | **11,451** | - | **11,451** | 11,451 |
| Other assets (i) | - | - | - | - | - | - | - | **176,635** | - | **176,635** | 176,635 |
| Trade receivables (i) | - | - | - | - | - | - | - | **1,108,640** | - | **1,108,640** | 1,108,640 |
| Other receivables (f) (h) (i) | 176,948 | 85,750 | - | **262,698** | - | 249,444 | - | **247,712** | - | **510,410** | 510,213 |
| Current financial assets (f) (g) (i) | 66,085 | - | - | **66,085** | 6,640 | 59,445 | - | **2,638,475** | - | **2,704,560** | 2,704,560 |
| Cash and cash equivalents (i) | - | - | - | - | - | - | - | **318,529** | - | **318,529** | 318,529 |
| **LIABILITIES** | | | | | | | | | | | |
| Bonds | 1,845,164 | - | - | **1,845,164** | - | 1,845,164 | - | **24,694** | - | **1,869,858** | 1,934,935 |
| Financial debt (f) (i) | 12,553 | - | - | **12,553** | - | 12,553 | - | **1,887,087** | - | **1,899,640** | 1,919,460 |
| Trade payables (i) | - | - | - | - | - | - | - | **966,254** | - | **966,254** | 966,254 |
| Other liabilities (f) (h) (i) | 170,745 | 92,746 | - | **263,491** | - | 263,491 | - | **138,941** | - | **402,432** | 402,432 |

(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) Includes receivables and payables from the measurement at fair value of contracts in Trading Portfolio.
(i) 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 amount.

# 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. as required 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.

Related-party transactions are listed in the table below:

| (in thousands of euros) | Related Parties pursuant to IAS 24 | | | | | |
|---|---|---|---|---|---|---|
| | With Edison Group companies | With controlling companies | With other EDF Group companies | **Total for related parties** | Total for financial statem. line item | % impact |
| **Balance Sheet transactions:** | | | | | | |
| Investments in associates | 1,433,137 | - | - | **1,433,137** | 1,433,137 | 100.0% |
| Trade receivables | 326,535 | 126 | 14,725 | **341,386** | 726,380 | 47.0% |
| Other receivables | 263,201 | 135,771 | 71,346 | **470,318** | 1,289,892 | 36.5% |
| Current financial assets | 2,115,647 | - | - | **2,115,647** | 2,162,297 | 97.8% |
| Financial debt and other fin. liabilities | - | - | 796,474 | **796,474** | 969,659 | 82.1% |
| Current financial debt | 398,767 | 13,091 | 3,968 | **415,826** | 489,950 | 84.9% |
| Trade payables | 60,053 | - | 16,980 | **77,033** | 1,146,007 | 6.7% |
| Other payables | 76,115 | - | 41,297 | **117,412** | 1,445,351 | 8.1% |
| **Income Statement transactions:** | | | | | | |
| Sales revenues | 2,224,680 | 2,484 | 112,596 | **2,339,760** | 4,822,090 | 48.5% |
| Other revenues and income | 16,060 | 806 | 821 | **17,687** | 149,111 | 11.9% |
| Raw materials and services used | 134,396 | 16,506 | 39,382 | **190,284** | 5,094,811 | 3.7% |
| Financial income | 60,292 | 96 | - | **60,388** | 128,207 | 47.1% |
| Financial expense | 12,448 | 3,788 | 22,642 | **38,878** | 168,739 | 23.0% |
| Foreign exchange gains and losses | - | 18,882 | 1,657 | **20,539** | 1,169 | n.s. |
| Income from equity investments | 350,112 | - | - | **350,112** | 364,991 | 95.9% |
| Expense on equity investments | 85,051 | - | - | **85,051** | 86,955 | 97.8% |

## A) Intercompany Transactions and with the Controlling Company

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 $CO_2$ certificates;
- transactions involving contracts for the provision of services (technical, organizational, legal and administrative) by headquarters staff functions;
- financial transactions involving lending, risk hedging and current account facilities established within the framework of the cash pooling system 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).

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

In the area of commercial transactions, the Group's Parent Company, Edison Spa, sells natural gas and electric power to Edison Trading Spa and Edison Energia Spa, respectively, under special contracts that, taking into account the specific functions of the two buyer companies within the Group, provide the seller with adequate coverage of its fixed and variable costs.

In addition, the rate earned on transactions involving intercompany current accounts is the Deposit Rate, while the rate paid is the Marginal Refinance Rate, both of which are determined by the European Central Bank.

To be noted that the Edison's financial transactions with subsidiaries and affiliated companies are regulated at a rate equal to Euribor 3 months (basic 360), to which must be added a spread of 2% if active and a spread of 0, 5% if negative.

**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 settlement for December 2014 shows a net balance owed to the revenue administration of 6,803,000 euros.

**Consolidated Corporate Income Tax (IRES) Return**

Starting in 2013 and for the three-year period from 2013 to 2015, Edison Spa and its main subsidiaries opted to join the consolidated IRES return filed by WGRM (Now Transalpina di Energia Spa) executing special agreements governing transactions between the companies included in the scope of IRES consolidation. Consequently, the companies that agreed to be included in the consolidated IRES return will determine their IRES liability in coordination with the parent 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 (IRES) surcharge of 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, Edison had no funds deposited in the current account established with EDF, which had a positive balance of about 215 million euros at December 31, 2013.

**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, expiring on April 9, 2015; at December 31, 2014 the credit line is unused. The loan was provided on terms in line with those granted in the market to companies with Edison's credit rating.

