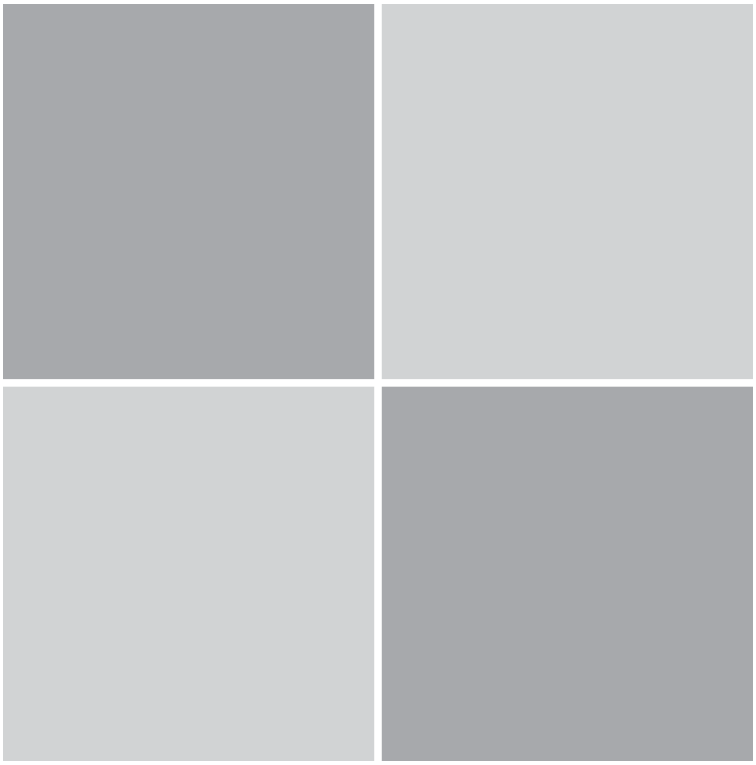
2015

ANNUAL REPORT



CONSOLIDATED FINANCIAL STATEMENTS

EDISON

Contents

2015 ANNUAL REPORT

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

Income Statement

(in millions of euros)		2015		2014	
	See Note		**of which related parties**		of which related parties
Sales revenues	*1*	11,313	492	12,325	334
Other revenues and income	*2*	804	3	255	21
Total net revenues		**12,117**	**495**	**12,580**	**355**
Raw materials and services used (-)	*3*	(10,624)	(374)	(11,545)	(276)
Labor costs (-)	*4*	(232)		(221)	
EBITDA	*5*	**1,261**		**814**	
Net change in fair value of commodity derivatives	*6*	161		250	
Depreciation, amortization and writedowns (-)	*7*	(2,194)		(761)	
Other income (expense), net	*8*	(23)		(11)	
EBIT		**(795)**		**292**	
Net financial income (expense)	*9*	(29)	78	(91)	(2)
Income from (Expense on) equity investments	*10*	(38)	(40)	13	11
Profit (Loss) before taxes		**(862)**		**214**	
Income taxes	*11*	(97)		(159)	
Profit (Loss) from continuing operations		**(959)**		**55**	
Profit (Loss) from discontinued operations		-		-	
Profit (Loss)		**(959)**		**55**	
Broken down as follows:					
Minority interest in profit (loss)		21		15	
Group interest in profit (loss)		**(980)**		**40**	
Earnings (Loss) per share (in euros)	*12*				
Basic earnings (loss) per common share		(0.1902)		0.0070	
Basic earnings per savings share		0.0500		0.0370	
Diluted earnings (loss) per common share		(0.1902)		0.0070	
Diluted earnings per savings share		0.0500		0.0370	

Other Components of the Comprehensive Income Statement

(in millions of euros)	*See Note*	**2015**	2014
Profit (Loss)		**(959)**	**55**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	*24*	**(219)**	**(458)**
- Gains (Losses) arising during the year		(313)	(677)
- Income taxes		94	219
B) Change in reserve for available-for-sale investments	*24*	-	-
- Gains (Losses) arising during the year not realized		-	-
- Income taxes		-	-
C) Differences on the translation of assets in foreign currencies		**4**	**22**
- Gains (Losses) arising during the year not realized		10	31
- Income taxes		(6)	(9)
D) Pro rata interest in other components of comprehensive income of investee companies		-	-
E) Actuarial gains (losses) (*)		**3**	**(3)**
- Actuarial gains (losses)		3	(3)
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**(212)**	**(439)**
Total comprehensive profit (loss)		**(1,171)**	**(384)**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		21	15
Group interest in comprehensive profit (loss)		**(1,192)**	**(399)**

(*) Items not reclassificable in Income Statement.

Balance Sheet

(in millions of euros)		12.31.2015		12.31.2014 (*)	
	See Note		**of which related parties**		of which related parties
ASSETS					
Property, plant and equipment	*13*	3,678		4,348	
Investment property	*14*	6		6	
Goodwill	*15*	2,355		3,070	
Hydrocarbon concessions	*16*	480		739	
Other intangible assets	*17*	118		118	
Investments in associates	*18*	67	67	149	149
Available-for-sale investments	*18*	167		174	
Other financial assets	*19*	31	4	47	5
Deferred-tax assets	*20*	702		501	
Other assets	*21*	280		308	
Total non-current assets		**7,884**		**9,460**	
Inventories		253		479	
Trade receivables		2,367	50	2,848	75
Current-tax assets		20		45	
Other receivables		1,654	28	1,497	185
Current financial assets		113	83	132	85
Cash and cash equivalents		279		473	12
Total current assets	*22*	**4,686**		**5,474**	
Assets held for sale	*23*	**212**		**-**	
Eliminations of assets from and to discontinued operations		**-**		**-**	
Total assets		**12,782**		**14,934**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,292		5,292	
Reserves and retained earnings (loss carryforward)		1,790		1,746	
Reserve for other components of comprehensive income		(663)		(451)	
Group interest in profit (loss)		(980)		40	
Total shareholders' equity attributable to Parent Company shareholders		**5,439**		**6,627**	
Shareholders' equity attributable to minority shareholders		437		510	
Total shareholders' equity	*24*	**5,876**		**7,137**	
Provision for employee severance indemnities and provisions for pensions	*25*	31		37	
Provision for deferred taxes	*26*	32		45	
Provisions for risks and charges	*27*	1,123		923	
Bonds	*28*	599		598	
Long-term financial debt and other financial liabilities	*29*	640	467	990	796
Other liabilities	*30*	315		327	
Total non-current liabilities		**2,740**		**2,920**	
Bonds		28		553	
Short-term financial debt		306	170	230	33
Trade payables		1,623	51	2,321	77
Current taxes payable		25		20	
Other liabilities		2,177	202	1,753	240
Total current liabilities	*31*	**4,159**		**4,877**	
Liabilities held for sale	*32*	**7**		**-**	
Eliminations of liabilities from and to discontinued operations		**-**		**-**	
Total liabilities and shareholders' equity		**12,782**		**14,934**	

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in 2015. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

(in millions of euros)		2015		2014	
	See Note		**of which related parties**		of which related parties
Profit (Loss) before taxes		**(862)**		**214**	
Depreciation, amortization and writedowns	*7*	2,194		761	
Net additions to provisions for risks		23		(18)	
Interest in the result of companies valued by the equity method (-)		40	40	(11)	(11)
Dividends received from companies valued by the equity method		6	6	6	6
(Gains) Losses on the sale of non-current assets		4		(18)	(12)
Change in the provision for employee severance indemnities and provisions for pensions	*25*	(2)		(2)	
Change in fair value recorded in EBIT		(142)		(255)	
Change in operating working capital		19	(1)	408	30
Change in non-operating working capital		40	119	23	40
Change in other operating assets and liabilities		63		6	
Net financial (income) expense	*9*	29	(78)	91	2
Net financial expense paid		(45)	73	(98)	(16)
Net income taxes paid		(120)		(249)	
A. Cash flow from continuing operations		**1,247**		**858**	
Additions to intangibles and property, plant and equipment (-)	*13-17*	(528)		(387)	
Additions to non-current financial assets (-)		(6)	(6)	(107)	(107)
Net price paid on business combinations		(7)		-	
Proceeds from the sale of intangibles and property, plant and equipment		-		32	
Proceeds from the sale of non-current financial assets		-		363	43
Repayment of capital contribution by non-current financial assets		6		7	
Change in other current financial assets		19	2	30	
B. Cash used in investing activities from continuing operations		**(516)**		**(62)**	
Receipt of new medium-term and long-term loans	*28, 29, 31*	470	470	350	350
Redemption of medium-term and long-term loans (-)	*28, 29, 31*	(1,319)	(800)	(1,090)	(350)
Other net change in financial debt		51		1	
Distribution of shareholders' equity and reserves (-)		-		-	
Dividends paid to controlling companies or minority shareholders (-)		(93)		(76)	(57)
C. Cash used in financing activities from continuing operations		**(891)**		**(815)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the year from continuing operations (A+B+C+D)		**(160)**		**(19)**	
F. Net cash flow for the year from discontinued operations		**-**		**-**	
G. Net cash flow for the year (continuing and discontinued operations) (E+F)		**(160)**		**(19)**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**473**	**12**	**492**	**245**
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**-**	
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (G+H+I)		**313**	**-**	**473**	12
M. Cash and cash equivalents at the end of the year from discontinued operations		**-**		**-**	
N. Reclassification to Assets held for sale	*23*	**(34)**		**-**	
O. Cash and cash equivalents at the end of the year from continuing operations (L-M+N)		**279**	**-**	**473**	12

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income					Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders (*)	Total shareholders' Equity (*)
			Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)				
Balance at December 31, 2013	**5,292**	**1,750**	**-**	**-**	**(11)**	**-**	**(1)**	**96**	**7,126**	**113**	**7,239**
Appropriation of the previous year's profit (loss)	-	96	-	-	-	-	-	(96)	-	-	-
Dividends and reserves distributed	-	(63)	-	-	-	-	-	-	**(63)**	(7)	**(70)**
Reserve for sale shares without loss of control	-	(35)	-	-	-	-	-	-	**(35)**	389	**354**
Other changes	-	(2)	-	-	-	-	-	-	**(2)**	-	**(2)**
Total comprehensive profit (loss)	-	-	(458)	-	22	-	(3)	40	**(399)**	15	**(384)**
of which:											
- Change in comprehensive income	-	-	(458)	-	22	-	(3)	-	**(439)**	-	**(439)**
- Profit (Loss) for 2014	-	-	-	-	-	-	-	40	**40**	15	**55**
Balance at December 31, 2014	**5,292**	**1,746**	**(458)**	**-**	**11**	**-**	**(4)**	**40**	**6,627**	**510**	**7,137**
Appropriation of the previous year's profit (loss)	-	40	-	-	-	-	-	(40)	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(93)	**(93)**
Other changes	-	4	-	-	-	-	-	-	**4**	(1)	**3**
Total comprehensive profit (loss)	-	-	(219)	-	4	-	3	(980)	**(1,192)**	21	**(1,171)**
of which:									-		
- Change in comprehensive income	-	-	(219)	-	4	-	3	-	**(212)**	-	**(212)**
- Profit (Loss) for 2015	-	-	-	-	-	-	-	(980)	**(980)**	21	**(959)**
Balance at December 31, 2015	**5,292**	**1,790**	**(677)**	**-**	**15**	**-**	**(1)**	**(980)**	**5,439**	**437**	**5,876**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2015

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Consolidated Financial Statements of the Edison Group at December 31, 2015 comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied to the Preparation of the Financial Statements

Please note that the international accounting principles applied are consistent with those used for the Consolidated Financial Statements at December 31, 2014, and a new interpretation IFRIC 21 "Levies" is applicable retrospectively starting in 2015. This new interpretation sets forth the criteria applicable to determine when liabilities for levies should be recognized in the financial statements; this interpretation had no impact on the Group.

The Board of Directors, meeting on February 15, 2016, authorized the publication of these Consolidated Financial Statements, which were audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

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

Significant assumptions in determining control in accordance with IFRS 12

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

- two companies in the hydroelectric area: Hydros (owned at 40%) and Dolomiti Edison Energy (owned at 49%). The purpose of these two companies and the manner in which they were established ensure that the voting rights are not the dominant factor in determining control, as they mainly concern current activities of a residual nature. Significant activities are governed through contractual agreements. These agreements expose Edison to a majority of the variable returns and give it the power to influence the returns through the management of significant activities (more specifically, the management, withdrawal at predetermined prices and dispatching of electric power); it is worth of mentioning that Hydros, which would have been deconsolidated as of January 1, 2016 as an effect of above-mentioned agreements, was classified as Disposal Group at December 31, 2015 under specific sale agreements.
- in the renewable energy area, the company E2i Energie Speciali Srl (E2i), owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl. In this entity, a portion of the relevant activities is managed through contracts executed in 2014, mainly off-take and development (handled by Edison) and O&M (activity assigned to EDF EN Services Italia Srl), and the residual variability is mainly related to investment decisions on repowering and development projects. Furthermore thank to the governance established, which provides *inter alia* for the right to exercise a call option in the event of a deadlock, the voting rights are not the dominant factor in determining control. Therefore Edison controls the entity as it has the power to manage the residual variability with regard to investment decisions on repowering and development projects, because it has the power, within certain thresholds and with an unlevered IRR that

may not be lower than the one defined by shareholders from time to time, to unilaterally carry out repowering and development projects through decisions made by the Chairman, whom Edison appoints (special right of Edison under the Bylaws). On the other hand, no such rights are provided to the other investor. The effective exercise of this power is verified from time to time.

IFRS 10 specifies that in determining control attention should be paid to the purpose and objectives of the investee, the risks that are transmitted to the parties involved and the level of involvement that the party exercising control had in defining the structure of the investee. In this regard, Edison's full involvement demonstrated from the start its power to significantly affect and influence the relevant activities; moreover Edison, thanks to the signing of the offtake contract, continues to manage the energy produced by the plants operated by E2i; specifically, the delivery of the electric power at predetermined prices and its dispatching are handled by Edison under a contract for its own benefit. Thus Edison has exposure to variable returns and has the ability to affect those returns through its powers under the Bylaws. Edison is indeed relevant with regard to any decisions and no majority on significant matters can exist without Edison. Moreover, the adoption of any significant resolution by the Shareholders' Meeting regarding changes in the governance system, as reflected in the Bylaws and the existing contracts, and its implementation requires a qualified majority and, in the event of a deadlock, Edison can exercise a call option; these rights provided under the Bylaws can be deemed to be substantive and, consequently, relevant in determining control over E2i.

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats utilized have the following characteristics:

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

Scope of Consolidation

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

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

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

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

The subsidiaries are consolidated line by line; the assets and liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill".

In particular, if the purchase is carried out in several phases it is necessary, at the date of acquisition of control, to re-measure at fair value the entire equity investment held; thereafter any additional acquisition or disposal of stakes in investments, in the hypothesis of maintaining the control, is managed as a transaction between shareholders recognized in equity. The acquisition costs incurred are always recorded immediately in the Income Statement; the changes in contingent consideration are recognized in Income Statement.

The portions of equity and profit or loss for the period attributable to minority shareholders are shown separately in the balance sheet and in the income statement and other components of comprehensive income statement, respectively.

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

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

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

Similarly when a company through contractual agreements participates in a joint operation, even without sharing the joint control, books in the individual financial statements its stake of assets and liabilities, costs and revenues as well as the obligations of which it is entitled under contract.

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

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

Changes in the Scope of Consolidation compared with December 31, 2014 - Acquisition and Disposal of Assets

Electric Power Operations

In July, acquisition by Edison Spa of 100% in Shen Spa, which operates in the hydroelectric sector and is consolidated line by line.

Further to the valuation of the acquired company in accordance with IFRS 3 revised, i.e., by measuring the acquired assets, liabilities and contingent liabilities at their fair value at the acquisition date, property, plant and equipment was revalued by 1 million euros together with the related tax effect. The table below shows in detail the effects of this transaction. On December 8, 2015, the plan for the merger by incorporation of Shen Spa into Edison Spa was approved.

(in millions of euros)	Original values	Fair Value of acquired assets and liabilities
Non-current assets		
Property, plant and equipment	5	6
Current assets		
Trade receivables	1	1
Cash and cash equivalents	1	1
Total assets	7	8
Non-current liabilities		
Provision for deferred taxes	-	1
Total liabilities	-	1
Fair Value of net acquired assets	7	7
- % attributable to Edison (100%)		7
Acquisition cost:		
Cash-out		7
Total acquisition cost		7
Goodwill generated by the acquisition		-

In addition, in the last quarter of the year, Presenzano Energia Srl went into liquidation (previously consolidated line by line) and Kinopraxia Thisvi was liquidated (previously consolidated by proportional method) with no significant impacts at the Group's level.

Hydrocarbons Operations

In April, the acquisition, through a newly created company (ST North Sea Ltd now Edison North Sea Ltd), of a group of assets that did not meet the definition of a "business" under IFRS 3 revised. Please also note that, in the last quarter of 2015, these assets were transferred to Edison E&P UK. The balance sheet's values at the acquisition date, revised for the price adjustment, are listed in the table below:

(in millions of euros)	*Note*	
ASSETS		
Property, plant and equipment (decommissioning)	*13*	151
Hydrocarbon concessions	*16*	36
Total non-current assets		**187**
Total current assets		**11**
Total assets (a)		**198**
LIABILITIES		
Provision for decommissioning and remediation of industrial sites	*27*	151
Total non-current liabilities		**151**
Total current liabilities		**9**
Total liabilities (b)		**160**
Net assets (a-b)		**38**
Price paid		**38**

Disclosure Pursuant to IFRS 5
Disposal Group – "Hydroelectric Activities Reorganization"

On December 29, 2015 Edison and SEL (Società Elettrica Altoatesina) reached an agreement to swap Edison stakes in Hydros and SelEdison for SEL's hydroelectric plants located in the Friuli Venezia Giulia Region. Through this agreement Edison strengthened its activities in the hydroelectric sector, which is key for the Company's development strategy, and extended the average life of its hydroelectric portfolio reducing at the same time the risks related to concession renewals.