**Other transactions with EDF Sa**

With reference to the contracts for the services provided by EDF Sa (mainly of financial and insurance) and the recovery of other charges, the cost for the period is around 16,528,000 euros.

## B) Transactions with other EDF Group Companies

The main transactions with other EDF Group companies are briefly reviewed below.

### 1) Commercial Transactions

With reference to the transactions for the period it should be noted:

- revenues from sales of electric power and natural gas for 111,810,000 euros from and expenses for 5,476,000 euros to EDF Trading Limited related to contracts for commodities purchases;
- a net loss for 47,896,000 euros (revenues for 203,915,000 euros and expenses for 251,811,000 euros) shown in "Sales revenues" due to EDF Trading Limited and referring to the trading in physical activities;
- derivative transactions on commodities which generated revenues from and expenses to EDF Trading Limited for 46,588,000 euros and 33,856,000 euros respectively, shown in "Sales revenues" and "Raw Materials and Services Used" in the line "Realized commodity derivatives".

With regard to the amounts of the above operations shown in the balance sheet, please refer to the information in the table above.

### 2) Financial Transactions

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.

# OTHER INFORMATION

## Significant Nonrecurring Events and Transactions

The following disclosure is being provided pursuant to the CONSOB Communication No. DEM/6064293 of July 28, 2006:

- The arbitration with Promgas for a revision of the price of the long-term procurement contract for gas from Russia was completed in August 2014;
- In November 2014, closing of the transaction between Edison, EDF Energie Nouvelles and F2i that created the third largest renewable energy operator with an installed capacity of about 600 MW. Edison will take delivery at a fixed price of energy produced, optimizing it with its own production portfolio.

## Transactions Resulting from Atypical and/or Unusual Activities

Edison Spa declares that it did not execute atypical and/or unusual transactions in the first half of 2013, as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

## Treasury Shares

At December 31, 2014, the Company did not hold any treasury shares.

## Compensation, Stock Options and Equity Investments of Directors, Executives and Statutory Auditors

For information concerning:

- the compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the Annual Compensation Report.

# 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

# LIST OF EQUITY INVESTMENTS AT DECEMBER 31, 2014

| Company | Head office | Share capital Currency | Amount | Par value per share |
|---|---|---|---|---|
| **A1. Equity Investments in Subsidiaries** | | | | |
| **AMG Gas Srl** | **(*) Palermo** | | | |
| Balance at 12.31.2013 | | Eur | 100,000 | - |
| Balance at 12.31.2014 | | Eur | 100,000 | - |
| **Atema Ltd** | **Dublin (Ireland)** | | | |
| Balance at 12.31.2013 | | Eur | 1,500,000 | 0.50 |
| Balance at 12.31.2014 | | Eur | 1,500,000 | 0.50 |
| **CSE Srl (single shareholder)** | **(*) Pavia** | | | |
| Balance at 12.31.2013 | | Eur | 12,440 | - |
| Increase | | Eur | - | - |
| Writedown | | | - | - |
| Conveyance to Edison Energia Spa | | Eur | (12,440) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **Dolomiti Edison Energy Srl** | **Trento** | | | |
| Balance at 12.31.2013 | | Eur | 5,000,000 | - |
| Balance at 12.31.2014 | | Eur | 5,000,000 | - |
| **DS Smith Paper Italia Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 10,000 | - |
| Conveyance of business operations | | Eur | 90,000 | - |
| Divestment | | Eur | (100,000) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **EDF EN Services Italia Srl ex Edison O & M Solutions Srl** | **Bologna** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Establishment | | Eur | 10,000 | - |
| Partial demerger from Edison Energie Speciali Spa | | Eur | - | - |
| Disposal | | Eur | - | - |
| Reclassification to affiliated companies | | Eur | (10,000) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **Edison D.G. Spa (single shareholder)** | **(*) Selvazzano Dentro (PD)** | | | |
| Balance at 12.31.2013 | | Eur | 460,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 460,000 | 1.00 |
| **Edison Energia Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 22,000,000 | 1.00 |
| Conveyance of business operations | | Eur | 1,000,000 | - |
| Acquisition | | Eur | - | - |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 23,000,000 | 1.00 |
| **Edison Energie Speciali Spa (single shareholder) ora E2I Energie Speciali Srl** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 4,200,000 | 1.00 |
| Conveyance of business operations to Edison Energia Spa | | Eur | - | - |
| FRI-EL Campania Srl merger | | Eur | - | - |
| Gargano Energia Srl merger | | Eur | - | - |
| Partial demerger benefiting EDF EN Services Italia Srl | | Eur | - | - |
| Reclassification to intangibles as for off-take agreement | | Eur | - | - |
| Conveyance to Edens Spa to EPER | | Eur | (4,200,000) | (1.00) |
| Balance at 12.31.2014 | | Eur | - | - |
| **Edison Engineering Sa** | **Athens (Greece)** | | | |
| Balance at 12.31.2013 | | Eur | 260,001 | 3.00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 260,001 | 3.00 |
| **Edison Gas and Power Romania Srl** | **Bucharest (Romania)** | | | |

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or capital interests held | Cost [1] | Revaluations (Writedowns) | Net carrying value[1] | Shareholders' equity in latest fin. statements | Pro rata interest in sharehold. equity | Net result in latest fin. statements | Pro rata interest in net result |
|---|---|---|---|---|---|---|---|---|
| 80.000 | 80,000 | 25,100,000 | (800.000) | 24.300.000 | | | | |
| 80.000 | 80,000 | 25,100,000 | (800,000) | 24,300,000 | 4,530,185 | 3,624,148 | 1,607,540 | 1,286,032 |
| 100.000 | 3,000,000 | 1,381,681 | - | 1,381,681 | | | | |
| 100.000 | 3,000,000 | 1,381,681 | - | 1,381,681 | 1,972,001 | 1,972,001 | (53,879) | (53,879) |
| 100.000 | 12,440 | 1.756,892 | - | 1,756,892 | | | | |
| - | - | 142,439 | - | 142,439 | | | | |
| - | - | - | (142,439) | (142,439) | | | | |
| (100.000) | (12,440) | (1,899,331) | 142,439 | (1,756,892) | | | | |
| - | - | - | - | - | | | | |
| 49.000 | 2,450,000 | 8,187,900 | - | 8,187,900 | | | | |
| 49.000 | 2,450,000 | 8,187,900 | - | 8,187,900 | 25,345,334 | 12,419,214 | 7,540,245 | 3,694,720 |
| 100.000 | 10,000 | 10,000 | - | 10,000 | | | | |
| - | - | 24,700,000 | - | 24,700,000 | | | | |
| (100.000) | (10,000) | (24,710,000) | - | (24,710,000) | | | | |
| - | - | - | - | - | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 10,000 | 10,000 | - | 10,000 | | | | |
| - | - | 1,778,000 | - | 1,778,000 | | | | |
| (70.000) | (7,000) | (1,251,600) | - | (1,251,600) | | | | |
| (30.000) | (3,000) | (536,400) | - | (536,400) | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 460,000 | 38,512,802 | - | 38,512,802 | | | | |
| 100.000 | 460,000 | 38,512,802 | - | 38,512,802 | 44,436,478 | 44,436,478 | 6,800,007 | 6,800,007 |
| 100.000 | 22,000,000 | 123,444,519 | (30,868,128) | 92,576,391 | | | | |
| - | - | 17,821,110 | - | 17,821,110 | | | | |
| - | - | 678.624 | - | 678,624 | | | | |
| - | - | - | (71,773,125) | (71,773,125) | | | | |
| 100.000 | 22,000,000 | 141,944,253 | (102,641,253) | 39,303,000 | 41,803,048 | 41,803,048 | (33,357,220) | (33,357,220) |
| 100.000 | 4,200,000 | 205,342,755 | - | 205,342,755 | | | | |
| - | - | (13,458,645) | - | (13,458,645) | | | | |
| - | - | 15,044,000 | - | 15,044,000 | | | | |
| - | - | 19,673,701 | - | 19,673,701 | | | | |
| - | - | (1,778,000) | - | (1,778,000) | | | | |
| - | - | (67,675,000) | - | (67,675,000) | | | | |
| (100) | (4,200,000) | (157,148,811) | - | (157,148,811) | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 86,667 | 260,001 | - | 260,001 | | | | |
| - | - | - | (94,001) | (94,001) | | | | |
| 100.000 | 86,667 | 260,001 | (94,001) | 166,000 | 161,916 | 161,916 | (28,194) | (28,194) |

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

CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound
EGP Egyptian pound | USD U.S. dollar | LIT Italian lira | TRL Turkish lira

## LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| Balance at 12.31.2013 | | RON | 8,400,000 | 100 |
| Liquidation | | RON | (8,400,000) | (100) |
| Balance at 12.31.2014 | | RON | - | - |
| **Edison Hellas Sa** | **Athens (Greece)** | | | |
| Balance at 12.31.2013 | | Eur | 263,700 | 2.93 |
| Balance at 12.31.2014 | | Eur | 263,700 | 2.93 |
| **Edison Idrocarburi Sicilia Srl (single shareholder)** | **(*) Ragusa** | | | |
| Balance at 12.31.2013 | | Eur | 10,000 | - |
| Conveyance of business operations | | Eur | 990,000 | - |
| Balance at 12.31.2014 | | Eur | 1,000,000 | - |
| **Edison International Spa** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 75,000,000 | 1.00 |
| Shareholder's advance on capital contributions | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 75,000,000 | 1.00 |
| **Edison International Holding NV** | **Amsterdam (Netherlands)** | | | |
| Balance at 12.31.2013 | | Eur | 123,500,000 | 1.00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 123,500,000 | 1.00 |
| **Edison Stoccaggio Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 90,000,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 90,000,000 | 1.00 |
| **Edison Trading Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 30,000,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 30,000,000 | 1.00 |
| **Eper Srl - Edison Partecipazioni Energie Rinnovabili** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Acquisition | | Eur | 20,000 | - |
| Conveyance to Edison Energie Speciali Spa | | Eur | 19,980,000 | - |
| Divestment | | Eur | - | - |
| Distribution reserves | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 20,000,000 | - |
| **Euroil Exploration LTD** | **London (England)** | | | |
| Balance at 12.31.2013 | | GBP | 9,250,000 | 1.00 |
| Balance at 12.31.2014 | | GBP | 9,250,000 | 1.00 |
| **FRI-EL Campania Srl** | **Bolzano** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Acquisition | | Eur | 1,000,000 | - |
| Merged into Edison Energie Speciali Spa | | Eur | (1,000,000) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **Gargano Energia Srl** | **Rome** | | | |
| Balance at 12.31.20133 | | Eur | - | - |
| Acquisition | | Eur | 1,500,000 | - |
| Merged into Edison Energie Speciali Spa | | Eur | (1,500,000) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **Gever Spa (pledged shares)** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 10,500,000 | 1.000,00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 10,500,000 | 1.000,00 |
| **Hydros Srl** | **Bolzano** | | | |