Under this transaction, which is expected to close in the first quarter of 2016, Edison will acquire the Cellina hydroelectric hub held by SEL, which will be consolidated line by line, in exchange for its equity stakes in Hydros (40%) and SelEdison (42%). Considering that Hydros would have been deconsolidated as of January 1, 2016, this transaction will produce an increase of 90 MW in Edison's installed capacity, with a positive impact on EBITDA.

As a result, the items being divested are deemed to constitute a disposal group pursuant to IFRS 5 and, consequently, the assets and liabilities related to Hydros and SelEdison are presented on the balance sheet under the "Assets and Liabilities held for sales" line items; instead the economic results continue to be consolidated in the Group income statement.

A breakdown of the balance sheet items included in the Disposal Group is provided below; please also note that the non-current assets include for 57 million euros the allocation of goodwill as required by IAS 36, Par. 86.

(in millions of euros)	See Note	12.31.2015
Non-current assets		166
Current financial assets		34
Current non-financial assets		12
Assets held for sale	23	**212**
Non-current liabilities		2
Current non-financial liabilities		5
Liabilities held for sale	32	**7**

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

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

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

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

Comparability

Starting with the 2015 reporting year, in order to provide an improved presentation of the financial data and considering the materiality of the amounts involved, the fair value of industrial portfolio derivatives recognized on the balance sheet is presented showing separately the current and non-current portion. As shown below the comparative data at December 31, 2014 were restated consistent with those for 2015, as required by IAS 1.

Balance Sheet at December 31, 2014

	12.31.2014		
(in millions of euros)	Published	New presentation	Restated
ASSETS			
Property, plant and equipment	4.348	-	4.348
Investment property	6	-	6
Goodwill	3.070	-	3.070
Hydrocarbon concessions	739	-	739
Other intangible assets	118	-	118
Investments in associates	149	-	149
Available-for-sale investments	174	-	174
Other financial assets	47	-	47
Deferred-tax assets	501	-	501
Other assets	171	137	308
Total non-current assets	**9.323**	**137**	**9.460**
Inventories	479	-	479
Trade receivables	2.848	-	2.848
Current-tax assets	45	-	45
Other receivables	1.634	(137)	1.497
Current financial assets	132	-	132
Cash and cash equivalents	473	-	473
Total current assets	**5.611**	**(137)**	**5.474**
Assets held for sale	**-**	**-**	**-**
Total assets	**14.934**	**-**	**14.934**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	5.292	-	5.292
Reserves and retained earnings (loss carryforward)	1.746	-	1.746
Reserve for other components of comprehensive income	(451)	-	(451)
Group interest in profit (loss)	40	-	40
Total shareholders' equity attributable to Parent Company shareholders	**6.627**	**-**	**6.627**
Shareholders' equity attributable to minority shareholders	510	-	510
Total shareholders' equity	**7.137**	**-**	**7.137**
Provision for employee severance indemnities and provisions for pensions	37	-	37
Provision for deferred taxes	45	-	45
Provisions for risks and charges	923	-	923
Bonds	598	-	598
Long-term financial debt and other financial liabilities	990	-	990
Other liabilities	2	325	327
Total non-current liabilities	**2.595**	**325**	**2.920**
Bonds	553	-	553
Short-term financial debt	230	-	230
Trade payables	2.321	-	2.321
Current taxes payable	20	-	20
Other liabilities	2.078	(325)	1.753
Total current liabilities	**5.202**	**(325)**	**4.877**
Liabilities held for sale	**-**	**-**	**-**
Total liabilities and shareholders' equity	**14.934**	**-**	**14.934**

Valuation Criteria

Property, Plant and Equipment and Investment Property

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

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

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

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

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

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

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

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

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	2.1%	12.2%	2.0%	5.0%	0.0%	2.1%
Plant and machinery	4.0%	14.7%	3.0%	50.0%	9.6%	24.7%
Manufacturing and distribution equipment	5.0%	25.0%	17.0%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	5.0%	20.0%	6.0%	20.0%
Investment property	-	-	-	-	1.6%	2.4%

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

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

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

Upon first-time adoption of the IFRS principles, the Group used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004

were derecognized. The accumulated depreciation and amortization and the provision for writedowns discussed in the notes to the financial statements refer exclusively to depreciation, amortization and writedowns accumulated after January 1, 2004.

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

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

Goodwill, Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits can be identified as intangible assets. They include goodwill, when it is acquired for consideration.

Intangibles assets are recognized at their purchase or internal production cost, including incidentals, in accordance with the same criteria used for "Property, plant and equipment". Development costs can be capitalized, provided they can be identified reliably and it can be demonstrated that the asset is capable of producing future economic benefits.

Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives, starting when they are available for use.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested at least once a year (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can reasonably be allocated. The impairment test is described below under "Impairment of Assets". Concerning the goodwill, writedowns cannot be reversed in subsequent periods.

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets and amortized on a straight line basis over the length of the lease in the exploration phase. If an exploration project is later abandoned, the residual cost is immediately recognized in the income statement.

Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as "Intangible assets" but their full amount is amortized in the year they are incurred.

Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment", in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method.

The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (**decommissioning costs**) are capitalized and amortized in accordance with the unit of production (UOP) method.

Hydrocarbon production concessions are amortized in accordance with the unit of production (UOP) method. The amortization rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year, taking into account any significant change to reserves that occurred during the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period. In addition, a test is conducted each year to make sure that the carrying amounts of these assets are not greater than their realizable value, computed by discounting future cash flows which are estimated based on future production programs, or their market values if higher.

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

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

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

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

Impairment of Assets

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

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

Trading Activities

Approved activities that are part of the core businesses of the Edison Group include physical and financial trading in commodities and environmental securities. These activities must be carried out in accordance with special procedures and are segregated at inception in special Trading Portfolios, separate from the other core activities (so-called Industrial Activities). Trading Activities include physical and financial contracts for commodities and environmental securities, which are measured at fair value, with changes in fair value recognized in the income statement. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in the income statement.

The amounts show in income statement for revenues and raw materials and services used reflect a presentation that recognizes only the resulting “trading margin” (so-called net presentation).

Inventories

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

Valuation of Long-term Take or pay Contracts

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

Employee Benefits

The **provision for employee severance indemnities and the provision for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in the income statement as a "Labor costs". The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to "Net financial income (expense)". Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized in the comprehensive income statement, taking into account the average working lives of the employees.

Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental pension funds or INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future (so-called "defined-contribution plan").

Provision for Risks and Charges

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

Recognition of Revenues and Expenses

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

Income Taxes

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

Deferred-tax assets and liabilities are computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, using the tax rates that are expected to be in effect when the temporary differences shall be reversed. Deferred-tax assets are recognized only when their future recovery is probable. The valuation of deferred-tax assets must be carried out taking into account the

Company's planning horizon, based on available approved Company plans. When gains and losses are recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", the corresponding current income taxes and deferred-tax assets or liabilities must also be recognized in equity. The deferred-tax liability on retained earnings of Group companies is recognized only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled when a consolidated tax return is filed.

Use of Estimated Values

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

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the financial statements. In particular it worth mention that the decrease of Brent continued also in 2015, reached new lowest level. The evaluations related to the impairment test have been drawn up on the basis of an updated scenario as described in further detail afterwards.

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

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

income statement as penalties when it is unable to take delivery of the gas. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best price estimates available at the time of valuation, taking into account the target market. These estimates may take into account as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

SEGMENT INFORMATION

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

INCOME STATEMENT	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Sales Revenues	**6,529**	**7,859**	**5,512**	**5,168**	**49**	**48**	**(777)**	**(750)**	**11,313**	**12,325**
- third parties sales revenues	6,514	7,846	4,793	4,473	6	6	-	-	11,313	12,325
- Intra-Group sales revenues	15	13	719	695	43	42	(777)	(750)	-	-
EBITDA	**360**	**652**	**995**	**293**	**(94)**	**(131)**	**-**	**-**	**1,261**	**814**
as a % of sales revenues	*5.5%*	*8.3%*	*18.1%*	*5.7%*	*n.m.*	*n.m.*			*11.1%*	*6.6%*
Net change in Fair Value of Commodity derivatives	(16)	6	177	244	-	-	-	-	161	250
Depreciation, amortization and writedowns	(1,321)	(398)	(866)	(353)	(7)	(10)	-	-	(2,194)	(761)
Othet income (expense),net	-	-	-	-	(23)	(11)	-	-	(23)	(11)
EBIT	**(977)**	**260**	**306**	**184**	**(124)**	**(152)**	**-**	**-**	**(795)**	**292**
as a % of sales revenues	*(15.0%)*	*3.3%*	*5.6%*	*3.6%*	*n.m.*	*n.m.*			*(7.0%)*	*2.4%*
Net financial income (expense)									**(29)**	**(91)**
Interest in result of companies valued by equity method									**(40)**	**11**
Income taxes									**(97)**	**(159)**
Profit (Loss) from continuing operations									**(959)**	**55**
Profit (Loss) from discontinued operations									**-**	**-**
Minority interest in profit (loss)									**21**	**15**
Group interest in profit (loss)									**(980)**	**40**

BALANCE SHEET	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*
Total current and non-current assets	**5,672**	**8,067**	**6,861**	**6,347**	**3,445**	**4,354**	**(3,408)**	**(3,834)**	**12,570**	**14,934**
Assets held for sale	212	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**212**	-
Total assets	**5,884**	**8,067**	**6,861**	**6,347**	**3,445**	**4,354**	**(3,408)**	**(3,834)**	**12,782**	**14,934**
Total current and non-current liabilities	**1,586**	**2,889**	**5,056**	**4,497**	**2,699**	**3,025**	**(2,442)**	**(2,614)**	**6,899**	**7,797**
Liabilities held for sale	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	-
Total liabilities	**1,593**	**2,889**	**5,056**	**4,497**	**2,699**	**3,025**	**(2,442)**	**(2,614)**	**6,906**	**7,797**
Net Financial Debt									**1,147**	**1,766**

OTHER INFORMATION	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*	***2015***	*2014*
Capital expenditures	42	43	287	254	3	3	-	-	**332**	**300**
Investments in exploration	-	-	139	67	-	-	-	-	**139**	**67**
Investments in intangibles	1	3	53	16	3	1	-	-	**57**	**20**
Total capital investments	**43**	**46**	**479**	**337**	**6**	**4**	**-**	**-**	**528**	**387**

	Electric Power Operations		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Adjustments*		*EDISON GROUP*	
	12.31.2015(*)	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*	***12.31.2015***	*12.31.2014*
Number of employees	**1,030**	***1,051***	**1,414**	**1,419**	**622**	**631**	**-**	**-**	**3,066**	**3,101**

(*) Includes 76 employees of companies classified as Assets held for sale.

The Group does not view **geographic area** segment information as meaningful. At December 31, 2015 the net non-current assets of its foreign operations, referred to the Hydrocarbons Operations, totaled 1,087 million euros and accounted for about 15.5% of net invested capital. Specifically abroad it worth of mentioning the Exploration & Production activities located in Egypt.

The contribution of the Exploration & Production business, while significant, was severely penalized in 2015 by the trend in the reference scenario, both at the EBITDA level and the EBIT level which was also adversely affected by the recognition of the writedowns required by the impairment test.

(in millions of euros)	**2015**	2014	Change	% change
Sales revenues	**504**	**689**	(185)	(26.9%)
EBITDA	**243**	**427**	(184)	(43.1%)
as % of sales revenues	*48.2%*	*62.0%*		
EBIT	**(600)**	**96**	(696)	n.m.
as % of sales revenues	*n.m.*	*13.9%*		

Major customers as defined by IFRS 8

The Group's sales are generally not concentrated. In the Electric Power Operations there is one major customer with sales revenues totaling about 1,582 million euros in the year, equal to 24.2% of the total sales revenues of the Electric Power Operations and to 14.0% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

In 2015, national demand for electricity increased by 1.5% compared with 2014. The reduced availability of water resources in the year, after the 2014's historical record, resulted in a sharp reduction of hydroelectric generation, which was offset by an increase in output from thermoelectric sources. There was a significant increase in Italian consumption of natural gas (+9.1%) after years of decline, particularly for thermoelectric and residential uses.

In this scenario, Group **EBITDA** were positive by 1,261 million euros (814 million euros in 2014), more specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations**, amounting to 276 million euros compared with 690 million euros of the previous year, were penalized by the decrease in generation margins and by lower hydroelectric generation due to a reduced availability of water resources during the year compared with the extraordinary levels recorded in 2014.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 1,079 million euros, up compared with the previous year (255 million euros including the one-off effects of the revision of long-term contract to import natural gas from Russia). The performance for the year benefited from the improved margin realized by the activities engaged in the procurement and sale of natural gas, thanks to the successful conclusion of the arbitration with Eni for the contract to import natural gas from Libya (positive effect of 855 million euros including a significant component attributable to previous years). On the other hand, the sharp price contraction that characterized the oil market starting at the end of 2014 had a severe negative impact on the Exploration & Production activities.

The **Group's interest in the net result** was negative by 980 million euros compared with a profit of 40 million euros in 2014.

In addition to the industrial margin dynamics discussed above, the main factors affecting the result for the year included:

- writedowns of 1,534 million euros (240 million euros in 2014) due to the impairment test;
- a net positive change in the fair value of derivatives amounting to 161 million euros (+250 million euros in 2014);
- net financial expenses of 29 million euros, which benefited from a net foreign exchange gain of 39 million euros;
- the nonrecurring negative effects (85 million euros) caused by changes in the tax laws that required a recomputation of net deferred taxes, due to a decision by the Constitutional Court, which found that the so-called Robin Hood Tax was unconstitutional, and to the 2016 Stability Law which lowered the corporate income tax (IRES) rate to 24% starting from January 1, 2017, partially mitigated by the elimination of Robin Hood Tax.

[1] Adjusted EBITDA reflects the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains and losses attributable to them (-84 million euros in 2015, +38 million euros in 2014). This reclassification is being made to provide an operational presentation of the industrial results. The Adjusted EBITDA amount was not audited.

1. Sales Revenues - 11,313 million euros

(in millions of euros)	2015	2014	Change	% change
Electric power	4,988	5,999	(1,011)	(16.9%)
Natural gas	4,200	3,643	557	15.3%
Steam	62	72	(10)	(13.9%)
Oil	193	235	(42)	(17.9%)
Green certificates	140	183	(43)	(23.5%)
Other sales revenues	17	53	(36)	(67.9%)
Sub-total	**9,600**	**10,185**	**(585)**	**(5.7%)**
Transmission revenues	1,356	1,586	(230)	(14.5%)
Realized commodity derivatives	195	393	(198)	(50.4%)
Margin on trading activities	4	42	(38)	(90.5%)
Storage services	90	80	10	12.5%
Revenues from services provided	11	11	-	0.0%
Other revenues from sundry services	57	28	29	n.m.
Total for the Group	**11,313**	**12,325**	**(1,012)**	**(8.2%)**

Breakdown by Business Segment	2015	2014	Change	% change
Electric Power Operations	6,529	7,859	(1,330)	(16.9%)
Hydrocarbons Operations	5,512	5,168	344	6.7%
Corporate and Other Segments	49	48	1	2.1%
Eliminations	(777)	(750)	(27)	3.6%
Total for the Group	**11,313**	**12,325**	**(1,012)**	**(8.2%)**

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

The sales revenues of the **Electric Power Operations** decreased compared with the previous year, mainly due to a decline in average sales prices, driven by the benchmark scenario, and to lower sales volumes.

The sales revenues of the **Hydrocarbons Operations,** which were up by 6.7% compared with the 2014, reflect an increase in sales volumes to residential and thermoelectric users that offset the reduction of sales prices.

The income from **Realized commodity derivatives**, 195 million euros, which should be analyzed together with the corresponding item included in **Raw materials and services used** (253 million euros), primarily reflects the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used by the Edison Group's facilities portfolios and gas earmarked for direct sales. This result is mainly attributable to the negative effect of commodity derivatives, caused by the downward trend in the oil market, partially offset by a positive performance of foreign exchange derivatives.

Margin on Trading Activities

(in millions of euros)	2015	2014	Change	% change
Margin on physical contracts included in trading portfolios				
Sales revenues	3,093	6,284	(3,191)	(50.8%)
Raw materials and services used	(3,064)	(6,046)	2,982	(49.3%)
Total included in sales revenues	**29**	**238**	**(209)**	**n.m.**
Margin on financial contracts included in trading portfolios				
Sales revenues	76	66	10	15.2%
Raw materials and services used	(101)	(262)	161	n.m.
Total included in sales revenues	**(25)**	**(196)**	**171**	**n.m.**
Total margin on trading activities	**4**	**42**	**(38)**	**(90.5%)**

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

2. Other Revenues and Income - 804 million euros

(in millions of euros)	2015	2014	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	30	33	(3)	(9.1%)
Net reversals in earnings of provisions for risks on receivables and other risks	8	12	(4)	(33.3%)
Out of period and sundry items	766	210	556	n.m.
Total for the Group	**804**	**255**	**549**	**n.m.**

The **Out of period and sundry items** included in both the years the one-off benefits resulting from the revisions of long-term contracts to import natural gas related to costs incurred in previous years.

3. Raw Materials and Services Used - 10,624 million euros

(in millions of euros)	2015	2014	Change	% change
Natural gas	3,733	3,742	(9)	(0.2%)
Electric power	3,471	4,165	(694)	(16.7%)
Blast-furnace, recycled and coke-oven gas	-	8	(8)	n.m.
Green certificates	1	19	(18)	n.m.
CO_2 emissions rights	23	21	2	9.5%
Utilities and other materials	77	84	(7)	(8.3%)
Sub-total	**7,305**	**8,039**	**(734)**	**(9.1%)**
Transmission of electric power and natural gas	2,071	2,293	(222)	(9.7%)
Maintenance	161	136	25	18.4%
Regasification fee	117	107	10	9.3%
Professional services	119	147	(28)	(19.0%)
Writedowns of trade and other receivables	82	144	(62)	(43.1%)
Realized commodity derivatives	253	182	71	39.0%
Additions to provisions for miscellaneous risks	62	23	39	n.m.
Change in inventories	138	91	47	51.6%
Use of property not owned	107	121	(14)	(11.6%)
Sundry items	209	262	(53)	(20.2%)
Total for the Group	**10,624**	**11,545**	**(921)**	**(8.0%)**

Breakdown by Business Segment	**2015**	2014	Change	% change
Electric Power Operations	6,146	7,233	(1,087)	(15.0%)
Hydrocarbons Operations	5,168	4,935	233	4.7%
Corporate Activities and Other Segments	97	135	(38)	(28.1%)
Eliminations	(787)	(758)	(29)	(3.8%)
Total for the Group	**10,624**	**11,545**	**(921)**	**(8.0%)**

The item **Natural gas** benefits from the positive conclusion of Eni arbitration referred to the contract to import natural gas from Libya.