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or capital interests held | Cost [1] | Revaluations (Writedowns) | Net carrying value [1] | Sharehold. equity in latest fin. statements | Pro rata interest in sharehold. equity | Net result in latest fin. statements | Pro rata interest in net result |
|---|---|---|---|---|---|---|---|---|
| 1.000 | 840 | 19,321 | - | 19,321 | | | | |
| (1.000) | (840) | (19,321) | - | (19,321) | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 90,000 | 187,458 | (8,000) | 179,458 | | | | |
| 100.000 | 90,000 | 187,458 | (8,000) | 179,458 | 333,185 | 333,185 | 96,490 | 96,490 |
| 100.000 | 10,000 | 30,000 | (18,000) | 12,000 | | | | |
| - | - | 11,613,346 | - | 11,613,346 | | | | |
| 100.000 | 10,000 | 11,643,346 | (18,000) | 11,625,346 | 54,132,022 | 54,132,022 | 21,319,096 | 21,319,096 |
| 100.000 | 75,000,000 | 656,321,794 | (251,000,000) | 405,321,794 | | | | |
| - | - | 116,900,000 | - | 116,900,000 | | | | |
| 100.000 | 75,000,000 | 773,221,794 | (251,000,000) | 522,221,794 | 763,253,962 | 763,253,962 | 214,148,099 | 214,148,099 |
| 100.000 | 123,500,000 | 310,087,200 | (72,694,934) | 237,392,266 | | | | |
| - | - | - | (9,424,067) | (9,424,067) | | | | |
| 100.000 | 123,500,000 | 310,087,200 | (82,119,001) | 227,968,199 | 259,381,925 | 259,381,925 | 3,772,091 | 3,772,091 |
| 100.000 | 90,000,000 | 134,280,847 | - | 134,280,847 | | | | |
| 100.000 | 90,000,000 | 134,280,847 | - | 134,280,847 | 178,028,098 | 178,028,098 | 18,550,750 | 18,550,750 |
| 100.000 | 30,000,000 | 30,000,000 | - | 30,000,000 | | | | |
| 100.000 | 30,000,000 | 30,000,000 | - | 30,000,000 | 182,636,836 | 182,636,836 | 260,525,293 | 260,525,293 |
| - | - | - | - | - | | | | |
| 100.000 | 20,000 | 30,000 | - | 30,000 | | | | |
| 100.000 | 19,980,000 | 509,248,110 | - | 509,248,110 | | | | |
| (16.700) | (3,340,000) | (85,049,444) | - | (85,049,444) | | | | |
| - | - | (233,240,000) | - | (233,240,000) | | | | |
| 83.300 | 16,660,000 | 190,988,666 | - | 190,988,666 | 188,893,396 | 157,348,199 | 6,870,095 | 5,722,789 |
| 0.000 | 1 | 950 | - | 950 | | | | |
| 0.000 | 1 | 950 | - | 950 | 11,143,039 | 1 | (339,727) | - |
| - | - | - | - | - | | | | |
| 100.000 | 1,000,000 | 21,720,000 | - | 21,720,000 | | | | |
| (100.000) | (1,000,000) | (21,720,000) | - | (21,720,000) | | | | |
| - | - | - | - | - | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 1,500,000 | 27,080,701 | - | 27,080,701 | | | | |
| (100.000) | (1,500,000) | (27,080,701) | - | (27,080,701) | | | | |
| - | - | - | - | - | | | | |
| 51.000 | 5,355 | 24,055,699 | (14.350.000) | 9,705,699 | | | | |
| - | - | - | (485.919) | (485,919) | | | | |
| 51.000 | 5,355 | 24,055,699 | (14.835.919) | 9,219,780 | 31,641,910 | 16,137,374 | 3,821,230 | 1,948,827 |

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

CHF Swiss franc
EUR euro
NLG Dutch guilder
PTE Portuguese escudo
BRL Brazilian real
GBP British pound
EGP Egyptian pound
USD U.S. dollar
LIT Italian lira
TRL Turkish lira

(continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| Balance at 12.31.2013 | | Eur | 30,018,000 | - |
| Balance at 12.31.2014 | | Eur | 30,018,000 | - |
| **Jesi Energia Spa** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 5,350,000 | 1.00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 5,350,000 | 1.00 |
| **Infrastrutture Trasporto Gas Spa (single shareholder)** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 10,000,000 | 1.00 |
| Balance at 112.31.2014 | | Eur | 10,000,000 | 1.00 |
| **Nuova Alba Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 2,016,457 | - |
| Reclassification to provision for risks on equity investments | | Eur | - | - |
| Advance on future capital contributions | | Eur | - | - |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 2,016,457 | - |
| **Nuova C.I.S.A. Spa in liquidazione (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 1,549,350 | 1.00 |
| Balance at 12.31.2014 | | Eur | 1,549,350 | 1.00 |
| **Presenzano Energia Srl** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 120,000 | - |
| Advance on future capital contributions | | Eur | - | - |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 120,000 | - |
| **Sistemi di Energia Spa** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 10,083,205 | 1.00 |
| Balance at 12.31.2014 | | Eur | 10,083,205 | 1.00 |
| **Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)** | **Rome** | | | |
| Balance at 12.31.2013 | | ITL | 300,000,000 | 10.000,00 |
| Balance at 12.31.2014 | | ITL | 300,000,000 | 10.000,00 |
| **Società Idroelettrica Calabrese Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Acquisition | | Eur | 10,000 | - |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 10,000 | - |
| **Termica Cologno Srl** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 9,296,220 | - |
| Balance at 12.31.2014 | | Eur | 9,296,220 | - |
| **Termica Milazzo Srl** | **(*) Milan** | | | |
| Balance at 12.31.2013 | | Eur | 23,241,000 | - |
| Balance at 12.31.2014 | | Eur | 23,241,000 | - |
| **Total A1 Equity investments in subsidiaries** | | | | |