The decrease compared with the previous year in the amount of **Electric power** (694 million euros) is mainly due to a decrease in purchase volumes, related to lower sales volumes.

The lower costs paid for **Transmission of electric power and natural gas** (222 million euros) mainly reflect the decrease in sales volumes.

The **Regasification fee** (117 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

The item **Writedowns of trade and other receivables** (82 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. The amount decreased compared with the previous year as a result of the optimization actions both on working capital and on customer portfolio. The changes in Allowance for doubtful accounts are shown in Note 22.

4. Labor Costs - 232 million euros

About half of the increase in labor costs compared with the previous year (11 million euros) is attributable to the hydrocarbons activities in Egypt. The tables that follow provide a breakdown of the Group's staff by business segment and show the changes that occurred in the different employee categories.

(number of employees)	12.31.2015	12.31.2014	Change
Electric Power Operations (*)	1,030	1,051	(21)
Hydrocarbons Operations	1,414	1,419	(5)
Corporate Activities and Other Segments	622	631	(9)
Total for the Group	**3,066**	**3,101**	**(35)**

(*) At 12.31.2015 includes 76 employees of companies reclassified in Assets held for sale.

Changes by employee category

(number of employees)	12.31.2014	Added to payroll	Removed from payroll	Changes of classification	12.31.2015	Average payroll
Executives	198	4	(14)	8	196	198
Office staff and Middle managers	2.320	64	(85)	37	2.336	2.341
Production staff	583	19	(23)	(45)	534	546
Total for the Group	**3.101**	**87**	**(122)**	**-**	**3.066**	**3.085**

5. EBITDA – 1,261 million euros

(in millions of euros)	2015	as a % of sales revenues	2014	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	360	5.5%	652	8.3%
Hydrocarbons Operations	995	18.1%	293	5.7%
Corporate Activities and Other Segments	(94)	n.m.	(131)	n.m.
Total for the Group	**1,261**	**11.1%**	**814**	**6.6%**
Adjusted EBITDA				
Electric Power Operations	276	4.2%	690	8.8%
Hydrocarbons Operations	1,079	19.6%	255	4.9%
Corporate Activities and Other Segments	(94)	n.m.	(131)	n.m.
Total for the Group	**1,261**	**11.1%**	**814**	**6.6%**

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

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

- the adjusted EBITDA of the **Electric Power Operations,** totaling 276 million euros, were down by 60% compared with the previous year (690 million euros), mainly due to a decrease in generation margins and a reduction in hydroelectric production, which in 2014 was boosted by an extraordinary abundance of water resources; renewable-source facilities provided a positive contribution;
- the adjusted EBITDA of the **Hydrocarbons Operations,** amounting to 1,079 million euros, were up sharply compared with the 2014 (255 million euros). This performance reflects the beneficial impact from the positive conclusion of the arbitration for the long-term contract to import natural gas from Libya; the contribution by the Exploration & Production activities which, while benefiting from the positive effects from the sales price review negotiated in Egypt, was penalized by the slump in oil market prices.

6. Net Change in Fair Value of Commodity Derivatives - 161 million euros

(in millions of euros)	2015	2014	Change	% change
Change in fair value in hedging the price risk on energy products:	**114**	**212**	**(98)**	(46.2%)
- definable as hedges pursuant to IAS 39 (CFH) (*)	(12)	(31)	19	(61.3%)
- not definable as hedges pursuant to IAS 39	126	243	(117)	(48.1%)
Change in fair value in hedging the foreign exchange risk on commodities:	**47**	**38**	**9**	23.7%
- definable as hedges pursuant to IAS 39 (CFH) (*)	(15)	26	(41)	n.m.
- not definable as hedges pursuant to IAS 39	62	12	50	n.m.
Total for the Group	**161**	**250**	**(89)**	**(35.6%)**

(*) Referred to the ineffective portion.

This line item reflects the change in fair value for the year on commodity and foreign exchange derivatives executed as economic hedges of the Industrial Portfolio; it is worth mentioning that the Group, while applying hedge accounting where possible, manages the risk of energy commodities and related exchange rate also through forward transactions and derivative instruments not definable as hedges pursuant to IAS 39, the effects of which, therefore, are charged to the Income Statement. This item also includes the ineffective portion of changes in fair value of derivatives eligible to Cash Flow Hedges.

The change recorded in the year (positive by 161 million euros), which is affected by the decrease in prices in the hydrocarbon market and by the strengthening of the U.S. dollar versus the euro, specifically reflects, in addition to the partial reversal of the fair value recognized in the previous year as a consequence of commodity deliveries and realization of related derivatives, also the fair value of the hedging instruments outstanding at the end of the year and the discontinuing of certain Cash Flow Hedges hedging relationship due to the lower exposure to the exchange rate risk following the reduction of hydrocarbons prices.

7. Depreciation, Amortization and Writedowns – 2,194 million euros

(in millions of euros)	2015	2014	Change	% change
Depreciation and amortization of:	**660**	**521**	**139**	**26.7%**
- property, plant and equipment	428	354	74	20.9%
- exploration costs	139	67	72	n.m.
- hydrocarbon concessions	76	82	(6)	(7.3%)
- other intangible assets	17	18	(1)	(5.6%)
Writedowns of:	**1,534**	**240**	**1,294**	**n.m.**
- property, plant and equipment	656	40	616	n.m.
- hydrocarbon concessions	219	39	180	n.m.
- other intangible assets	2	-	2	n.m.
- goodwill	657	161	496	n.m.
Total for the Group	**2,194**	**761**	**1,433**	**n.m.**

Breakdown by Business Segment	**2015**	2014	Change	% change
Electric Power Operations:	**1,321**	**398**	**923**	**n.m.**
- depreciation and amortization	252	231	21	9.1%
- writedowns of property, plant and equipment	412	6	406	n.m.
- writedowns of goodwill	657	161	496	n.m.
Hydrocarbons Operations:	**866**	**353**	**513**	**n.m.**
- depreciation and amortization	401	281	120	42.7%
- writedowns of property, plant and equipment	244	33	211	n.m.
- writedowns of hydrocarbon concessions	219	39	180	n.m.
- writedowns of other intangible assets	2	-	2	n.m.
Corporate Activities and Other Segments:	**7**	**10**	**(3)**	**(30.0%)**
- depreciation and amortization	7	9	(2)	(22.2%)
- writedowns of property, plant and equipment	-	1	(1)	n.m.
Total for the Group	**2,194**	**761**	**1,433**	**n.m.**

This item includes the effects of the impairment test; for additional information please refer to Note 17.

8. Other Income (Expense), Net - (23) million euros

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

More detailed information is provided in Note 27 "Provision for Risk and Charges" and in the section entitled "Commitments, Risks and Contingent Assets".

9. Net Financial Income (Expense) – (29) million euros

(in millions of euros)	2015	2014	Change
Financial income			
Financial income from financial derivatives	27	59	(32)
Interest earned on bank and postal accounts	4	1	3
Interest earned on trade receivables	17	28	(11)
Other financial income	33	13	20
Total financial income	**81**	**101**	**(20)**
Financial expense			
Interest accrued on bond issues	(28)	(58)	30
Fair Value Hedge adjustment on bonds	12	7	5
Financial expense from financial derivatives	(23)	(43)	20
Interest accrued to banks	(5)	(3)	(2)
Fees	(22)	(33)	11
Financial expense on decommissioning projects and provisions for risks	(27)	(25)	(2)
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(48)	(40)	(8)
Other financial expense	(7)	(12)	5
Total financial expense	**(149)**	**(208)**	**59**
Net foreign exchange translation gains (losses)	**39**	**16**	**23**
Net financial income (expense) for the Group	**(29)**	**(91)**	**62**

The improvement compared with the previous year reflects higher foreign exchange gains resulting from a favorable trend in currencies, which produced positive results from the derivatives executed to hedge the foreign exchange risk associated with payment of invoices for fuel procurement activities. Another important contributing factors was a reduction in financial expense made possible by a reduced debt level and the lower cost resulting from a different mix of financial resources.

10. Income from (Expense on) Equity Investments - (38) million euros

(in millions of euros)	2015	2014	Change
Income from Equity Investments			
Dividends	3	3	-
Revaluations of trading securities	1	-	1
Revaluations and valuations of investments by the equity method	13	14	(1)
Capital gain from investments disposal	-	1	(1)
Total income from equity investments	**17**	**18**	**(1)**
Expenses on Equity Investments			
Writedowns and valuations of investments by the equity method	(53)	(3)	(50)
Writedowns of available for sale investments	(2)	(2)	-
Total expenses on equity investments	**(55)**	**(5)**	**(50)**
Total Group income from (expenses on) equity investments	**(38)**	**13**	**(51)**

The net writedowns of investments valued by the equity method include for 34 million euros the value adjustment of the assets held in Greece. The writedowns of available-for-sale investments (2 million euros) refers to the investment in RCS Mediagroup Spa.

11. Income Taxes – 97 million euros

(in millions of euros)	2015	2014	Change
Current taxes	224	220	4
Net deferred-tax liabilities (assets)	(119)	(98)	(21)
Income taxes attributable to previous years and other taxes	(8)	37	(45)
Total for the Group	**97**	**159**	**(62)**

The income taxes reflect some non-recurring negative effects (85 million euros) resulting from changes in the tax laws:

- the repeal of the Robin Hood tax, an IRES surcharge levied on companies in the oil and energy sector, at a rate of 6.5% in 2014. By a decision handed down on February 11, 2015 and published in the Official Gazette of the Italian Republic the same day, the Constitutional Court ruled that the abovementioned IRES surcharge was unconstitutional, effective as of the day after the publication of its decision. Consequently, the deferred tax assets and the provision for deferred taxes recognized for this corporate income tax surcharge were derecognized, with a negative one-off effect of 68 million euros, while current taxes benefitted from a reduction in the tax rate (17 million euros);
- the enactment of the 2016 Stability Law (Law No. 208 on December 28, 2015), which lowered the IRES rate from 27.5% to 24% starting from January 1, 2017; the resulting adjustment of deferred-tax assets and provisions for deferred taxes produced a negative effect of 17 million euros.

The writedown of goodwill, amounting to 657 million euros, had a significant negative impact on the tax rate as it is not tax deductible.

It is worth mentioning that due to the realignment of the tax bases of some components of property, plant and equipment to the corresponding carrying amounts (Law No. 147/2013), a net positive effect was recognized for 66 million euros in 2014 (115 million euros as lower net deferred-taxes, offset in part by a substitute tax of 49 million euros included in the line item “Income taxes attributable to previous years and other taxes”).

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

(in millions of euros)	2015		2014		Change
Profit (Loss) before taxes	**(862)**		**214**		
Tax calculated at domestic tax rate	(237)	*27.5%*	73	*34.0%*	*(310)*
Permanent differences	9	*(1.0%)*	17	*7.9%*	*(8)*
Foreign taxes	11	*(1.3%)*	9	*4.2%*	*2*
Changes to tax rates (elimination of Robin Hood Tax and reduction of IRES tax rate)	85	*(9.9%)*	-	*0.0%*	*85*
IRAP - regional taxes	41	*(4.8%)*	30	*14.0%*	*11*
Income taxes attributable to previous years	(17)	*2.0%*	25	*11.7%*	*(42)*
Writedown of goodwill	181	*(21.0%)*	55	*25.7%*	*126*
Writedown of Non Consolidated Equity Investments	14	*(1.6%)*	-	*0.0%*	*14*
Tax realignment of property, plant and equipment and intangibles	-	*0.0%*	(66)	*(30.8%)*	*66*
Differences between tax rates and other differences	10	*(1.2%)*	16	*7.5%*	*(6)*
Income taxes	**97**	***(11.2%)***	**159**	**74.2%**	**(62)**

The table below provides a breakdown of **deferred-tax liabilities** and **deferred-tax assets** and shows the changes that occurred in 2015:

(in millions of euros)	12.31.2014	Additions	Utilizations	To sharehold. equity	Changhes in scope of consolidation	Other changes/ Reclassifications/ Offsets	12.31.2015
Provision for deferred taxes:							
Valuation differences of property, plant and equipment and intangibles	113	7	(60)	-	1	-	61
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	10	-	(10)	-	-		-
Other	40	1	(11)	13	-	-	43
	163	**8**	**(81)**	**13**	**1**	**-**	**104**
Offsets	(118)	-	-	-	-	46	(72)
Provision for deferred taxes net of offsets	**45**	**8**	**(81)**	**13**	**1**	**46**	**32**
Deferred-tax assets:							
Tax loss carryforward	83	4	(41)	-	-	1	47
Taxed provisions for risks	128	18	(39)	-	-	(26)	81
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	-	111	(148)	-	-	37	-
- on shareholders' equity	215	-	-	94	-	-	309
Valuation differences of property, plant and equipment and intangibles	171	201	(57)	-	-	(12)	303
Other	22	3	(6)	11	-	4	34
	619	**337**	**(291)**	**105**	**-**	**4**	**774**
Offsets	(118)	-	-	-	-	46	(72)
Deferred-tax assets net of offsets	**501**	**337**	**(291)**	**105**	**-**	**50**	**702**

12. Earnings (Loss) per Share

(in millions of euros)	2015		2014	
	Common shares	**Savings shares** (1)	Common shares	Savings shares (1)
Group interest in profit (loss)	(980)	(980)	40	40
Profit (Loss) attributable to the different classes of shares (A)	(985)	5	36	4
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,545,824	110,154,847
- diluted (C) (2)	5,181,545,824	110,154,847	5,181,545,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	(0.1902)	0.0500	0.0070	0.0370
- diluted (A/C) (2)	(0.1902)	0.0500	0.0070	0.0370

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).

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

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment - 3,678 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases (*)	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2014 (A)	**428**	**3,467**	**84**	**4**	**3**	**6**	**356**	**4,348**
Changes in 2015:								
- Additions	1	135	2	-	1	2	191	332
- Disposals (-)	-	(7)	-	-	-	-	-	(7)
- Depreciation (-)	(17)	(391)	(18)	-	(1)	(1)	-	(428)
- Writedowns (-)	(25)	(631)	-	-	-	-	-	(656)
- Changes in scope of consolidation	4	2	-	-	-	-	-	6
- Reclassification in held for sales	(13)	(38)	(16)				(1)	(68)
- Decommissioning	-	151	-	-	-	-	-	151
- Other changes	6	52	2	-	-	-	(60)	-
Total changes (B)	**(44)**	**(727)**	**(30)**	**-**	**-**	**1**	**130**	**(670)**
Balance at 12.31.2015 (A+B)	**384**	**2,740**	**54**	**4**	**3**	**7**	**486**	**3,678**
Breakdown:								
- Historical cost	632	7,532	407	6	15	23	515	9,130
- Accumulated depreciation (-)	(177)	(3,387)	(349)	(2)	(12)	(16)	-	(3,943)
- Writedowns (-)	(71)	(1,405)	(4)	-	-	-	(29)	(1,509)
Net carrying amount	**384**	**2,740**	**54**	**4**	**3**	**7**	**486**	**3,678**

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

Breakdown of the additions by Business Segment	**2015**	**2014**
Electric Power Operations	**43**	**43**
broken down as follows:		
- Thermoelectric area	28	17
- Hydroelectric area	13	15
- Renewable sources area	2	11
Hydrocarbons Operations	**287**	**254**
broken down as follows:		
- Hydrocarbon fields in Italy	82	129
- Hydrocarbon fields outside Italy	186	98
- Transmission and storage infrastructures	19	27
Corporate Activities and Other Segments	**2**	**3**
Total for the Group	**332**	**300**

In the **Hydrocarbons Operations** 2015 investments mainly focused on the Exploration & Production area: in Italy, development of Clara NW and Ibleo fields and commissioning of the workover projects at the Vega field; abroad, additional investments for projects in Egypt, Norway and Algeria.

As for the **Electric Power Operations,** the main investments involved the replacement of components at some thermoelectric and hydroelectric power plants.

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

The **change in scope of consolidation** is related to the acquisition of hydroelectric power plants.

The change shown for **decommissioning** (151 million euros) includes the recognition of new items due to the acquisition of a group of exploration and production assets in Great Britain; this amount is aligned with the one reflected in the corresponding provision for risks (please refer to the paragraph “Changes in the Scope of Consolidation compared with December 31, 2014 - Acquisition and Disposal of Assets”).

The **reclassification to assets held for sales** refers to Hydros, classified as a Disposal Group.

The **writedowns** of 656 million euros (40 million euros in 2014), mainly reflect the effects of the impairment test.

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

Please note that assets valued at 37 million euros are encumbered as collateral for loans provided by financial institutions.

14. Investment Property - 6 million euros

The Group's investment property, which consists of land and buildings that are not used for production purposes, was unchanged compared with December 31, 2014.

15. Goodwill – 2,355 million euros

Goodwill decreased by 715 million euros compared with December 31, 2014 (3,070 million euros) as a result of impairment test (657 million euros) and of a partial allocation to the disposal assets (about 57 million euros). At December 31, 2015 goodwill was allocated to the **Electric Power Operations** for 1,652 million euros and to the **Hydrocarbons Operations** for 703 million euros.

More detailed information about the reasons that led to the writedown is provided in the following paragraph "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).