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) | Sharehold. equity in latest fin. statements | Pro rata interest in sharehold. equity | Net result in latest fin. statements | Pro rata interest in net result |
|---|---|---|---|---|---|---|---|---|
| 40.000 | 12,007,200 | 33,379,456 | - | 33,379,456 | | | | |
| 40.000 | 12,007,200 | 33,379,456 | - | 33,379,456 | 110,256,362 | 44,102,545 | 13,337,626 | 5,335,050 |
| 70.000 | 3,745,000 | 15,537,145 | (6,811,000) | 8,726,145 | | | | |
| - | - | - | (1,080,745) | (1,080,745) | | | | |
| 70.000 | 3,745,000 | 15,537,145 | (7,891,745) | 7,645,400 | 11,492,813 | 8,044,969 | (405,052) | (283,536) |
| 100.000 | 10,000,000 | 32,336,454 | (32,330) | 32,304,124 | | | | |
| 100.000 | 10,000,000 | 32,336,454 | (32,330) | 32,304,124 | 39,696,287 | 39,696,287 | 5,261,086 | 5,261,086 |
| 100.000 | 2,016,457 | 28,448,550 | (28,448,550) | - | | | | |
| - | - | (829,399) | - | (829,399) | | | | |
| - | - | 2,850,000 | - | 2,850,000 | | | | |
| - | - | - | (406,668) | (406,668) | | | | |
| 100.000 | 2,016,457 | 30,469,151 | (28,855,218) | 1,613,933 | 1,613,933 | 1,613,933 | (406,668) | (406,668) |
| 100.000 | 1,549,350 | 3,500,109 | (1,086,596) | 2,413,513 | | | | |
| 100.000 | 1,549,350 | 3,500,109 | (1,086,596) | 2,413,513 | 4,792,167 | 4,792,167 | 237,270 | 237,270 |
| 90.000 | 108,000 | 231,925 | (159,925) | 72,000 | | | | |
| - | - | 36,401 | - | 36,401 | | | | |
| - | - | - | (36,073) | (36,073) | | | | |
| 90.000 | 108.000 | 268,326 | (195,998) | 72,328 | 79,918 | 71,926 | (40,082) | (36,074) |
| 86.122 | 8,683,878 | 4,249,906 | 4,150,094 | 8,400,000 | | | | |
| 86.122 | 8,683,878 | 4,249,906 | 4,150,094 | 8,400,000 | 13,784,261 | 11,871,281 | 3,248,169 | 2,797,388 |
| 59.333 | 17,800 | 1 | - | 1 | | | | |
| 59.333 | 17,800 | 1 | - | 1 | | | | |
| - | - | - | - | - | | | | |
| 100.000 | 10,000 | 180,000 | - | 180,000 | | | | |
| - | - | - | (100,000) | (100,000) | | | | |
| 100.000 | 10,000 | 180,000 | (100,000) | 80,000 | 47,262 | 47,262 | (44,738) | (44,738) |
| 65.000 | 6,042,543 | 6,069,782 | | 6,069,782 | | | | |
| 65.000 | 6,042,543 | 6,069,782 | - | 6,069,782 | 11,063,587 | 7,191,332 | 281,919 | 183,247 |
| 60.000 | 13,944,600 | 69,957,191 | (39,300,000) | 30,657,191 | | | | |
| 60.000 | 13,944,600 | 69,957,191 | (39,300,000) | 30,657,191 | 37,852,730 | 22,711,638 | (3,018,043) | (1,810,826) |
| | | **1,885,800,118** | **(524,827,967)** | **1,360,972,151** | | | | |

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

| | | | | | |
|---|---|---|---|---|---|
| CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound |
| EGP Egyptian pound | USD U.S. dollar | LIT Italian lira | TRL Turkish lira | | |

## LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital Currency | Amount | Par value per share |
|---|---|---|---|---|
| **A2. Equity Investments in Joint Ventures (°) and Affiliated Companies** | | | | |
| **Coniel Spa in liquidation** | **Rome** | | | |
| Balance at 12.31.2013 | | Eur | 1,020 | 0.51 |
| Liquidation | | Eur | (1,020) | (0.51) |
| Balance at 12.31.2014 | | Eur | - | - |
| **EDF EN Services Italia Srl** | **Bologna** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Reclassification from subsidiaries | | Eur | 10,000 | - |
| Balance at 12.31.2014 | | Eur | 10.000 | - |
| **EL.I.T.E. Spa** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 3.888.500 | 1.00 |
| Balance at 12.31.2014 | | Eur | 3.888.500 | 1.00 |
| **Eta 3 Spa** | **Arezzo** | | | |
| Balance at 12.31.2013 | | Eur | 2.000.000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 2.000.000 | 1.00 |
| **Ibiritermo Sa (pledged shares)** | **Ibiritè (Brazil)** | | | |
| Balance at 12.31.2013 | | BRL | 7,651,814 | 1.00 |
| Balance at 12.31.20144 | | BRL | 7,651,814 | 1.00 |
| **Iniziativa Universitaria 1991 Spa** | **Varese** | | | |
| Balance at 12.31.2013 | | Eur | 16,120,000 | 520.00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 16,120,000 | 520.00 |
| **Kraftwerke Hinterrhein (KHR) Ag** | **Thusis (Switzerland)** | | | |
| Balance at 12.31.2013 | | CHF | 100,000,000 | 1.000,00 |
| Balance at 12.31.2014 | | CHF | 100,000,000 | 1.000,00 |
| **Nuova ISI Impianti Selez. Inerti Srl in bankruptcy** | **Vazia (RI)** | | | |
| Balance at 12.31.2013 | | ITL | 150,000,000 | - |
| Balance at 12.31.2014 | | ITL | 150,000,000 | - |
| **Parco Eolico Castelnuovo Srl** | **Castelnuovo di Conza (SA)** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Acquisition | | Eur | 10,200 | - |
| Balance at 12.31.2014 | | Eur | 10,200 | - |
| **Sel-Edison Spa** | **Castelbello (BZ)** | | | |
| Balance at 12.31.2013 | | Eur | 84,798,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 84,798,000 | 1.00 |
| **Società per lo sviluppo la realizzione e gestione del gasdotto Algeria - Italia via Sardegna Spa - Galsi Spa** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 37,419,179 | 1.00 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 37,419,179 | 1.00 |
| **Syremont Spa** | **Messina** | | | |
| Balance at 12.31.2013 | | Eur | 1,250,000 | 1.00 |
| Share capital increase | | Eur | 300,000 | 1.00 |
| Reclassification to equity investments held for sale | | Eur | (1,550,000) | (1.00) |
| Balance at 12.31.2014 | | Eur | - | - |
| **Total A2 Equity investments in affiliated companies** | | | | |
| **Total A Equity investments** | | | | |

(1) Amounts in euros.
(°) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) | Sharehold. equity in latest fin. statements | Pro rata interest in sharehold. equity | Net result in latest fin. statements | Pro rata interest in net result |
|---|---|---|---|---|---|---|---|---|
| 35.250 | 705 | 308 | - | 308 | | | | |
| (35.250) | (705) | (308) | - | (308) | | | | |
| - | - | - | - | - | | | | |
| - | - | - | - | - | | | | |
| 30.000 | 3,000 | 536,400 | - | 536,400 | | | | |
| 30.000 | 3,000 | 536,400 | - | 536,400 | | | | |
| 48.449 | 1,883,940 | 1,883,940 | - | 1,883,940 | | | | |
| 48.449 | 1,883,940 | 1,883,940 | - | 1,883,940 | | | | |
| 33.013 | 660,262 | 660,262 | - | 660,262 | | | | |
| 33.013 | 660,262 | 660,262 | - | 660,262 | | | | |
| 50.000 | 3,825,907 | 1,161,904 | - | 1,161,904 | | | | |
| 50.000 | 3,825,907 | 1,161,904 | - | 1,161,904 | 48,363,011 | 24,181,506 | 12,252,616 | 6,126,308 |
| 32.258 | 10,000 | 4,405,565 | (74.484) | 4,331,081 | | | | |
| - | - | - | (7.799) | (7,799) | | | | |
| 32.258 | 10,000 | 4,405,565 | (82.283) | 4,323,282 | | | | |
| 20.000 | 20,000 | 11,362,052 | - | 11,362,052 | | | | |
| 20.000 | 20,000 | 11,362,052 | - | 11,362,052 | | | | |
| 33.333 | 50,000,000 | 1 | - | 1 | | | | |
| 33.333 | 50,000,000 | 1 | - | 1 | | | | |
| - | - | - | - | - | | | | |
| 50.000 | 5,100 | 854,000 | - | 854,000 | | | | |
| 50.000 | 5,100 | 854,000 | - | 854,000 | 1,713,820 | 856,910 | 145,716 | 72,858 |
| 42.000 | 35,615,160 | 35,615,160 | - | 35,615,160 | | | | |
| 42.000 | 35,615,160 | 35,615,160 | - | 35,615,160 | 100,500,395 | 42,210,166 | 8,731,582 | 3,667,264 |
| 20.822 | 7,791,464 | 21,463,311 | (4.195.000) | 17,268,311 | | | | |
| - | - | - | (1.500.000) | (1,500,000) | | | | |
| 20.822 | 7,791,464 | 21,463,311 | (5.695.000) | 15,768,311 | | | | |
| 24.000 | 300,000 | 400 | - | 400 | | | | |
| 19.355 | - | - | - | - | | | | |
| (19.355) | (300,000) | (400) | - | (400) | | | | |
| - | - | - | - | - | | | | |
| | | **77,942,595** | **(5,777,283)** | **72,165,312** | | | | |
| | | **1,963,742,713** | **(530,605,250)** | **1,433,137,463** | | | | |

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| | | | | | |
|---|---|---|---|---|---|
| CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound |
| EGP Egyptian pound | USD U.S. dollar | LIT Italian lira | TRL Turkish lira | | |