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

16. Hydrocarbon Concessions - 480 million euros

(in millions of euros)	
Balance at 12.31.2014 (A)	**739**
Changes in 2015:	
- Additions	38
- Amortization (-)	(76)
- Writedowns (-)	(219)
- Other changes	(2)
Total changes (B)	**(259)**
Balance at 12.31.2015 (A+B)	**480**
Breakdown:	
- Historical cost	1,493
- Accumulated amortization (-)	(670)
- Writedowns (-)	(343)
Net carrying amount	**480**

The change compared with December 31, 2014 (negative by 259 million euros) is mainly due to the acquisition, for 38 million euros, of a group of assets in Great Britain (please refer to the paragraph "Changes in the Scope of Consolidation Compared with December 31, 2014 - Acquisition and Disposal of Assets"), the amortization for the year for 76 million euros and writedowns due to impairment test for 219 million euros. The Group holds 115 mineral rights in Italy and abroad (including 3 storage concessions).

Disclosure About the Group's Concessions

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

		Remaining life (years)	
	Number	**from**	**to**
Storage concessions	3	9	24
Hydroelectric concessions (*)	39	1	30
Distribution concessions	62	2	10
Hydrocarbon concessions	112	(**) unit of production	

(*) Include no. 8 Hydroelectric concessions related to Hydros and SelEdison classified in Assets held for sales

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

A new hydroelectric concession was acquired in 2015, as part of the Shen acquisition.

17. Other Intangible Assets - 118 million euros

(in millions of euros)	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2014 (A)	**100**	**-**	**15**	**3**	**118**
Changes in 2015:					
- Additions	10	139	6	3	158
- Amortization (-)	(14)	(139)	(3)	-	(156)
- Writedowns	-	-	(2)	-	(2)
- Other changes	-	-	1	(1)	-
Total changes (B)	**(4)**	**-**	**2**	**2**	**-**
Balance at 12.31.2015 (A+B)	**96**	**-**	**17**	**5**	**118**
Breakdown:					
- Historical cost	274	758	29	5	1,066
- Amortization (-)	(177)	(758)	(8)	-	(943)
- Writedowns (-)	(1)	-	(4)	-	(5)
Net carrying amount	**96**	**-**	**17**	**5**	**118**

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

Exploration costs for the year, which were amortized in full when incurred, totaled 139 million euros compared with 67 million euros in 2014 and refer mainly to exploration activities in Norway and the Falkland Islands.

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

The impairment test performed in 2015 in accordance with IAS 36 required the recognition of writedowns totaling 1,534 million euros, broken down as follows:

- 657 million euros for the goodwill attributed to the Electric Power Operations;
- 412 million euros for the assets of the Electric Power Operations;
- 465 million euros for the assets of the Hydrocarbons Operations.

Consistent with past practice, the impairment test was applied separately to goodwill and to the CGUs of the assets. Specifically with regard to goodwill, keeping in mind the strategic and organizational decisions of the Edison Group, for testing purposes reference was made to two different groups of Cash Generating Units (CGUs) to which goodwill was allocated: the "Electric Power Operations" and the "Hydrocarbons Operations". The Group as a whole was then tested due to the presence of general expenses that were not allocated and could not be objectively allocated to the abovementioned CGUs.

Consistent with past practice, the test was carried out with the support of an independent appraiser based on the cash flows projected in the approved 2016 budget and on long-term projections developed by management and presented to the Board of Directors on December 8, 2015.

These documents reflect the best estimates of Top Management with regard to the main assumptions concerning the Group's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 15, 2016.

Consistent with previous years, the recoverable value was estimated based on value in use, using the so-called "financial method".

The recoverable value (understood as value in use) was determined based on:

- ✓ a medium-term plan's explicit projection horizon of four years and long-term projections developed by management (2020-2023) to take into account the useful life utilized by the main assets, considering cash flows net of future developments (so-called inertial plan);

- ✓ an operating cash flow, duly normalized to reflect regular operating conditions and considering a nominal annual growth rate between 0% and 2% and a terminal value;
- ✓ simulations for different variables - such as the valuation assumptions for the capacity payment of the Electric Power Operations, the trend for the price of Brent crude, 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 (WACC). Specifically, an estimated median after tax rate was determined as follows:

Discount rates by Business Segment	**12.31.2015**		**12.31.2014**
	2016	from 2016	
Electric Power Operations	6.1%	6.2%	6.4%
Hydrocarbons Operations	7.9%	8.0%	8.1%

There is a decrease of Electric Power Operations discount rate due to the reduction of risk free rate. These rates were adjusted to take into account the country risk differential compared with Italy, specifically for the operations located in Egypt, Croatia and Great Britain. For the Regulated Gas Activities CGU, the regulated rates typical of this business were used.

Compared with the previous year, there is a discontinuity due to the impairment indicators related to the high volatility of the reference scenario (Brent prices, related commodities prices, foreign exchange rates) and to the crisis in demand which worsened in the second half of 2015:

1) **Hydrocarbons Operations**:
   a. The slump in **Brent** prices, which began in the second half of 2014 and reached its full impact in 2015, driving the Brent crude to a level of average price approximately half of the 2014 average price, which had a major impact on the other commodities and in the Exploration and Production activities in particular. The slump in Brent was partially mitigated by the appreciation of the U.S. dollar versus the euro.
   b. The outlook for the gas market over the short/medium term was affected by expectations of low growth in international demand and an abundant supply on the European market, with prices on the Italian market tending to align with those on other European hubs. Consequently, expectations of higher priced have also been shifted further into the future.
2) **Electric Power Operations**:
   a. The Italian electric power market also continues to suffer from a situation of over capacity as well as an increasing contribution by renewables. The price quoted for electric power (PUN) over the short/medium term reflects the different price levels for fuel, which were down sharply with an impact on production profiles.
   b. The different evolution of the marginal cost in the thermoelectric sector in 2015 compared with 2014 resulted in a reduction of the margins generated through optimization which, when coupled with the expected reduction of the “capacity payment”, contributed to compressing profitability in the electric power sector also related to the activities in the services market.

The following sensitivity and other analyses were also carried out:

- For the Electric Power Operations, conservative sensitivity analyses were performed for the capacity payment; in the worst case, when no capacity payment was available, the impairment loss would be 11% of the carrying values.

- For the Hydrocarbons Operations, taking into accounts the wide swings in Brent prices between the end of 2015 and the beginning of 2016, a sensitivity analysis was performed which reflects, based on early 2016 forward projections, for Brent prices and foreign exchange rates, different assumptions for reference scenario compared with the medium-term plan.

In accordance with the process described above, the independent appraiser determined the recoverable value interval for both business segments (first-level impairment) and, subsequently, for the entire Group (second-level impairment). The median recoverable value, both for the Electric Power Operations and for the Group as a whole, was lower than the corresponding carrying amount, taking also into account the abovementioned sensitivity analysis concerning forward projections for the price of Brent crude and foreign exchange rates, which were weighed at 50% with the base scenario.
As a result, a **writedown of 657 million euros** was required and fully allocated to the Electric Power Operations.

Allocation of goodwill (after writedown) (in millions of euros)	**12.31.2015**	**12.31.2014**
Electric Power Operations	1,652	2,367
Hydrocarbons Operations	703	703
Total	**2,355**	**3,070**

In order to determine if the value of its **property, plant and equipment and intangibles** had been impaired, Edison tested the 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 for the production of electric power and hydrocarbons.
Consistent with the previous year's practice, the assets were aggregated in 13 CGUs, 7 belonging to the Electric Power Operations and 6 to the Hydrocarbons Operations; CGUs are defined by two factors relating on one side to the production source and the corresponding technology and from the other side to the current target market, also differentiating between reference countries.
As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on:

- ✓ the economic-financial plans for each CGU with time horizons that reflect the useful lives of its assets, which, until 2019, were those obtained from the Company's medium-term plan;
- ✓ the financial flows indicative of specific production profiles and prices and took into account decommissioning costs and residual values, when identifiable;
- ✓ the post-tax cash flows for each CGU discounted using rates that were consistent with those applied when testing goodwill for impairment.

Regarding the Exploration & Production CGUs, a sensitivity analysis was performed that, taking into account the forward projections developed at the beginning of the 2016 for the price of Brent crude and foreign exchange rates, reflected different assumptions for the trends in the scenario; this sensitivity was weighted at 50% with the base scenario.

The table below shows the main impairment indicators and the writedowns for group of CGUs.

Main impairment indicators and witedowns for groups of CGUs

Business segment / CGU	Main impairment indicators	Writedowns (in millions of euros)
Electric Power Operations		
- Thermoelectric CGUs	Scenario / Production profiles / Useful life	410
- Renewables CGUs	Incentivized rates	2
	Total for Electric Power Operations	**412**
Hydrocarbons Operations		
- Abroad E&P CGUs	Scenario / Production profiles	341
- Italian E&P CGUs	Scenario / Production profiles	124
	Total for Hydrocarbons Operations	**465**
Total assets' writedown		**877**

18. Investments in Associates and Available-for-sale Investments - 234 million euros

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2014 (A)	**149**	**174**	**323**
Changes in 2015:			
- Changes in shareholders' equity reserves	-	(6)	(6)
- Capital increase	6	-	6
- Valuations at equity	(40)	-	(40)
- Valuations at fair value	-	(2)	(2)
- Dividends (-)	(5)	-	(5)
- Reclassification held for sale	(38)	-	(38)
- Other changes (+/-)	(5)	1	(4)
Total changes (B)	**(82)**	**(7)**	**(89)**
Balance at 12.31.2015 (A+B)	**67**	**167**	**234**

The total includes 67 million euros in investments in unconsolidated subsidiaries, joint ventures and affiliated companies and 167 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (159 million euros) and in RCS Mediagroup Spa (3 million euros).

Changes in shareholders' equity reserves, negative by 6 million euros, refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

The **reclassification held for sale** refers to SelEdison, classified as a Disposal Group.

This line item includes the equity stakes in activities operating in Greece, which were almost entirely written off by recognizing a negative value adjustment of about 34 million euros. The Group also has a financial exposure to companies located in Greece, as explained in Note 22 below.

19. Other Financial Assets - 31 million euros

(in millions of euros)	12.31.2015	12.31.2014	Change
Escrow bank deposits	15	16	(1)
Sundry items	16	31	(15)
Total other financial assets	**31**	**47**	**(16)**

Other financial assets consist of financial receivable due in more than one year.

20. Deferred-tax Assets - 702 million euros

(in millions of euros)	12.31.2015	12.31.2014	Change
Deferred-tax assets:			
Tax loss carryforward	33	71	(38)
Taxed provisions for risks	81	83	(2)
Adoption of IAS 39 to value financial instruments with impact:			
- on shareholders' equity	309	215	94
Valuation differences of property, plant and equipment and intangibles	279	132	147
Deferred-tax assets	**702**	**501**	**201**

Deferred-tax assets were valued based on assumptions that they would probably be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies.

The change in deferred-tax assets compared with December 31, 2014 reflects an increase resulting from the impairment test, partially offset by the effects of the changes in tax laws.
For more details, see the information provided in Note 11 "Income Taxes".

21. Other Assets – 280 million euros

(in millions of euros)	12.31.2015	12.31.2014 (*)	Change
Advances for natural gas contracts in take-or-pay	-	144	(144)
Fair value on industrial portfolio derivatives (**)	225	137	88
Tax refunds receivable	36	9	27
Security deposits / others	19	18	1
Total Other assets	**280**	**308**	**(28)**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.
(**) A comprehensive review is provided in the Section "Group Financial Risk Management".

Increased deliveries of natural gas made it possible to recover the advances paid under take-or-pay contracts, bringing the balance down to zero.

22. Current Assets - 4,686 million euros

(in millions of euros)	12.31.2015	12.31.2014 (*)	Change
Inventories	253	479	(226)
Trade receivables	2,367	2,848	(481)
Current-tax assets	20	45	(25)
Other receivables	1,654	1,497	157
Current financial assets	113	132	(19)
Cash and cash equivalents	279	473	(194)
Total current assets	**4,686**	**5,474**	**(788)**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Green certificates	CO_2 emission rights	Other	Total at 12.31.2015	Total at 12.31.2014	Change
Electric Power Operations	7	-	-	49	1	14	71	157	(86)
Hydrocarbons Operations	32	139	11	-	-	-	182	322	(140)
Total for the Group	**39**	**139**	**11**	**49**	**1**	**14**	**253**	**479**	**(226)**

The net decrease for the year refers mainly to inventory reduction of stored natural gas and to the decrease of Green certificates related to the trading activity. The inventories included, for about 69 million euros, stored natural gas the use of which is restricted either as a strategic reserve or to secure performance under the balancing system.

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

(in millions of euros)	12.31.2015	12.31.2014	Change
Electric Power Operations	854	1,916	(1,062)
Hydrocarbons Operations	1,525	946	579
Corporate Activities and Other Segments and Eliminations	(12)	(14)	2
Total trade receivables	**2,367**	**2,848**	**(481)**
Of which Allowance for doubtful Accounts	**(327)**	**(365)**	**38**

Specifically, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions.
The table that follows shows the changes in "Allowance for doubtful accounts":

(in millions of euros)	12.31.2014	Additions	Utilizations	12.31.2015
Allowance for doubtful accounts (*)	**(365)**	(75)	113	**(327)**

(*) Included default interests.

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

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

- **Current-tax assets** of 20 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa.
- A breakdown of **other receivables**, is provided in the table below:

(in millions of euros)	12.31.2015	12.31.2014 (*)	Change
Fair Value on industrial portfolio derivatives and trading activities (**)	1,140	983	157
Amounts owed by partners and associates in hydrocarbon exploration projects	75	118	(43)
Advances to suppliers	11	13	(2)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	9	174	(165)
VAT credit	141	14	127
Sundry items	278	195	83
Total other receivables	**1,654**	**1,497**	**157**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.
(**) A comprehensive review is provided in the Section "Group Financial Risk Management".

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

(in millions of euros)	12.31.2015	12.31.2014	Change
Loans receivable	83	85	(2)
Derivatives	28	45	(17)
Equity investments held for trading	2	2	-
Total current financial assets	**113**	**132**	**(19)**

The main component of loans receivable is a loan provided to Elpedison Sa (formerly Elpedison Power Sa) which in September 2015 was renewed until September 2016, with payment of the principal amount in one lump sum at maturity date. The principal and interest payments due for 2015 were made regularly.

- **Cash and cash equivalents** of 279 million euros (473 million euros at December 31, 2014) consist of short-term deposits in bank and postal accounts and other short-term investments.

23. Assets held for sale - 212 million euros

The item includes assets of Hydros and SelEdison the disposal of which is expected pursuant to an agreement signed by Edison and SEL on December 29, 2015.

For more detailed information about this transaction, please refers to the paragraph "Changes in the Scope of Consolidation Compared with December 31, 2014 - Acquisition and Disposal of Assets".

Liabilities and Shareholders' Equity

24. Shareholders' Equity Attributable to Parent Company Shareholders - 5,439 million euros - and Shareholders' Equity Attributable to Minority Shareholders - 437 million euros

The shareholders' equity attributable to Parent Company shareholders was 1,188 million euros less than at December 31, 2014 (6,627 million euros) mainly due to the effect of the net loss for the year (980 million euros) and the negative effect of changes in the Cash Flow Hedge reserves (219 million euros).

The shareholders' equity attributable to minority shareholders was 73 million euros less than at December 31, 2014 (510 million euros), mainly due to the net profit for the year (21 million euros) and the distribution of dividends to minority shareholders (93 million euros).

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

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

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

Shareholder's Equity per share Attributable to Parent Company Shareholders	**12.31.2015**	12.31.2014
Shareholder's Equity Attributable to Parent Company Shareholders (in millions of euros)	5,439	6,627
Shareholder's Equity per share Attributable to Parent Company Shareholders (in euros)	1.028	1.252

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

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2014	(673)	215	(458)
Changes in the period	(313)	94	(219)
Reserve at December 31, 2015	**(986)**	**309**	**(677)**

25. Provision for Employee Severance Indemnities and Provisions for Pensions - 31 million euros

(in millions of euros)	Total
Balance at 12.31.2014 (A)	**37**
Changes in 2015:	
- Financial expense	1
- Actuarial (gains) losses (+/-)	(3)
- Reclassification Liabilities held for sale	(2)
- Utilizations (-) / Other changes	(2)
Total changes (B)	**(6)**
Total at 12.31.2015 (A+B)	**31**

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

- Technical annual discount rate 2.40% (2.20% in 2014);
- Annual inflation rate 0.60 % (2.00% in 2014).

26. Provision for Deferred Taxes – 32 million euros

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

(in millions of euros)	12.31.2015	12.31.2014	Change
Deferred-tax liabilities:			
Valuation differences of property, plant and equipment and intangibles	61	113	(52)
Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	10	(10)
Other deferred-tax liabilities	43	40	3
Total (A)	**104**	**163**	**(59)**
Deferred-tax assets usable for offset purposes:			
Taxed provisions for risks	-	45	(45)
Tax-loss carryforward	14	12	2
Valuation differences of property, plant and equipment and intangibles	24	39	(15)
Other deferred-tax assets	34	22	12
Total (B)	**72**	**118**	**(46)**
Total provision for deferred taxes (A-B)	**32**	**45**	**(13)**

The decrease is mainly related to the effects of the impairment test. For additional details, see the information provided in Note 11 “Income Taxes” and in Note 20 “Deferred-tax Assets”, earlier in this Report.

27. Provisions for Risks and Charges - 1,123 million euros

(in millions of euros)	12.31.2014	Additions	Utilizations	Other changes	12.31.2015
Risks for disputes, litigation and contracts	139	4	(14)	-	129
Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
Environmental risks	69	5	(5)	-	69
Other risks and charges	10	-	-	-	10
Disputed tax items	55	8	(7)	(1)	55
Total for legal and tax disputes	**348**	**17**	**(26)**	**(1)**	**338**
Provisions for decommissioning and remediation of industrial sites	521	24	(10)	153	688
Provision for CO2 emission rights	-	-	-	-	-
Other risks and charges	54	54	(10)	(1)	97
Total for the Group	**923**	**95**	**(46)**	**151**	**1,123**

The **Provisions for legal and tax disputes**, 338 million euros, decreased in the year mainly due to utilizations for risks related to non-core business activities (10 million euros).

More detailed information about the issues that resulted in the current composition of these provisions is provided in the paragraph as entitled “Risks and contingent liabilities associated with legal and tax disputes” later in these notes.

The **Provisions for decommissioning and remediation of industrial sites**, 688 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities; in the year an increase was recorded for 151 million euros due to the acquisition of a group of assets in Great Britain in the Exploration & Production business (please refer to the paragraph “Changes in the Scope of Consolidation Compared with December 31, 2014 - Acquisition and Disposal of Assets”).

Provision for other risks and charges, 97 million euros, recorded a net increase of 43 million euros due *inter alia* to additions for possible future charges related to regulatory issues.

28. Bonds - 599 million euros

The balance of 599 million euros (598 million euros at December 31, 2014), represents the non-current portion of an Edison Spa bond issue; the table below shows the total amount outstanding at December 31, 2015 and the term of the bond issue.

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value			Fair value
							Non-current portion	Current portion	Total	
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	599	28	627	643

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

29. Long-term Financial Debt and Other Financial Liabilities – 640 million euros

(in millions of euros)	12.31.2015	12.31.2014	Change
Due to banks	165	184	(19)
Due to other lenders	475	806	(331)
Total for the Group	**640**	**990**	**(350)**

The amount **due to other lenders** includes:

- the loan with a seven-year maturity provided in 2013 to Edison Spa by EDF Investissement Groupe Sa with an original face value of 800 million euros, 400 million euros of which repaid in advance in December 2015;
- a new medium-long term credit line, drawn down for 70 million euros (total face value of 200 million euros), provided by EDF Sa to Edison Spa in connection with investment projects and originating from a credit line provided by the EIB to EDF Sa. Additional detail are disclosed in the paragraph "Liquidity risk" in the Section "Group Financial Risk Management".

30. Other Liabilities – 315 million euros

(in millions of euros)	12.31.2015	12.31.2014 (*)	Change
Fair Value on industrial portfolio derivatives (**)	314	325	(11)
Other liabilities	1	2	(1)
Total other liabilities	**315**	**327**	**(12)**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial derivatives.
(**) A comprehensive review is provided in the Section "Group Financial Risk Management".

31. Current Liabilities - 4,159 million euros

(in millions of euros)	12.31.2015	12.31.2014 (*)	Change
Bonds	28	553	(525)
Short-term financial debt	306	230	76
Trade payables	1,623	2,321	(698)
Current taxes payable	25	20	5
Other liabilities	2,177	1,753	424
Total current liabilities	**4,159**	**4,877**	**(718)**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.

- **Bonds**, amounting to 28 million euros, include the total accrued interest at December 31, 2015. The decrease compared with the December 31, 2014 is related to the repayment at maturity, on March 17, 2015, of a 500-million-euro bond issue that was floated in March 2010.
- **Short-term financial debt** includes:

(in millions of euros)	12.31.2015	12.31.2014	Change
Debt due to banks	45	55	(10)
Debt due to EDF companies	59	17	42
Debt due to unconsolidated Edison Group companies	16	16	-
Debt due to other lenders	186	142	44
Total Short-term financial debt	**306**	**230**	**76**

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

(in millions of euros)	12.31.2015	12.31.2014	Change
Electric Power Operations	846	1,247	(401)
Hydrocarbons Operations	742	1,057	(315)
Corporate Activities and Other Segments and Eliminations	35	17	18
Total trade payables	**1,623**	**2,321**	**(698)**

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

- **Current taxes payable** of 25 million euros represent the income taxes liability which are paid directly by the companies upon which they are levied.
- A breakdown of **other liabilities** is as follows:

(in millions of euros)	**12.31.2015**	12.31.2014 (*)	Change
Fair Value on industrial portfolio derivatives and trading activities (**)	1,623	1,198	425
Amount owed to the controlling company in connection with the filing of a consolidated tax return	196	234	(38)
Amounts owed to joint holders of permits for hydrocarbon exploration	131	161	(30)
Payables owed to Tax Administration (other than current tax payables)	8	12	(4)
Amount owed to employees	29	27	2
Payables owed to social security institutions	21	21	-
Sundry items	169	100	69
Total other liabilities	**2,177**	**1,753**	**424**

(*) The amounts have been restated as a result of the new presentation of fair value on industrial portfolio derivatives.
(**) A comprehensive review is provided in the Section "Group Financial Risk Management".

32. Liabilities held for sale - 7 million euros

The item includes liabilities of Hydros the disposal of which is expected pursuant to an agreement signed by Edison and SEL on December 29, 2015.

For more detailed information about this transaction, please refers to the paragraph "Changes in the Scope of Consolidation Compared with December 31, 2014 - Acquisition and Disposal of Assets".

NET FINANCIAL DEBT

At December 31, 2015, net financial debt totaled 1,147 million euros, or 619 million euros less than the 1,766 million euros owed at December 31, 2014.

Consistent with the practice followed at the end of 2014, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	*See note*	**12.31.2015**	12.31.2014	Change
Bonds - non-current portion	*28*	599	598	1
Non-current bank loans	*29*	165	184	(19)
Amounts due to other lenders - non-current portion	*29*	475	806	(331)
Non current net financial debt		**1,239**	**1,588**	**(349)**
Bonds - current portion	*31*	28	553	(525)
Short-term financial debt	*31*	306	230	76
Current financial assets	*22*	(113)	(132)	19
Cash and cash equivalents	*22*	(279)	(473)	194
Current net financial debt		**(58)**	**178**	**(236)**
Financial debt held for sale		-	-	-
Financial asset held for sale	*23*	(34)	-	(34)
Net financial debt		**1,147**	**1,766**	**(619)**

The net financial debt at the end of 2015 benefited from the early collection of a portion of the gain resulting from the award in the arbitration for the long-term contract to import natural gas from Libya, which made it possible to repay in advance 400 million euros of the loan owed to EDF Investissements Groupe Sa.

The operating cash flow and the credit management more than offsets the outlays for capital expenditures (535 million euros), taxes (120 million euros) and dividends (93 million euros).

Non-current financial debt includes the loans outstanding with EDF Group companies for a face value of 470 million euros.

The short-term financial debts included:

- the treasury current account between Edison Spa and EDF Sa, utilized for 57 million euros;
- debt owed to unconsolidated Edison Group companies for 16 million euros.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments - 1,362 million euros

(in millions of euros)	12.31.2015	12.31.2014	Change
Guarantees provided	1,173	1,179	(6)
Collateral provided	65	69	(4)
Other commitments and risks	124	293	(169)
Total for the Group	**1,362**	**1,541**	**(179)**

Guarantees provided (1,173 million euros) were determined based on the undiscounted amount of contingent commitments on the balance sheet date. They consist mainly of guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They also include 71 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for the offsetting of VAT credits and those provided in connection with the intra-Group assignment of tax credits.

Collateral provided (65 million euros) reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing provided by financial institutions (37 million euros).

Other commitments and risks (124 million euros) reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (72 million euros).

With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that no commitments were recorded at December 31, 2015 (116 million euros at December 31, 2014).

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

Edison Spa granted to:

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

Unrecognized Commitments and Risks

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

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. The duration of these contracts ranges between 4 and 19 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	**Total**
Natural Gas	Billions of m^3	12.9	50.4	117.0	**180.3**

The economic data are based on prospective pricing formulas.

Referring to import natural gas contracts, it is mentioned also the agreement to import natural gas from Algeria, signed with Sonatrach in November 2006 (*Protocolle d'accord*) for the supply in future years through the pipeline's project promoted by the associated Galsi Spa.

2) With regard to the investment in Terminale GNL Adriatico Srl, a natural gas regasification company in which Edison Spa holds an interest of about 7.3% interest, the agreement between shareholders include the right for the other shareholders to buy the 7.3% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised.

   Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for a period of 21 years for an annual regasification fee estimated at about 100 million euros. With regard to the regasification fee payable, Edison's risk is limited to the following situations:

   - Edison has the right to cancel the regasification contract for force majeure events affecting the chain (upstream and midstream) of Terminale GNL Adriatico by paying an amount that may not be greater than the regasification fee payable for three years.
   - If a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount.
   - In the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the developments affecting the main legal and tax disputes that occurred in 2015 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, with a further differentiation between:

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

Probable liabilities associated with legal disputes

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Collapse of the Stava Dam		
October 25, 2000 Court of Milan / Milan Court of Appeals	The last civil dispute that is still pending with regard to the events that occurred in Val di Stava in 1985, when the levies of two mining mud holding ponds, operated by a Montedison-owned company were breeched causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision.	The deadline for filing an appeal with the Court of Cassation is pending.
Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont ***Edison is a party to these proceedings as universal successor to Montedison Spa***		
Porto Marghera – Civil lawsuits		
October 25, 2000 Court of Venice / Venice Court of Appeals	These lawsuits represent the tail end of the so-called "Marghera Maxi-trial," which, as it is well known, involved alleged occurrences of *i*) manslaughter for exposure to monovinyl chloride and *ii*) environmental disaster due to pollution for which some former Montedison executives and employees were allegedly responsible. These are lawsuits filed by the counsel of some plaintiffs in the proceedings (heirs to the estates of former employees, environmental associations and local governmental entities, such as the Municipality and Province of Venice and the Veneto Region) seeking payment for the legal expenses they incurred.	The lawsuits are pending at various stages before the lower or appellate court.
Mantua – Criminal Proceedings		
October 25, 2000 Court of Mantua / Brescia Court of Appeals	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison Group and later by companies of the Eni Group. The facts subject of the pending trial concern determining the fortuity for a series of death caused by cancer identified by the Public Prosecutor and concerning employees of the facility. After a first ruling set by the lower court of Mantua, under which 10 of the 12 defendants were convicted and found guilty of manslaughter in the death of 11 people, the Court of Appeal of Brescia on February 5th 2016 confirmed 9 convictions, largely reducing the punishments.	Waiting for the publication of the full reasoning of the Court of Appeal.

	However, also the Court of Appeal dismissed a charge, aggravated by the disaster, of "removal or negligent omission of protections against occupational accidents."	
Mantua – Administrative proceedings		
2012 – 2015 Lombardy Regional Administrative Court – Brescia Section	All of the injunctions issued pursuant to Article 244 of Legislative Decree No. 152/2006 (so-called "Environmental Code") and notified to Edison between 2012 and 2015 by the Province of Mantua concerning the remediation of various areas inside and outside the petrochemical facility formerly operated in Mantua by Montedison and currently operated by the Eni Group (areas called "Versalis, former chlorine sodium production facility," "Mercury mud landfill area L," "Intake canal for the Versalis plant and the Formigosa fornix," "Basso Mincio," "Sisma Canal," "N" and "B+I") were challenged by the Company and the respective proceeding are pending at the lower level before the Regional Administrative Court of Lombardy – Brescia Section.	For all pending proceedings the Court has yet to schedule a hearing for oral arguments.
Brindisi – Administrative proceedings		
February 25, 2013 Apulia Regional Administrative Court – Lecce Section	These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years. On February 25, 2013, the Province of Brindisi notified to Edison, Eni, Syndial and Versalis an injunction pursuant to Article 244, Section 2, of Legislative Decree No. 152/2006 (so-called "Environmental Code") concerning an alleged landfill adjacent to the Brindisi petrochemical plant. The Company challenged this injunction and, after its plea was denied by the lower court, is waiting for a pronouncement at the appellate level by the Council of State.	Waiting for a hearing for oral arguments to be scheduled.
Crotone – Criminal Proceedings		
2005 Court of Crotone	The proceedings concerned are three. The first concerns the alleged occupational diseases that would have been determined by exposure to asbestos of workers of the chemical facility operated in Crotone by Montecatini Spa (Montedison Group), for events occurring until 1989. The trial is in the final phase. The second is related to a dispute of poisoning of the groundwater and, consequently, of the water intended for feed and the pre-trial hearing is in progress. Also the third is related to occupational disease and the pre-trial hearing is in progress.	As per the description of the dispute.
Belvedere di Spinello – Civil Proceedings		
October 31, 1986 Court of Catanzaro / Catanzaro Court of Appeals	These proceedings concerning the Belvedere di Spinello mining concession, derives from rock salt mining activities carried out at this location by Montedipe Spa for over 20 years. The proceeding have to do with compensation for the damages suffered by two provincial administrations due to the destruction of a provincial road caused by the collapse of the mine in 1984. These proceedings are pending at the appellate level and the Court requested a technical expert's report.	The filing of the expert's report is still pending.
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.		

Others Group Companies

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

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

Edison Spa

Date started / Jurisdiction	**Description of dispute**	**Status of proceedings**
Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa ***Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa***		
Ausimont – Bussi sul Tirino – Administrative proceedings		
June 2011 Latium Regional Administrative Court – Rome Section and Abruzzo Regional administrative Court – Pescara Section	This dispute concerns the activities to ensure site safety and remediation that Solvay Solexis (now Solvay Specialty Polymers) and Solvay Chimica Bussi were required to implement at areas inside the Bussi sul Tirino chemical plant, operated, until 2002 by Ausimont Spa, a Montedison Group company that was sold to the Solvay. Edison was sued by the companies of the Solvay Group as counter-interested party and as former parent of Ausimont. These proceedings are still pending before the Council of State, after the Regional Administrative Court of Latium, by a decision handed down in March 2011, found that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints. **** Still with reference to Bussi it is also worth mentioning that, at the end of September 2013, Edison received a communication 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. Edison challenged this communication first before the Abruzzo Regional Administrative Court – Pescara Section and later before the Council of State. On March 5, 2015, the latter handed down a final decision voiding the Ministry's communication.	As per the description of the disputes.
Ausimont – Bussi sul Tirino – Criminal proceedings		
2008 Court of Pescara / Chieti Court of Assizes / Court of Cassation	The events concerning the alleged negligent poisoning of water intended for human consumption and environmental disaster, for which three former managers and employees of the Montedison Group and others are allegedly responsible, is currently pending before the Court of Cassation. As mentioned in the notes to the previous financial statements, in December 2014, the Chieti Court of Assizes acquitted all defendants. This decision was then appealed directly to the Court of Cassation both by the Public Prosecutor and the counsels for the defendants, for different profiles, and the hearing for oral arguments has been scheduled for March 18, 2016.	As per the description of the disputes.

	However, it is important to keep in mind that Edison, further to the decision by all defendant to opt for summary judgment proceedings, was excluded ex lege from this trial in which it was being sued as the civilly liable party. Edison is thus faced with the following alternative scenarios: i) if the decision acquitting the three former Montedison employees 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.	
Ausimont – Spinetta Marengo – Administrative proceedings		
February 2012 Piedmont Regional Administrative Court	The case concerns activities that Solvay Specialty Polymers was ordered to carry out, under various titles, to ensure safety and environmental remediation of areas inside the Spinetta Marengo (AL) chemical plant. This plant was operated until 2002 by Ausimont Spa, a Montedison Group company sold to the Solvay Group in May 2002. Edison joined these proceedings exclusively to protect its rights and legitimate interests in connection with the challenges filed against the administrative actions of the relevant Services Conference by Solvay Specialty Polymers, which specifically contested the failure to identify Edison as a respondent or correspondent in the proceedings.	As per the description of the proceedings.
Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Alessandria Court of Assizes	Also with regard to the former Ausimont industrial site of Spinetta Marengo, 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. Edison is being sued by certain parties as the civilly liable party. On December 14, 2015, the Court of Assizes convicted four of the eight defendants of the crime of negligent environmental disaster and ordered them, jointly with Solvay Specialty Polymers, to pay civil damages to the civil plaintiffs who joined the proceedings. The parties are now waiting for the Court to publish the rationale for the decision, which is due within 90 days from the reading of the decision.	As per the description of the dispute.
Ausimont – Solvay Arbitration		
May 2012 ICC – Geneva	These arbitration proceedings were initiated in 2012 by Solvay Sa and Solvay Specialty Polymers Italy Spa against Edison, for alleged violations of certain representations and warrantees in the environmental area concerning the industrial sites of Bussi sul Tirino and Spinetta Marengo included in the deed of sale of Agorà Spa (parent company of Ausimont Spa) executed on the one hand by Montedison Spa and Longside International Sa and on the other hand by Solvay Solexis Spa (now Solvay Specialty Polymers) in December 2001. After completing the phase of reviewing the preliminary and prejudicial issues raised by the parties, the proceedings are currently suspended following the publication of the decision by the Chieti Court of Assizes for the events at the Bussi site and pending the publication of the rationale for the lower court's decision in the criminal proceedings pending for the Spinetta Marengo site.	As per the description of the dispute.

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Montedison - Former-Montedison area called "Old Officine del Gas" in Milan - Bovisa		
June 2013 Court of Milan	The subject of this dispute, which concerns a Montedison site called "former Officine del Gas," in Milan's Bovisa" district, is a claim for damaged lodged against Edison by the City of Milan in connection with alleged environmental remediation costs for this (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. The argument hearing is scheduled for February 24, 2016.	As per the description of the dispute.
Montedison – Melegnano industrial facility – Chimica Saronio – Administrative proceedings		
December 18, 2007 Lombardy Regional Administrative Court – Milan and Council of State	These disputes are part of a broader context of administrative proceedings and litigation between Edison and the municipalities of Melegnano and Cerro al Lambro, concerning the alleged consequence of chemical processes that Industrie Chimiche Saronio Spa ("Saronio") carried out in Cerro al Lambro until the early 1940s and in Melegnano until the early 1960s, The opposing parties claim that, through a series of company transfers, Edison is the responsible party for Saronio and, consequently, should now answer for alleged environmental issues in the Saronio area, allegedly caused by Saronio's activity. The various injunctions for activities to ensure the safety and remediation of the two sites issued by the municipalities were challenged by Edison and this dispute, after a comprehensive preliminary phase, is currently pending before the Council of State after the Lombardy Regional Administrative Court, in 2009, while not holding Edison in any way responsible for the pollution ordered Edison to proceed with activities to ensure the safety of the aquifer (i.e., through the construction of a hydraulic barrier).	Waiting for an oral argument hearing to be scheduled.
Bussi sul Tirino National Interest Site – "former Montedison srl area" and Bolognano site		
2011 and 2015 Abruzzo Regional administrative Court, Pescara Section	**"Former Montedison srl area"**: the site in question is the so-called "Tre Monti" area, currently owned by Edison Spa (formerly Montedison Srl, merged into Edison as of July 1, 2012), which is adjoining the Bussi sul Tirino industrial site currently owned by the Solvay Group and where in the 1970s waste, including industrial waste, was brought. This site, seized under a court order since 2007, is currently managed by a Delegated Commissioner appointed by the Office of the President of the Council of Ministers. Under an agreement with the Commissioner, Edison has already provided economic support for activities to ensure the area's safety between 2010 and 2011. However, in November 2012, subsequent to a request for additional activities requested by the abovementioned Commissioner, Edison appealed to the Abruzzo Regional administrative Court – Pescara challenging the legitimacy of the Commissioner's actions. **Bolognano site**: with regard to the Bussi sul Tirino National Interest Site, on September 24, 2015, the Pescara Provincial Administration served Edison Spa with a remediation and environmental restoration injunction pursuant to Article 244 of Legislative Decree No. 152/2006 concerning the "former Montecatini" site in Piano d'Orta, located in the municipality of Bolognano (PE), where Montecatini operated a chemical plant in the 1960s. Edison filed a challenge with the Regional Administrative Court of Abruzzo – Pescara contesting the legality of this order.	Waiting for an oral argument hearing to be scheduled in both proceedings.