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital Currency | Amount | Par value per share |
|---|---|---|---|---|
| **B. Equity Investments Held for Sale** | | | | |
| **Aquapur Multiservizi Spa** | **Porcari (Lu)** | | | |
| Balance at 12.31.2013 | | Eur | 1,073,677 | 5.16 |
| DS Smith conveyance | | Eur | (1,073,677) | (5.16) |
| Balance at 12.31.2014 | | Eur | - | - |
| **Consorzio Industriale Depurazione** | **Lucca** | | | |
| Balance at 12.31.2013 | | Eur | 45,965 | - |
| DS Smith conveyance | | Eur | (45.965) | - |
| Balance at 12.31.2014 | | Eur | - | - |
| **Emittenti Titoli Spa** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 4,264,000 | 0.52 |
| Balance at 12.31.2014 | | Eur | 4,264,000 | 0.52 |
| **European Energy Exchange Ag - EEX** | **Leipzig (Germany)** | | | |
| Balance at 12.31.2013 | | Eur | 40,050,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 40,050,000 | 1.00 |
| **Finligure Spa (in bankruptcy)** | **Genoa** | | | |
| Balance at 12.31.2013 | | Lit. | 6,261,874,080 | 3.135 |
| Balance at 12.31.2014 | | Lit. | 6,261,874,080 | 3.135 |
| **Istituto Europeo di Oncologia Srl** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 80,579,007 | - |
| Balance at 12.31.2014 | | Eur | 80,579,007 | - |
| **I.SV.E.UR. Spa** | **Rome** | | | |
| Balance at 12.31.2013 | | Eur | 2.500.000 | 1.000,00 |
| Balance at 12.31.2014 | | Eur | 2.500.000 | 1.000,00 |
| **Mandelli Spa (under extraordinary administration)** | **Piacenza** | | | |
| Balance at 12.31.2013 | | Eur | 10,200,000 | 0.51 |
| Balance at 12.31.2014 | | Eur | 10,200,000 | 0.51 |
| **Nomisma - Società di studi economici Spa** | **Bologna** | | | |
| Balance at 12.31.2013 | | Eur | 6,605,830 | 0.32 |
| Writedown | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 6,605,830 | 0.32 |
| **Orione - Soc. Ind. per Sic. e Vig. Cons. per Azioni** | **Turin** | | | |
| Balance at 12.31.2013 | | Eur | 120,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 120,000 | 1.00 |
| **Pro.Cal Scrl (in bankruptcy)** | **Naples** | | | |
| Balance at 12.31.2013 | | Lit | 500,000,000 | - |
| Balance at 12.31.2014 | | Lit | 500,000,000 | - |
| **Prometeo Spa** | **Osimo (AN)** | | | |
| Balance at 12.31.2013 | | Eur | 2,292,436 | 1.00 |
| Balance at 12.31.2014 | | Eur | 2,292,436 | 1.00 |

(1) Amounts in euros.

| % interest held in share capital | No. of shares or capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---|---|---|---|---|
| 0.275 | 573 | 1 | - | 1 |
| (0.275) | (573) | (1) | | (1) |
| - | - | - | - | - |
| 7.303 | 3,357 | 1 | - | 1 |
| (7.303) | (3,357) | (1) | | (1) |
| - | - | - | - | - |
| 3.890 | 319,000 | 164,263 | - | 164,263 |
| 3.890 | 319,000 | 164,263 | - | 164,263 |
| 0.757 | 303,106 | 680,500 | - | 680,500 |
| 0.757 | 303,106 | 680,500 | - | 680,500 |
| 0.035 | 700 | 1 | - | 1 |
| 0.035 | 700 | 1 | - | 1 |
| 4.284 | 3,451,632 | 4,074,528 | (550,686) | 3,523,842 |
| 4.284 | 3,451,632 | 4,074,528 | (550,686) | 3,523,842 |
| 1.000 | 25 | 5,620 | - | 5,620 |
| 1.000 | 25 | 5,620 | - | 5,620 |
| 0.000 | 11 | 13 | (12) | 1 |
| 0.000 | 11 | 13 | (12) | 1 |
| 1.566 | 320,000 | 479,473 | (395,358) | 84,115 |
| - | - | - | (9,035) | (9,035) |
| 1.566 | 320,000 | 479,473 | (404,393) | 75,080 |
| 0.218 | 261 | 261 | - | 261 |
| 0.218 | 261 | 261 | - | 261 |
| 4.348 | 21,739,000 | 11,228 | (11,227) | 1 |
| 4.348 | 21,739,000 | 11,228 | (11,227) | 1 |
| 17.760 | 407,136 | 451,289 | - | 451,289 |
| 17.760 | 407,136 | 451,289 | - | 451,289 |

The currency codes used in this report are those of the ISO 4217 International Standard.
CHF Swiss franc EUR euro NLG Dutch guilder PTE Portuguese escudo BRL Brazilian real GBP British pound EGP Egyptian pound

## LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **RCS Mediagroup Spa** | **Milan** | | | |
| Balance at 12.31.2013: | | | | |
| - common shares (shares without par value) | | Eur | 379,393,657 | - |
| - class A savings shares (shares without par value) | | Eur | 26,205,444 | - |
| - class B savings shares (shares without par value) | | Eur | 69,535,501 | - |
| | | Eur | 475,134,602 | - |
| Conversion of A and B savings shares into common shares | | | | |
| - common shares | | Eur | 95,740,945 | - |
| - class A saving shares | | Eur | (26,205,444) | - |
| - class B savings shares | | Eur | (69,535,501) | - |
| | | Eur | - | - |
| Mark to market | | | | |
| - common shares | | Eur | | - |
| | | Eur | - | - |
| Balance at 12.31.2014: | | | | |
| - common shares (shares without par value) | | Eur | 475,134,602 | - |
| - cass A savings shares (shares without par value) | | Eur | - | - |
| - class B savings sharess (shares without par value) | | Eur | - | - |
| | | Eur | 475,134,602 | - |
| **Reggente Spa** | **Lucera (FG)** | | | |
| Balance at 12.31.2013 | | Eur | 260,000 | 0.52 |
| Balance at 12.31.2014 | | Eur | 260,000 | 0.52 |
| **Sirio - Sicurezza Industriale Scpa - Sirio Scpa** | **Turin** | | | |
| Balance at 12.31.2013 | | Eur | 120,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 120,000 | 1.00 |
| **Sistema Permanente di Servizi Spa (in bankruptcy)** | **Rome** | | | |
| Balance at 12.31.2013 | | Eur | 154,950 | 51.65 |
| Balance at 12.31.2014 | | Eur | 154,950 | 51.65 |
| **Syremont Spa** | **Messina** | | | |
| Balance at 12.31.2013 | | Eur | - | - |
| Reclassification from equity investments in affiliated companies | | Eur | 1,550,000 | 1.00 |
| Balance at 12.31.2014 | | Eur | 1,550,000 | 1.00 |
| **Terminale GNL Adriatico Srl** | **Milan** | | | |
| Balance at 12.31.2013 | | Eur | 200,000,000 | - |
| Repayment of advance on capital contributions | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 200,000,000 | - |
| **Total B. Equity investments held for sale** | | | | |