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Dispute between Axpo Italia and Edison – Supply contract for natural gas		
December 23, 2013 Court of Milan	The lawsuit filed by Axpo Italia Spa against Edison Spa is aimed at obtaining compensation for damages resulting from an alleged breach by Edison of an existing contract to supply natural gas that the parties executed on October 26, 2012. Specifically, Axpo Italia is demanding compensation for damages resulting from Edison's alleged failure to provide the contractually stipulated gas volumes. Edison joined the proceeding flatly denying any breach and filing a counterclaim against Axpo Italia for breach of contract.	These proceedings are currently pending before the lower court in the discovery phase.

* * * * *

Contingent Liabilities Associated with Legal Disputes

Enviromental Legislation
In addition to the probable liabilities for environmental risks, already covered by provisions and previously described, in recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the subjective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws. Therefore, taking into account the current and past scope of the industrial operations of the Company and the Group, particularly in the chemical industry, which were carried out in full compliance with the statutes then in force, it cannot be excluded that, in light of current legislation, new allegations of contaminations may arise, in addition to those currently subject to administrative and judicial proceedings.

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
ACEA – Unfair competition complaint in connection with the acquisition of Edipower Spa		
August 7, 2006 Court of Rome	This litigation stems from a complaint filed by ACEA Spa against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, for an alleged act of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, caused by the violation of the 30% ceiling on the ownership of Edipower Spa by government-owned companies, as set forth in the Prime Minister Decree dated November 8, 2000.This violation allegedly occurred when EdF and AEM acquired joint control of Edison in 2005. ACEA considered such modification of the control structure of Edison and, consequently Edipower, injurious to itself and asked that AEM (now A2A) and EdF be ordered to pay damages. In addition, ACEA asked the Court to take the actions necessary to void the consequences of the acquisition. Regarding this last request by ACEA, it must be noted that effective May, 24th, 2012, Edison sold the interest it held in Edipower to Delmi Spa. Insofar as Edison is concerned, the lower court proceedings ended with a decision in which Edison was found to have no standing as a	By a brief filed on September 29, 2014, ACEA appealed the Court of Rome's decision; a hearing for closing arguments has been scheduled for March 21, 2016.

	defendant.	
Montedison – Civil proceedings concerning alleged damages deriving from the operation of industrial activities at the Malcontenta site		
August 7, 2006 Court of Venice / Venice Court of Appeals	This lawsuit, from which comes the dispute arising by 3V CPM Chimica, is related to industrial activities carried out by the Montedison Group at the Porto Marghera petrochemical facility and, specifically, the alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park. By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison On April 14, 2015, this decision was upheld by the Venice Court of Appeals.	As per the description of the dispute.
Acquisition of Rizzoli Editore		
September 25, 2009 Court of Milan / Milan Court of Appeals	This dispute originates from a lawsuit filed by Angelo Rizzoli against Edison (as assign for Iniziativa Meta Spa), RCS Media Group, Mittel, Giovanni Arvedi and Intesa San Paolo (as assign for Banco Ambrosiano) 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). 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 pay the litigation costs and the compensation damage for vexatious litigation (quantified at about 1.3 million euros). The proceeding is pending before the Milan Court of Appeals.	The closing arguments have been specified; the deadlines to deposit the conclusions is pending
Montecatini Spa – Montefibre Spa – Verbania –criminal proceedings		
2002 - 2015 Court of Verbania / Turin Court of Appeals	All these trials concern the alleged responsibility of former Directors and executives of the Montedison Group for the crimes of involuntary manslaughter and involuntary personal injuries in the violation of the occupational accident prevention regulations, caused in connection with the death or illness of employees of Montefibre Spa at the old plant Montefibre of Pallanza (VB) plant allegedly caused by exposure to asbestos. Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre. A first trial, initiated in 2002, concluded in 2012 with the acquittal of the defendants, confirmed by Court of Cassation. A second trial, initiate in 2007, is pending at the appellate level after the acquittal of first instance of the defendants. For the third proceeding the preliminary hearing concluded in 2015 and the Preliminary Hearing Judge of the Court of Verbania has indicted the defendants.	As per the description of the dispute.
"Vega" Offshore Hydrocarbon Field – "Vega Oil" floating storage unit		
August 2007 Court of Modica/ Court of Ragusa	These criminal trial concerns an employee of Edison Spa and two other persons for the alleged violation of Articles 104 (discharges in the subsoil and the aquifer) and Article 260 (activities organized for unlawful trafficking of waste) of Legislative Decree No. 152/2006 (Uniform Environmental Code) in connection with the Vega Oil floating storage unit. The proceeding started in 2007 and the investigation ended with an initial indictment before the Court of Modica. However, during the hearing for oral arguments, the Court, by a decision handed down on October 22, 2012, upheld 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 Following the closing of the Modica Court at the beginning of 2013,	As per the description of the dispute.

	the proceedings were transferred to the Court of Ragusa, where a preliminary hearing has begun and it shortly will be judgment before the lower court.	
Ausimont's participation in a cartel in the peroxides and perborates market – Claim for damages		
April 2010 Court of Düsseldorf – Court of Justice of the European Union	In April 2010, Edison was served with notices setting forth four amending 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. However, the proceedings are still in the preliminary phase. This is because, in 2013, the judge in the proceedings decided to submit some pretrial questions to the Court of Justice of the European Union, which handed down Decision No. C-352/13 on May 21, 2015.	The merit proceedings are continuing with the exchange of briefs between the parties, waiting for the judge to decide if the lawsuit should proceed pending a decision.

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Disputes disclosed merely for information purposes

Carlo Tassara Spa – Civil lawsuit regarding the restructuring of Edison Group		
March 2015 Court of Milan	On March 18, 2015, Carlo Tassara Spa served EDF Sa, A2A Spa and Edison Spa with a summons seeking compensation for alleged damages that it suffered due to the restructuring of the stock ownership of the Edison Group in 2012, carried out with an all-inclusive Tender Offer launched by Transalpina di Energia (100% EDF) for Edison and Edison's concurrent sale to Delmi of 50% of the Edipower shares. This civil lawsuit is specifically directed against A2A and EDF. Edison is summoned in the proceedings only so that, should it deem it appropriate, it may take part in the proceedings to protect its interest. In this capacity, Edison is not the target of any claim filed by Tassara. The company joined these proceedings within the statutory deadline to contest Tassara's claims.	The first hearing was held on December 1, 2015 and the judge scheduled a hearing for January 26, 2016. In that hearing he gave the legal deadlines for conclusions and replies.

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Probable Liabilities Associated with Tax Disputes

Edison Spa

Date started / Assessing office	Description of dispute	Status of proceedings
Income Tax Assesments for 1995, 1996 and 1997 (merged Edison Spa)		
Assessments notified in 2001 and 2002 by the Milan Revenues Agency (former Milan Income Tax Office)	This dispute, pending before the Court of Cassation and including several proceedings before the Tax Commission, concerns the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 tax years of the merged Edison Spa. At the end of 2015 and at the beginning of 2016, arguments were heard before the Court in the review of decisions favorable to the Company and the Court is expected to hand down its decisions. Any charges that may be incurred from these disputes are covered by a special provision for risks.	Waiting for the Supreme Court of Cassation to hand down its decision.

Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)		
Assessments notified in 1997-1998 by the Ravenna Income Tax Office	These disputes concern tax recoveries, following a general audit, regarding reported income for 1991 and 1992 mainly in connection with transactions involving the beneficial ownership of shares carried out by Calcestruzzi Spa (Edison Spa current assign), with regard to which a charge of "misuse of a legal right" was invoked in the proceedings. In 2012, the Company filed a new challenge with the Court of Cassation, asking it to review the decisions handed down by the Regional Tax Commission, to which the proceedings had been returned before the Court of Cassation. A date for a new hearing has not yet been set. 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. The payment made was fully funded by a provision for risks established for this purpose, instead the residual provision is attributable to minor tax recoveries, subject of an incidental challenge by the Revenue Administration.	The dispute is pending before the Supreme Court.
IRES and IRAP Assessments – 2005-2009 Tax Years		
Assessments notified in 2011 – 2014 by the Lombardy Regional Office – Revenue Agency	Further to the findings of the general audit completed in 2011 by the Revenue Police concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2009, the Company received a series of IRES and IRAP notices of assessment for the period 2005-2008, contesting, in particular, the deductibility of costs incurred with black-listed suppliers and some other costs found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period. Further to the appeals filed by the Company and pending of the related judgments before the Tax Commissions and the Court of Cassation, the Revenue Agency reconsidered its conclusions regarding the alleged non-deductibility of virtually all of the costs with "black list" suppliers and in 2015 annulled most of the assessments for the tax years from 2005 to 2008 through negotiated settlements. The dispute is continuing for the assessments that were not annulled, concerning mainly issues related to timing allocation. The 2009 tax year was settled through a negotiated settlement in 2015 and the respective charge was fully covered by an existing provision for risks. The VAT assessment for 2006 is currently pending before the Court of Cassation further to a challenge filed by the Company. The amount owed in terms of additional tax, penalties and interest in accordance with the Regional Commission decision was paid in September 2014 while the proceedings are in progress. Any charges that may be incurred from these disputes are covered by a special provision for risks.	The assessments not annulled through negotiated settlements are pending, at various levels of the judicial process, before the merit and relevant courts.
Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants		
Various assessments to revise the assessed property values notified over the years by the Territorial Agency, offices with territorial jurisdiction. Assessments for local property taxes (ICI and IMU) notified	The Company, like other companies in its industry, is a party to disputes concerning assessments for municipal property taxes (originally ICI and later IMU) issued by some municipalities where its power plants or parts of them are located. The outcomes of these disputes are not uniform. Over the years, the Company settled amicably or preemptively, pending or potential disputes. The provision for risks, which is updated on a regular basis, takes into account the possible costs that may arise from these disputes or incurred for negotiated settlements with municipalities for local taxes. The Company is also a party to disputes related to the decision by the Revenue Agency (formerly the Territorial Agency) to contest the assessed property values for industrial facilities recorded in the property registers. Also in this case the outcomes of these disputes are	Assessments pending, at various levels of the judicial process, before the merit and relevant courts.

over the years by various municipalities where power plants or parts of them are located	not uniform and whenever possible, were achieved agreements to define amicable the new assessed property values. However, it is worth mentioning that the 2016 Stability Law provided, for industrial facilities in the D Category of the property register, a change in the elements that are relevant for the purpose of determining the assessed value. Consequently, in 2016, the Company will update the assessed property values, excluding from the value that is relevant for assessment purposes the portion of the facilities functional to the specific production process (so-called "bolted down").	

Others Group companies

Edison Trading Spa – IRES and IRAP Assessments for 2005		
Assessments notified in 2010 and 2011 by the Lombardy Regional Office – Revenue Agency	The IRES (Level I) and IRAP assessments for 2005, concerned mainly expenses found to be "not attributable" to the year in which they were recognized and deducted, were challenged before the Regional Offices without favorable outcomes, the Company will appeal to the Court of Cassation within the allowed deadline. The Level II IRES, demanding payment for an increased IRES liability, were voided in a decision by the Provincial Tax Commission and actually pending before the Court of Cassation further to an appeal filed by the Revenue Agency. The notice of imposition of penalties related to the IRES assessment was also the subject of a challenge. In this case as well, the Revenue Agency is appealing to the Court of Cassation, subsequently to favorable outcome for the various jurisdictional levels. A provision that takes into account the costs deriving from this dispute was recognized and has been partly utilized to pay minor amounts in the course of the proceedings.	Pending before the Court of Cassation.
Edison Trading Spa – General Audit by Revenue Police for the 2006-2009 tax years		
Tax audit report completed in 2011 by the Tax Unit of the Milan Revenue Police	Further to the findings of the tax audit report included IRES and IRAP mentions for the years from 2006 to 2009 concerning the costs incurred with black-listed suppliers. The notices of assessments notified over the years were settled amicably through negotiated settlements. The amounts paid over the years – for minimal amounts compared with the original findings - were fully covered by a provision for risks recognized in 2012 and updated over the years. In April 2015, Edison were settled through an amicable settlement procedure the IRES, Robin Hood Tax and IRAP assessments for the 2009 tax year, with the payment of the amount owed, drawing it from an existing provision for risks. The surplus remaining in the provision was reversed in 2015 into earnings, as 2009 was the last year for which assessments resulted from the tax audit performed in 2011. In December 2015, the Lombardy Regional Revenue Division served the Company with notices of assessment for IRES, Robin Tax and IRAP, disallowing a minimal part (slightly more than 1 million euros) of the cost with black list suppliers reported in 2010. Because the disallowing of these amounts does not seem justified, the Company filed an application for a negotiated settlement and asked for a revision.	Pre-dispute phase and potential settlement of charges.

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Contingent liabilities associated with tax disputes

Edison Spa

Date started / Assessing office	Description of dispute	Status of proceedings
IRPEG and IRAP assessments for 2002		
Assessments notified in 2005 by the Revenue Agency of Milan 1	The dispute concerns the IRPEG and IRAP assessments for 2002 by which the reported loss was adjusted and the tax deductibility of the costs incurred for divestment transactions executed during the year was contested. The decisions at the various levels of the merit process were largely favorable and the Revenue Agency, through the Government Solicitor, filed an appeal with the Court of Cassation. The Court of Cassation heard the case in December 2015 and is now expected to hand down a decision. The Company never found it necessary to recognize a provision for risks given the nature of the dispute and the amount of the potential charges.	Pending a decision by the Court of Cassation.
Dispute for registration fees on transactions requalified as disposal of business operations for the Taranto plants		
Payment notice notified in 2012 by the Rho Revenue Agency	In 2012, the Rho Revenue Agency sought to requalify, for registration tax purposes, 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 as a mere sale of a business. Consequently, it demanded, by a payment notice, the payment of the proportional registration tax in the amount of 17 million euros. Actually the judgment is pending before the Court of Cassation because the Company challenged the decision of the Regional Tax Commission (instead the decision in first instance was favorable). As of today the date of a discussion hearing for the assessment has not yet been set. The Company believes that any cost arising from this dispute should be viewed as part of the possible contractual risks deriving from the contract signed with ILVA, for which suitable coverage has been recognized in the financial statements.	Waiting for a hearing before the Supreme Court of Cassation.
Disputed municipal property taxes (ICI) on offshore hydrocarbon production platforms		
Various assessments for local taxes (ICI and IMU) from various municipalities, from 2005 to the present	In recent years, Edison Spa was served with notices of assessment for property taxes (ICI and later IMU) by which municipal administrations on the Adriatic coast (Termoli, Porto Sant'Elpidio and Torino di Sangro) demanded payment of municipal property taxes they claim are owed on some hydrocarbon production platforms located in the Adriatic Sea. Up to 2012, all decisions were in the Company's favor. In 2012, the Campobasso Regional Tax Commission, ruling on the notices of assessments for the tax years from 1999 to 2004, partially upheld the challenge filed by the Termoli municipal administration, finding that the tax was owed and disallowing in full the penalties. While the proceeding are still in progress before the Court of Cassation, the Company paid provisionally the taxes due. Subsequently to this partly unfavorable decision, additional decisions by both the Provincial Commission and the Regional Commission were in some cases totally favorable to the Company and in other cases partly unfavorable, In December 2015, the Company was served with ICI notices of assessment for the period from 2009 to 2011 issued by the municipality of Scicli (Sicily) by which, further to the findings of a Audit Report drawn up by the Revenue Police of Ragusa and Siracusa, payment was	Assessments pending, at various levels of the judicial process, before the merit and relevant courts.

	demanded of the taxes and penalties owed for the offshore Vega platform, locate in the Strait of Sicily. Similar assessments, for the attributable amounts were notified to ENI Spa, holder of a 40% interest in the concession where the Vega platform is located. Appeals against these assessments are being finalized. 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. While waiting for decision by the Court of Cassation, at this point, these disputes are not believed to entail a probable risk and, consequently, no provision for risks was recognized.	