| % interest held in share capital | No. of shares or capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---|---|---|---|---|
| 1.102 | 4,681,152 | 9,134,098 | (2,954,977) | 6,179,121 |
| - | - | - | - | - |
| - | - | - | - | - |
| 0.880 | 4,681,152 | 9,134,098 | (2,954,977) | 6,179,121 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | (1,802,244) | (1,802,244) |
| - | - | - | (1,802,244) | (1,802,244) |
| 1.102 | 4,681,152 | 9,134,098 | (4,757,221) | 4,376,817 |
| - | - | - | - | - |
| - | - | - | - | - |
| 0.880 | 4,681,152 | 9,134,098 | (4,757,221) | 4,376,877 |
| 5.209 | 26,043 | 13,450 | - | 13,450 |
| 5.209 | 26,043 | 13,450 | - | 13,450 |
| 0.259 | 311 | 27 | - | 27 |
| 0.259 | 311 | 27 | - | 27 |
| 12.600 | 378 | 1 | - | 1 |
| 12.600 | 378 | 1 | - | 1 |
| - | - | - | - | - |
| 19.355 | 300,000 | 400 | - | 400 |
| 19.355 | 300,000 | 400 | - | 400 |
| 7.297 | 14,594,000 | 177,933,318 | (6,174,950) | 171,758,368 |
| - | - | (6,873,774) | | (6,873,774) |
| 7.297 | 14,594,000 | 171,059,544 | (6,174,950) | 164,884,594 |
| | | **186,074,296** | **(11,898,489)** | **174,176,207** |

## LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **C. Equity Investments Held for Trading** | | | | |
| **Hera Spa** | **Bologna** | | | |
| Balance at 12.31.2013 | | Eur | 1,421,342,617 | 1.00 |
| Share capital increase | | Eur | 68,196,128 | - |
| Disposals | | Eur | (1,489,538,745) | (1.00) |
| Balance at 12.31.2014 | | Eur | - | - |
| **ACSM - AGAM Spa** | **Monza** | | | |
| Balance at 12.31.2013 | | Eur | 76,619,105 | 1.00 |
| Mark to market | | Eur | - | - |
| Balance at 12.31.2014 | | Eur | 76,619,105 | 1.00 |
| **American Superconductor Corp.** | **Devens (United States)** | | | |
| Balance at 12.31.2013 | | Usd | 631,248 | 0.01 |
| Share capital increase | | Usd | 123,823 | 0.01 |
| Mark to market | | Usd | - | - |
| Balance at 12.31.2014 | | Usd | 755,071 | 0.01 |
| **Total C. Equity investments held for trading** | | | | |

(1) Amounts in euros.

| % interest held | No. of shares or capital interests held | Cost | Mark to market | Net carrying value |
|---|---|---|---|---|
| 0.221 | 2,961,882 | 3,770,040 | - | 4,887,105 |
| - | - | - | - | - |
| (0.221) | (2,961,882) | (3,770,040) | - | (4,887,105) |
| - | - | - | - | - |
| 1.942 | 1,488,000 | 5,360,000 | (3,797,600) | 1,562,400 |
| - | - | - | 74,400 | 74,400 |
| 1.942 | 1,488,000 | 5,360,000 | (3,723,200) | 1,636,800 |
| 0.253 | 160,000 | 4,975,111 | (4,784,842) | 190,269 |
| - | - | - | - | - |
| - | - | - | (93,430) | (93,430) |
| 0.185 | 160,000 | 4,975,111 | (4,878,272) | 96,839 |
| | | **10,335,111** | **(8,601,472)** | **1,733,639** |

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# CERTIFICATION OF THE STATUTORY 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," and 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 Statutory Financial Statements for the period from January 1, 2014 to December 31, 2014:

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

2. We further certify that:

   2.1. the Statutory 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;

   2.2. the Report on Operations includes a reliable analysis of the Group performance and results from operations and of the position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, February 11, 2015

| Chief Executive Officer | Dirigenti Preposti alla redazione dei documenti contabili societari |
|---|---|
| Bruno Lescoeur | Didier Calvez<br>Roberto Buccelli |

# REPORT OF THE INDEPENDENT AUDITORS

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**AUDITORS' REPORT ON THE SEPARATE 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 separate financial statements of Edison S.p.A. (the "Company"), 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 shareholders' equity as of December 31, 2014 and the related notes. These 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 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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 separate financial statements present for comparative purposes the financial data of the prior year separate financial statements and the balance sheet as of January 1, 2013. These comparative financial data derive from the separate 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 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 separate financial statements as of December 31, 2014.

3. In our opinion, the separate financial statements give a true and fair view of the financial position of Edison S.p.A. 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 separate 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 separate financial statements of Edison S.p.A. 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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