Others Group companies

Edison Energia Spa – Customs VAT assessment for 2001, 2002 and 2003 (merged EDF Energia Italia Srl)		
Notice of assessment notified in 2006 by the Milan Customs Agency	This dispute concerns a demand for payment of customs VAT for the years 2001-2003 on imports ascertained by the Milan Customs Office in connection with purchases of electric powers from foreign parties, to which the company (the merged EDF Energia Italia) applied the reverse charge mechanism. In 2014, the Court of Cassation quashed and sent back to the lower venue a decision, unfavorable for the Company handed down by the Regional Tax Commission in 2011. The Court of Cassation referred the proceedings to a different section of the Regional Commission asking it to ascertain whether the reversed charge mechanism was applied to the contested transactions - as was in fact the case - and whether, consequently, this would cause double taxation if the customs VAT was also applied, in violation of E.U. principles. The proceeding were duly resumed before the Regional Tax Commission, which is now supposed to schedule a hearing. However, it is important to keep in mind that where the Customs VAT paid while the proceedings were in progress were to be refunded by the Revenue Administration, any amount collected would have to be repaid to EDF International, which defrayed all of the costs related to this dispute by virtue of the contractual guarantees provided at the time of acquisition.	Pending before the Regional Tax Commission to which the Court of Cassation sent back the earlier decision.
Edison International Spa – General audit by the Revenue Agency for the years 2010-2013		
Tax Audit Report completed in October 2015 by the Lombardy Regional Department of Revenues	In 2015, the Lombardy Regional Department of Revenues – Major Taxpayer Office performed a general audit for the period from 2010 to 2013 tax years of Edison International Spa, the company through which the Group operates, through foreign branches, major international E&P activities. The findings are concerning certain costs that were found to be not attributable as recognized and other related to the accounting and tax treatment attributed to the tax refund recognized under Norwegian tax laws in relation to the tax value of exploration costs, derived from the tax return filed in Norway by the Company's permanent organization in Norway. At the end of December 2015, an IRES notice of assessment was notified for the year 2010, in which the accounting treatment of the abovementioned tax refund was the only contested item. The Company believes that it acted in full compliance with financial reporting and tax rules and, consequently, will apply for a negotiated settlement to obtain a revision of the charges, confident that it will be able to present its reasons comprehensively and clearly. In view of the strong arguments that the Company intends to put forth, no provision was recognized.	Pre-dispute phase and potential settlement of charges.
Edison Trading Spa – Notice of assessment for 2010 VAT		
VAT assessment notified in December 2015	Further to a questionnaire notified in 2015 by which the Regional Department of Revenues requested information and documents concerning certain transactions involving purchases of green	In the process of preparing an appeal to the Tax

by the Lombardy Regional Department of Revenues	certificates in 2010, in December 2015, the Revenue Agency served Edison Trading with a VAT notice of assessment contesting the deduction of VAT for the abovementioned transactions and imposing the corresponding penalties. The Company intends to contest this assessment, as it believes that its conduct was fully legitimate and justified, considering also that the purchases of green certificates were executed on the platform of the Energy Market Operator with counterparties authorized by the Energy Market Operator to execute such transactions. In view of the Company's correct and lawful conduct, there appears to be no need to recognize a provision for risks.	Commissions.

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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:

Edison Spa – Dispute for registration fees on transactions requalified as disposal of business operations regarding CIP 6/92 power plants		
Payment notice notified in 2010 by the Rho Revenue Agency	In 2010, the Rho Revenue Agency sought to requalify, for registration tax purposes, a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CIP 6/92 thermoelectric power plants) to a newco and the subsequent sale of the equity interest in this company to Cofatech Spa as a mere sale of a business. Consequently, it demanded, by a payment notice, the payment of the proportional registration tax in the amount of 11 million euros, which the Company paid in order to avoid incurring penalties and absent a stay of collection activities. 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 (instead 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.	Waiting for a hearing before the Supreme Court of Cassation.

GROUP FINANCIAL RISK MANAGEMENT

This Section provides an overview of the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO2 emissions rights, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7, consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

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

The management and control of these risks are governed by the Energy Risk Policies, which involve the use of derivatives for hedging purposes in order to reduce or mitigate the related risk.

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

Each year, the Board of Directors approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
These activities are performed in line with the policy of the Group with the aim to minimize the use of financial markets for hedging, by maximizing the benefits of vertical and horizontal integration of the various business operations and the homogenization of the formulas and indexing between the sources and physical uses. In addition, the gradualness of Strategic Hedging ensure the minimization of the execution risk, related to the concentration of all the hedges in a phase of unfavorable market, the volume risk, linked to the variability of the underlying hedged based on the best volume projections, and of the operational risk, related to implementation errors.

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

Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called Operational Hedges with the aim to fix the margin related to a single transaction or to limited set of transactions correlated.

At December 31, 2015, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.

The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.

Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.

As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2017. For derivative contracts maturing in 2016, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility and correlations of the spot markets. For derivative contracts maturing after 2016, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves at the end of the reporting period are used as a reference level.

Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding derivative contracts over the length of a reporting year with a level of probability conventionally set at 97.5%.

The following table shows, based on the method explained above, the maximum expected negative variance in the fair value of the outstanding hedging derivatives by the end of 2016 with a 97.5% probability, compared with the fair value determined at December 31, 2015.

Profit at Risk (PaR) (in millions of euros)	**12.31.2015**	**12.31.2014**
Maximum negative variance in the fair value (*)	653.6	452.8

(*) With a level of probability of 97.5%.

In other words, compared with the fair value determined for hedging derivatives outstanding at December 31, 2015, the probability of a negative variance greater than 653.6 million euros by the end of 2016 is limited to 2.5% of the scenarios.

The increase compared with the level measured at December 31, 2014 is mainly attributable to an higher net volume of financial contracts and to the increased volatility of crude oil market.

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

Industrial portfolios	**2015**		**2014**	
Economic Capital absorbed	**without derivatives**	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved limit of Economic Capital	75%	55%	105%	53%
Maximum absorption	175% - Dec. '15	100% - Dec. '15	165% - Oct. ' 14	94% - Mar. ' 14

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

Value at Risk (VaR) (*)	**12.31.2015**	**12.31.2014**
Daily VaR Limit (**)	2.7 million euros	3.4 million euros
Stop Loss Limit	13.9 million euros	17.7 million euros
Utilized VaR limit at the end of the period	24%	15%
Average utilized VaR limit in the period	18%	29%

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

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

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

Trading Portfolios **Economic Capital absorbed**	**2015**	**2014**
Economic Capital's limit	42.0 million euros	52.9 million euros
Utilization at the end of the period	27%	18%
Average utilization	24%	33%

2. Foreign Exchange Risk

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

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

3. Interest Rate Risk

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

Gross Financial Debt	**12.31.2015**			**12.31.2014**		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with deriv.	without derivatives	with derivatives	% with deriv.
- fixed rate portion (included structures with CAP)	1,009	409	26%	1,904	1,304	55%
- variable rate portion	564	1,164	74%	467	1,067	45%
Total gross financial debt (*)	**1,573**	**1,573**	**100%**	**2,371**	**2,371**	**100%**

(*) For a breakdown of gross financial debt see the following "Liquidity Risk" paragraph.

On March 17, 2015, the derivative position hedging a 500-million-euro bond issue was closed out concurrently with the repayment of the bond at its scheduled maturity. The Interest Rate Swaps indexed to the six-month Euribor, which qualify as fair value hedges, executed to hedge a fixed-rate bond issue of 600 million euros maturing on November 10, 2017, are still outstanding.

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 2015 and provides a comparison with the 2014.

Sensitivity analysis (in millions of euros)	2015 Impact on financial expense (P&L)			12.31.2015 Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	42	36	30	-	-	-
Sensitivity analysis (in millions of euros)	2014 Impact on financial expense (P&L)			12.31.2014 Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	64	60	55	-	-	-

4. Credit Risk

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

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

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during the 2015 totaled 6,208 million euros (6,340 million euros at December 31, 2014). At December 31, 2015, these receivables were exposed to the risk of recourse for an amount lower than 1 million euros.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Edison Group deals only with entities with a high credit rating. At December 31, 2015, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties. The table below provides an overview of gross trade receivable, the corresponding allowance for doubtful accounts and the guarantees held to secure the receivables.

(in millions of euros)	12.31.2015	12.31.2014
Gross trade receivables	2.694	3.213
Allowance for doubtful accounts (-)	(327)	(365)
Trade receivables	**2.367**	**2.848**
Guarantees held (*)	428	530
Receivables less than 6 in arrears	163	241
Receivables 6 to 12 months in arrears	116	128
Receivables more than 12 months in arrears	402	441

(*) Including 144 million euros to hedge receivables outstanding at December 31, 2015.

The decrease in receivables in arrears compared with December 31, 2014 is chiefly due to an ongoing credit management approach differentiated for the three market segments (Retail, Business and Public Administration) with the aim, with structural actions, to prevent the accumulation of new receivables and quickly reduce current receivables and receivables in arrears. More specifically it should be noted:

- in the Retail segment the focus on the quality of the customer base and the effectiveness of the credit management processes, as well as the more stringent credit check for the small and medium-size business segment and the quality control for newly acquired contracts;
- in the Business segment the focus on containing receivables up to 60 days in arrears and the management of specific cases by an intense synergy with the sales organizations;

- in the Public Administration segment the recourse to contracts assigning trade receivables without recourse on revolving and spot basis.

With regard to foreign activities, it is worth noting that the past-due receivables owed in Egypt at December 31, 2015 by the Egyptian General Petroleum Corporation (EGPC) (184 million euros), increased by 66 million euros compared with December 31, 2014.

The amount of the allowance for doubtful accounts is determined conservatively based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables.

5. Liquidity Risk

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

Worst-case scenario (in millions of euros)	**12.31.2015**			12.31.2014		
	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	-	23	623	516	23	647
Financial debt and other financial liabilities	172	14	673	29	37	1,070
Trade payables	1,594	29	-	2,291	30	-
Total	**1,766**	**66**	**1,296**	**2,836**	**90**	**1,717**
Guarantees provided to third parties (*)	**683**	**211**	**279**	**683**	**185**	**311**

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

The financial debt due within one year (209 million euros) derives mainly from the use of flexible funding mechanisms, readily usable at Edison's discretion, such as the overdraft facility on a cash pooling current account with EDF Sa for 57 million euros and the funds that Transalpina di Energia made available to Edison Spa as a short-term deposit for 95 million euros, with the aim of optimization of financial resources. The balance represents interests and amortization installments on outstanding facilities.

The financial resources needed to meet funding requirements for the coming months are being provided by two revolving credit line:

- a 600-million-euros credit line provided by EDF Sa, expiring in April 2017, available for its full amount at December 31, 2015; and
- secondly, a 500-million-euro revolving credit line expiring in November 2016, provided by a group of banks on a Club Deal basis, currently available for its full amount.

It is worth mentioning that at the end of December 2015 Edison Spa reduced its long-term financial debt reimbursing in advance 400 million euros of the loan provided by EDF Investissements Groupe Sa. This transaction was made possible by the early collection of a portion of the proceeds from the successfully completed arbitration for the long-term contract to import natural gas from Libya.

The financial debt maturing after one year (1,296 million euros) than includes the facility provided by EDF Investissements Groupe Sa, maturing on April 9, 2020, for only 400 million euros (original amount of 800 million euros), a bond issue with a face value of 600 million euros maturing on November 10, 2017 and the

amount drawn down on a medium/long-term direct credit line (135 million euros at December 31, 2015) provided by the European Investment Bank (EIB) to finance gas storage projects.
Additional resources include a drawdown of 70 million euros from a new line totaling 200 million euros, provided on December 9, 2015 by EDF Sa. This is a credit line provided by the EIB to EDF Sa, which reallocated it to Edison to finance certain Exploration&Production investment projects in Italy. Consequently, it is a special purpose line (usable until December 2017, in which each drawdown has a maximum duration of 10 years) available to Edison substantially on the same favorable terms as those offered by the EIB to companies with EDF's credit rating.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2015. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations.

(in millions of euros)	12.31.2016	12.31.2017	12.31.2018	12.31.2019	12.31.2020	After 5 years	Total
Bonds	28	599	-	-	-	-	627
Financial debt and other financial liabilities:							
- due to banks	45	24	23	17	12	89	210
- due to lease	-	-	1	1	1	-	3
- due to other lenders	261	4	-	8	410	50	733
Gross financial debt	**334**	**627**	**24**	**26**	**423**	**139**	**1,573**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).
The following bond issue floated by the Group (Euro Medium Term Note) with a total face value of 600 million euros was outstanding at December 31, 2015:

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

Outstanding debt obligations of the Group include non-syndicated facilities totaling 1,260 million euros, the unused portion of which was 605 million euros at December 31, 2015, and syndicated facilities amounting to 500 million euros on base club deal fully unused at December 31, 2015.
Consistent with international practice for similar transactions, both the bank loan agreements and the Euro Medium Term Note Program provide the lender bank or the bondholders with the right to demand the payment of the loaned amount and terminate ahead of schedule their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or other proceedings with a similar effect.

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

an obligation of immediate repayment even if just some Edison Group companies were to be declared insolvent.
As for credit line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreements for a syndicated credit line provided to Edison on a Club Deal basis (500 million euros) and the facilities with EDF Investissements Groupe (400 million euros at December 31, 2015) and EDF Sa (600 million euros and 200 million euros) set forth Edison's obligation to comply with certain commitments, which include making sure that the lenders are being afforded a treatment equal to the one offered to other unsecured creditors (pari passu clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause).

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

Lastly, please note that the direct medium/long-term credit line of 135 million euros provided by the European Investment Bank (EIB) to finance natural gas storage projects 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. Similar clauses, albeit less strict, apply to the new credit line of 200 million euro provided by EDF Sa, with EIB funds, to finance some Italian investment projects in the hydrocarbons sector.
Insofar as other Group companies are concerned, the financing facilities provided to some of them, in addition to the clauses described above, include the obligation to comply with and/or maintain certain financial indices. These typically consist of the obligation to maintain financial debt, in itself or in relation to EBITDA, below a certain maximum level and/or ensure that shareholders' equity, in itself or in relation to net financial debt, does not fall below a predetermined minimum value.
At present, the Group is not aware of the existence of any default situation or non-compliance with covenants.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

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

Forward transactions and derivatives can be classified as follows:

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

Fair Value Hierarchy According to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, as at December 31, 2014, the Group hold a category of instruments classified at this level.

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

Instruments Outstanding at December 31, 2015

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)				**Balance sheet value at 12.31.2015 (**)**	Cumulative impact on the income statement at 12.31.2015 (***)	Notional amount at 12.31.2014 (*)	**Balance sheet value at 12.31.2014 (**)**
		due within 1 year	due between 2 and 5 years	due after 5 years	Total			Total	
Interest rate risk management:									
- Fair Value Hedges in accordance with IAS 39	2	-	600	-	600	28	28	825	45
- contracts that do not qualify as hedges in accordance with IAS 39	2	-	-	-	-	-	-	225	(2)
Total interest rate derivatives		**-**	**600**	**-**	**600**	**28**	**28**	**1,050**	**43**

		due within 1 year		due between 2 and 5 years		due after 5 years	Total				Total		
		receivable	payable	receivable	payable		receivable	payable			receivable	payable	
Foreign exchange rate risk management:													
- contracts that qualify as hedges in accordance with IAS 39:													
. on commercial transactions	2	2,143	(548)	894	-	-	3,037	(548)	197	18	4,415	(160)	315
. on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:													
. on commercial transactions	2	742	(373)	159	-	-	901	(373)	67	67	356	(148)	11
. on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total foreign exchange rate derivatives		**2,885**	**(921)**	**1,053**	**-**	**-**	**3,938**	**(921)**	**264**	**85**	**4,771**	**(308)**	**326**

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

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 12.31.2015 (**)	Cumulative impact on the income statement at 12.31.2015 (***)	Notional amount at 12.31.2014 (*)	Balance sheet value at 12.31.2014 (**)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total	(in millions of euros)	(in millions of euros)	Total	(in millions of euros)
Price risk management for energy products										
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:							**(1,190)**	**(26)**		**(976)**
- Natural Gas	2	Millions of therms	(1,264.20)	(504.11)	-	(1,768.31)	333	28	(566.64)	52
- LNG and oil	2	Barrels	44,753,125	20,723,970	-	65,477,095	(1,529)	(55)	46,142,510	(1,038)
- CO2	2	Millions of tons	3.70	2.57	-	6.27	6	1	7.60	10
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39							-	-		-
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margins:							**342**	**342**		**216**
- Electric power	3	TWh	(5.49)	-	-	(5.49)	(14)	(14)	-	-
- Natural Gas	2	Millions of therms	(442)	(658.81)	-	(1,100.81)	292	292	(1,453)	188
- LNG and oil	2	Barrels	(1,418,245)	-	-	(1,418,245)	62	62	(692,250)	25
- CO_2	2	Millions of tons	(0.32)	0.91	-	0.59	2	2	1.75	3
TOTAL							**(848)**	**316**		**(760)**

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

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 12.31.2015 (**)	Cumulative impact on the income statement at 12.31.2015 (***)	Notional amount at 12.31.2014 (*)	Balance sheet value at 12.31.2014 (**)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total	(in millions of euros)	(in millions of euros)	Total	(in millions of euros)
Derivatives							**(66)**	**(66)**		**(39)**
- Electric power	1/2	TWh	(0.10)	(0.16)	(0.02)	(0.28)	(66)	(66)	5.42	(39)
- Natural Gas	2	Millions of therms	(4.27)	2.74	-	(1.53)	-	-	-	-
- LNG and oil	2	Barrels	72,400	-	-	72,400	-	-	-	-
- CO_2	1/2	Millions of tons	(0.32)	0.60	-	0.28	-	-	(0.14)	-
Physical contracts							**78**	**78**		**70**
- Electric power	2/3	TWh	1.95	0.26	0.09	2.30	78	78	(1.49)	64
- Natural gas	2	Millions of therms	13	(21)	-	(8)	-	-	-	2
- Other commodity	2		-	-	-	-	-	-	-	4
TOTAL							**12**	**12**		**31**

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

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2015

Income Statement:

(in millions of euros)	Realized (A)	Fair Value recognized for contracts outstanding at 12.31.2014 (B)	Fair Value recognized for contracts outstanding at 12.31.2015 (C)	Change in Fair Value (D)=(C-B)	Amounts recognized in earnings at 12.31.2015 (A+D)	Amounts recognized in earnings at 12.31.2014
Result from price risk and exchange risk hedges for commodities of which:						
Total definables as hedges pursuant to IAS 39 (CFH) (*)	***(251)***	***11***	***(15)***	***(27)***	***(278)***	***141***
Price risk hedges for energy products	(728)	(15)	(26)	(12)	(740)	125
Exchange risk hedges for commodities	477	26	11	(15)	462	16
Total not definables as hedges pursuant to IAS 39	***193***	***222***	***409***	***188***	***381***	***310***
Price risk hedges for energy products	176	216	342	126	302	308
Exchange risk hedges for commodities	17	6	67	62	79	2
Total price risk and exchange risk hedges for commodities (A)	**(58)**	**233**	**394**	**161**	**103**	**451**
Margin on trading activities of which:						
Margin on physical trading activities (**)	21	70	78	8	29	238
Margin on financial trading activities	2	(39)	(66)	(27)	(25)	(196)
Total margin on trading activities (B)	**23**	**31**	**12**	**(19)**	**4**	**42**
TOTAL INCLUDED IN EBIT (A+B)	**(35)**	**264**	**406**	**142**	**107**	**493**
Result from interest rate hedges:						
Definables as hedges pursuant to IAS 39 (FVH)	20	45	28	(17)	3	18
Not definables as hedges pursuant to IAS 39	(2)	(2)	-	2	-	(2)
Total interest rate hedges (C)	**18**	**43**	**28**	**(15)**	**3**	**16**
Result from exchange rate hedges:						
Definables as hedges pursuant to IAS 39 (CFH)	92	-	7	7	99	12
Not definables as hedges pursuant to IAS 39	28	5	-	(5)	23	15
Total exchange rate hedges (D)	**120**	**5**	**7**	**2**	**122**	**27**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (C+D)	**138**	**48**	**35**	**(13)**	**125**	**43**

(*) Includes the ineffective portion.

(**) Includes the fair value adjustment of trading inventories, the carrying amount of which was immaterial at 12.31.2015

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

(in millions of euros)	12.31.2015		12.31.2014	
	Receivables	**Payables**	Receivables	Payables
Foreign exchange transactions	274	(10)	342	(16)
Interest rate transactions	28	-	45	(2)
Physical Trading transactions	216	(138)	317	(247)
Other commodity transactions	875	(1,789)	461	(1,260)
Fair value recognized as current assets or current liability (a)	**1,393**	**(1,937)**	**1,165**	**(1,525)**
Broken down as follows:				
- recognized as "Other receivables" and "Other liabilities"	1,140	(1,623)	983	(1,198)
- recognized as "Other assets" and "Non-current other liabilities"	225	(314)	137	(325)
- recognized as "Current financial assets" and "Short-term financial debt"	28	-	45	(2)
Broken down on fair value hierarchy:				
- Level 1	25	(16)	33	(21)
- Level 2	1,368	(1,914)	1,129	(1,504)
- Level 3 (*)	-	(7)	3	-
IFRS 7 potential offsetting (b)	**(602)**	**602**	**(478)**	**478**
Potential net Fair Value (a+b)	**791**	**(1,335)**	**687**	**(1,047)**

(*) The fair value classified at Level 3 is recognized in Raw materials and services used.

Fair value on industrial derivatives portfolio and trading activities:

(in millions of euros)	12.31.2015			12.31.2014		
Fair value on industrial derivatives portfolio and trading activities	**Receivables**	**Payables**	**Net amount**	Receivables	Payables	Net amount
Broken down as follows:						
- recognized as "Other receivables" and "Other liabilities"	1,140	(1,623)	(483)	983	(1,198)	(215)
- recognized as "Other assets" and "Non-current other liabilities"	225	(314)	(89)	137	(325)	(188)
Total	**1,365**	**(1,937)**	**(572)**	**1,120**	**(1,523)**	**(403)**
Broken down as follows:						
- on industrial portfolio	1,074	(1,658)	(584)	741	(1,175)	(434)
- on trading activities (physical and financial)	291	(279)	12	379	(348)	31

The **Fair value on industrial derivatives portfolio** is mainly due to hedging activities implemented to mitigate the impact of fluctuations in oil market prices and in exchange rate on contracts to import natural gas. The trend reflects the negative effect inducted by the drawdown trend in the forward prices of hydrocarbons recorded at December 31, 2015, compared to those recorded when hedging was activated; this was partially offset by the positive performance of foreign exchange derivatives.
Please also note that this fair value, for a negative amount by 986 million euros, was recorded in equity in the specific Cash Flow Hedge reserve; this amount is increased compared with December 31, 2014 by 313 million euros due to the dynamics described above.

In addition to the disclosures provided above, specifically with regard to the Fair Value hierarchy as required by IFRS 13, please note that:

- the **available-for-sale investments** include for 3 million euros (4 million euros at December 31, 2014) listed securities classified at level 1 and for 159 million euros (165 million euros at December 31, 2014) unlisted securities classified at level 3;
- the **current financial assets** include for 2 million euros (unchanged compared with December 31, 2014) equity investments held for trading classified at level 1.

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

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, 2015 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	*Related Parties pursuant to IAS 24*			Total for related parties	Total for financial stat. line item	Impact %
	With unconsolidated Edison Group companies	*With controlling companies*	*With other EDF Group companies*			
Balance Sheet transactions:						
Investments in associates	66	-	1	**67**	**67**	**100.0%**
Other financial assets	4	-	-	**4**	**31**	**12.9%**
Trade receivables	2	-	48	**50**	**2,367**	**2.1%**
Other receivables	2	11	15	**28**	**1,654**	**1.7%**
Current financial assets	83	-	-	**83**	**113**	**73.5%**
Long-term financial debt and other financial liabilities	-	70	397	**467**	**640**	**73.0%**
Short-term financial debt	16	152	2	**170**	**306**	**55.6%**
Trade payables	1	2	48	**51**	**1,623**	**3.1%**
Other liabilities	1	197	4	**202**	**2,177**	**9.3%**
Income Statement transactions:						
Sales revenues	2	3	487	**492**	**11,313**	**4.3%**
Other revenues and income	2	1	-	**3**	**804**	**0.4%**
Raw materials and services used	(30)	(16)	(328)	**(374)**	**10,624**	**(3.5%)**
Financial income	6	-	4	**10**	**81**	**12.3%**
Financial expense	-	(2)	(40)	**(42)**	**(149)**	**28.2%**
Net foreign exchange translation gains (losses)	-	110	-	**110**	**39**	**n.m.**

A) Transactions with unconsolidated Edison Group companies

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

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for December 31, 2015 showed a credit of 85 million euros. The latter amount does not include the interim application for reimbursement for 41 million euros.

B) Transactions with controlling companies

Consolidated IRES Return held by Transalpina di Energia Spa

The principal Group's companies agreed to be included in the consolidated corporate income tax (IRES) return filed by Transalpina di Energia Spa (TdE) according to the option exercised for the three-year period from 2013 to 2015. Consequently, the companies included in the consolidated corporate income tax (IRES) return will determine their IRES liability in coordination with the Group's controlling company (TdE).

Further to the decision handed down by the Constitutional Court in February 2015 ruling that the so-called Robin Hood Tax, the IRES surcharge levied on companies in the energy sector, is unconstitutional, the Companies of the Group are no longer required to pay the abovementioned tax, which in any event had to be paid independently by the individual companies, event when they were included in the consolidated IRES return.

Short term deposit

With the aim to optimize available financial resources, Transalpina di Energia Spa provided Edison Spa with funding in the form of a short term deposit; this deposit totaled 95 million euros at December 31, 2015.

Centralized Cash Management System by EDF Sa

Please note that at December 31, 2015, the current account established by Edison Spa with EDF Sa had a debit balance for 57 million euros;

Loans by EDF Sa

The credit line granted by EDF Sa to Edison Spa (face amount of 600 million euros) was renewed for two years at its maturity date of April 9, 2015. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating. This credit line was fully available December 31, 2015.

In addition, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at December 31, 2015. Additional details are disclosed in the paragraph "Liquidity risk" in the Section "Group Financial Risk Management".

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the year amounted to about 16 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized gains for 110 million euros.

C) Transactions with other EDF Group companies

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

1) Operational Transactions

(in millions of euros)	EDF Trading Ltd	EDF EN Service Italia	Citelum	Fenice Group	Others	**Total**
Balance Sheet transactions						
Trade receivables	47	-	-	1	-	**48**
Other receivables	14	-	-	-	1	**15**
Trade payables	41	7	-	-	-	**48**
Other liabilities	4	-	-	-	-	**4**
Income Statement transactions						
Sales Revenues	**466**	**1**	**12**	**6**	**2**	**487**
Electric power and natural gas	368	-	12	6	-	386
Realized commodity derivatives	99	-	-	-	-	99
Margin on physical trading activities	1	-	-	-	-	1
Margin on financial trading activities	(2)	-	-	-	-	(2)
Others	-	1	-	-	2	3
Raw materials and services used	**(299)**	**(29)**	**-**	**-**	**-**	**(328)**
Electric power and natural gas	(224)	-	-	-	-	(224)
Realized commodity derivatives	(75)	-	-	-	-	(75)
Plant maintenance	-	(29)	-	-	-	(29)

2) Financial Transactions

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

Loan by EDF Investissements Groupe Sa

The long-term loan provided to Edison Spa (face amount of 800 million euros with maturity on April 9, 2020) was reimbursed for 400 million euros in December 2015 entailing a one-off cost of 17 million euros. The loan was provided on terms in line with those available in the financial market to companies with Edison's credit rating. The financial expenses accrued during the year amounted to 23 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006, it is worth of mentioning that in the month of November 2015 the arbitration with ENI for the price review of the long-term contract to import natural gas from Libya was concluded positively. This involved a positive effect of 855 million euros (included a significant component attributable to previous years) at EBITDA level and 500 million dollars on net financial debt due to the collection of a portion of the receivable.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in 2015 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

* * * * *

ADDITIONAL DISCLOSURE ABOUT NATURAL GAS AND OIL (unaudited)

1) Reserves of Natural Gas and Oil

"Proven" reserves of gas and oil (P1) are estimated quantities of natural gas and crude oil that it is believed, with reasonable certainty and based on the evidence of available geological and engineering data, can be extracted in future years from known deposits at current economic and operating conditions and at the prices and costs on the date the estimate is made.

"Developed proven" reserves are the quantities of hydrocarbons that it is estimated can be recovered from existing wells with the existing equipment and operating methods.

"Undeveloped proven" reserves are the estimated quantities of hydrocarbons that may be recovered in future years from known deposits with new development investments to drill new wells and build the required production facilities.

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

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

Estimates of proven and probable reserves of natural gas and crude oil at December 31, 2015 were certified at the end of January 2016 by Studio di Ingegneria Mineraria (SIM).

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

The table below shows the changes that occurred during 2015 to estimated proven reserves, developed and undeveloped, of natural gas and crude oil.

Developed and undeveloped proven reserves of natural gas and oil (*)	Italy		Egypt		Other countries		Total	
	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil
Reserves at 12.31.2014 (A)	**8.30**	**37.31**	**10.63**	**8.34**	**8.70**	**4.90**	**27.63**	**50.55**
Changes in 2015:								
- revision of previous estimates	(0.52)	(0.07)	(2.13)	(0.09)	0.20	2.61	(2.45)	2.45
- purchases or sales of mineral rights	-	-	-	-	0.18	3.95	0.18	3.95
- extensions, discoveries and other increases	-	-	-	-	-	-	-	-
- production	(0.39)	(2.55)	(1.38)	(1.41)	(0.32)	(0.39)	(2.09)	(4.35)
Total changes (B)	**(0.91)**	**(2.62)**	**(3.51)**	**(1.50)**	**0.06**	**6.17**	**(4.36)**	**2.05**
Reserves at 12.31.2015 (A+B)	**7.39**	**34.69**	**7.12**	**6.84**	**8.76**	**11.07**	**23.27**	**52.60**

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

In addition to the proven reserves described above, the Edison Group has probable reserves totaling 20.1 billion cubic meters equivalent, of which about 28% is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

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

Capitalized costs at December 31, 2015 relating to hydrocarbons production assets

(in millions of euros)	Italy	Egypt	Other countries	Total
Gross capitalized costs	1,455	1,821	640	3,916
Accum. deprec., amortiz. and writedowns	(895)	(1,135)	(238)	(2,268)
Total net capitalized costs	**560**	**686**	**402**	**1,648**

3) Costs Incurred in 2015 to Acquire, Explore and Develop Natural gas and Crude Oil Deposits

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

Costs incurred in 2015 for acquisitions, exploration and development

(in millions of euros)	Italy	Egypt	Norway	UK (*)	Falkland	Algeria	Other countries	**Total**
Acquisitions	-	4	-	40	-	-	-	44
Exploration costs	-	5	72	18	43	-	1	139
Development costs	82	99	28	18	-	41	-	268
Total incurred costs	**82**	**108**	**100**	**76**	**43**	**41**	**1**	**451**

(*) It includes for 38 million euros the acquisition of a new group of assets (please refers to "Changes in the Scope of Consolidation Compared with December 31, 2014 -Acquisition and Disposal of Assets").

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2015

Contribution in kind of Fenice to Edison

On February 15, 2016 the Board of Directors approved a proposal for the contribution in kind to Edison Spa by Transalpina di Energia Spa, its controlling shareholder, of 100% of its equity stake in Fenice Spa, an EDF Group company specialized in energy solutions and environmental services.

The company will be consolidated line-by-line basis as of the effective date of transfer, expected for April 1, 2016.

With this transaction Edison is aiming to become a key player in the Italian market for energy services, consistent with its strategic objectives, strengthening and broadening its product line.

This transaction will be carried out with an in-kind capital increase reserved for Transalpina di Energia, which will be deliberated by Edison Shareholders' Meeting. The Board of Directors, in determining the terms of Fenice's contribution, adopted all appropriate procedures and safeguards to protect the integrity of Edison's share capital and the interests of minority shareholders.

Milan, February 15, 2016

The Board of Directors

By Marc Benayoun

Chief Executive Officer

SCOPE OF CONSOLIDATION

at December 31, 2015

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2015

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Exercisable voting rights % (d)	Notes
A) Investments in companies included in the scope of consolidation									
A.1) Companies consolidated line by line									
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,291,700,671						
Electric Power Operations									
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl ex Edison Energie Speciali Srl	Milan (IT)	EUR	4,200,000	24.99	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	S	-
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	83.30	83.30	83.30	Edison Spa	S	(i)
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Shen Spa	Milan (IT)	EUR	120,000	100.00	-	100.00	Edison Spa	S	(i)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100,00	100.00	Edison Spa	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	S	(i)
Electric Power Operations - Groups held for sale									
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	S	-
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Norge As	Stavanger (N)	NOK	2,000,000	100.00	-	100.00	Edison International Spa (single shareholder)	S	-
Edison North Sea Ltd	London (GB)	GBP	2	100.00	-	100.00	Edison E&P UK Ltd	S	-
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00 0.00	Edison International Holding Nv Edison Spa	S	-
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (I)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	S	-
Corporate Activities and other sectors									
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
B) Investments in companies valued by the equity method									
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)
Elpedison Bv	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	- (*)	JV	(iii)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	-	JV	(iii)(iv)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	25.0	JV	(iii)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	33,150,000		50.00	Edison International Holding Nv	5.9 (**)	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200		50.00	Edison Energie Speciali Spa (single shareholder)	0.5	JV	(iii)
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
Edf EN Service Italia Srl	Bologna (I)	EUR	10,000		30.00	Edison Spa	1.0	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	2.8	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	2.9	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	4.0	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	22.7	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,419,179		23.53	Edison Spa	-	AC	-
Total investments in companies valued by the equity method							**64.8**		
Groups held for sale									
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000		42.00	Edison Spa	38	JV	(iii)
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	0.9	AC	-
Energia Senales Scarl - Es Scarl	Senales (BZ) (IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	AC	-

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

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

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (e)	Notes
ICGB AD	Sofia (BG)	BGL	33.053.560		50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iii)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2014	Interest held in share capital % (b)	Interest held in share capital by	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions									
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	S	(i)
Presenzano Energia Srl	Milano (I)	EUR	120.000		90,00	Edison Spa	-	CO	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions							**2.4**		
D) Investments in other companies valued at fair value									
D.1) Investments held for trading									
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	2.4	NG	-
Amsc-American Superconductor	Devens (MA) (USA)	USD	139.536		0.11	Edison Spa	0.1	NG	-
D.2) Available-for-sale investments									
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	3.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,818,277		14.45	Edison Spa	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	475,134,602.10		0.90	Edison Spa	2.9	NG	-
Syremont Spa	Messina (IT)	EUR	1,550,000		19.35	Edison Spa	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	159.0	NG	-
Total investments in other companies valued at fair value							**169.3**		
Total equity investments							**236.5**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital at 12.31.2015	Consolidated Group
Companies added to the scope of consolidation in the year ended 12.31.2015				
Acquired companies				
Edison North Sea Ltd	London (GB)	GBP	2	100.00
Shen Spa	Milan (IT)	EUR	120,000	100.00

Company name	Head office	Currency	Share capital at 12.31.2014	Consolidated Group interest at 2015	Consolidated Group interest at 12.31.2014
Companies removed from the scope of consolidation in the year ended 12.31.2015					
Liquidated companies					
Kinopraxia Thisvi	N.kiffissia (GR)	EUR	20,000	65.00	65.00
Companies Into liquidation					
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00

Notes

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

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

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

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

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

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

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

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

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

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

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

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

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CERTIFICATION

of the Consolidated Financial Statements Pursuant to Article 81-*ter* of Consob Regulation No. 11971 of May 14, 1999, as amended

1. We, the undersigned Marc Benayoun, in my capacity as "Chief Executive Officer," Didier Calvez and Roberto Buccelli, in our capacity as "Dirigenti Preposti alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2015:
   a) were adequate in light of the Company's characteristics; and
   b) were properly applied.

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

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

Milan, February 15, 2016

Marc Benayoun

Chief Executive Officer

Didier Calvez
Roberto Buccelli

"Dirigenti Preposti alla redazione dei documenti contabili societari"

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REPORT OF THE INDEPENDENT AUDITORS

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
EDISON S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements, which comprise the income statement, the other comprehensive income statement, the balance sheet, the cash flow statement, the changes in consolidated shareholders' equity, a summary of significant accounting policies and other explanatory information of Edison S.p.A. and its subsidiaries (the "Edison Group") as of December 31, 2015.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view 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° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Edison Group as at December 31, 2015, and of its financial performance and 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° 38/05.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Edison S.p.A., with the consolidated financial statements of the Edison Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Edison Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
February 16, 2016

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