SEMIANNUAL REPORT
at June 30, 2014

EDISON

Contents

SEMIANNUAL REPORT AT JUNE 30, 2014

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

REPORT ON OPERATIONS
at June 30, 2014

Edison Today

Edison is one of Italy's top energy operators. It produces, imports and sells electric power and hydrocarbon products (natural gas and oil).

ELECTRIC POWER

Italian Market in 2014 (First half)			Facilities and Production Capacity in 2014 (First half)		
Total Italian gross demand	***152.9***	***TWh***	Edison's installed capacity	***7.2***	***'000 MW***
Net production of electric power – Total Italy	***132.1***	***TWh***	Net production of electric power – Edison	***8.5***	***TWh***
of which: - thermoelectric production	*79.0*	*TWh*			
- production from renewable sources	*53.1*	*TWh*	Share of total Italian production	***6.4***	***%***

Sources: Pre-closing data by Terna and Edison estimated data.

HYDROCARBONS

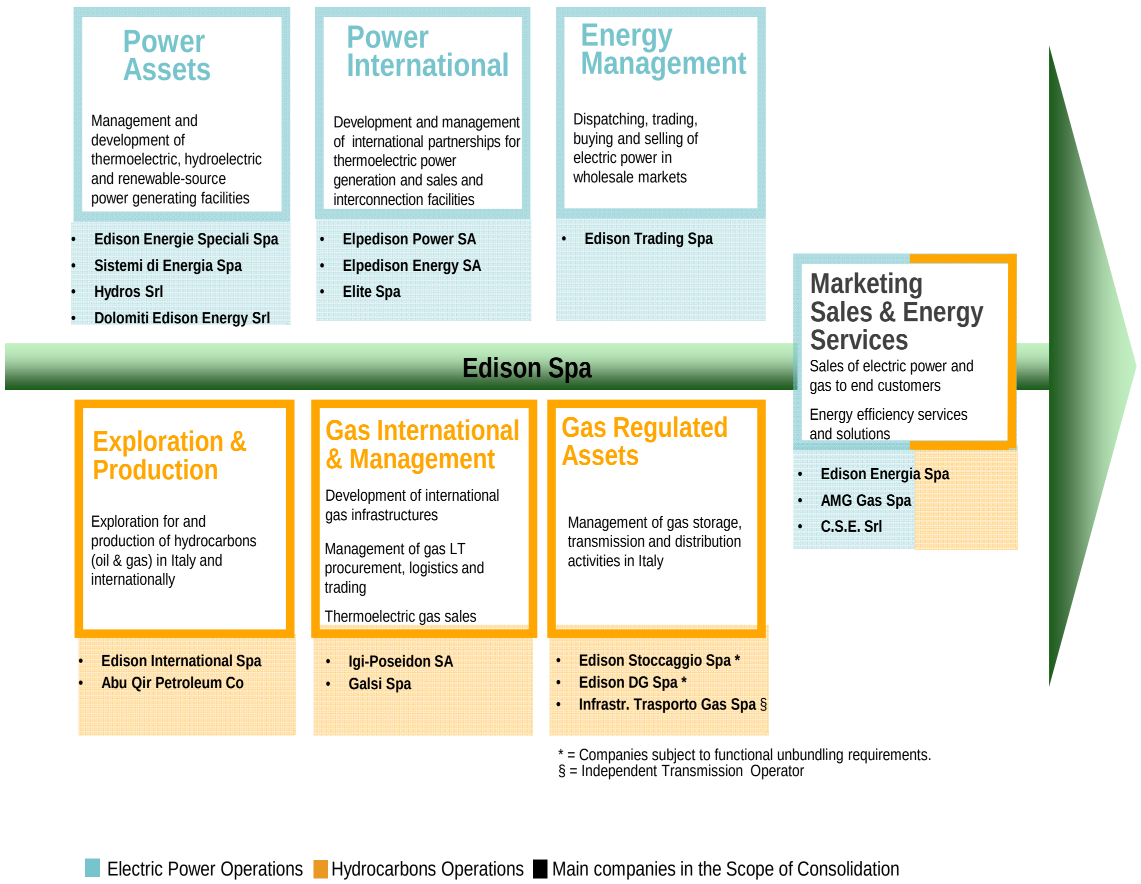
Italian gas Market in 2014 (First half)			Facilities and E&P Production Capacity in 2014 (First half)		
Total Italian demand	***32.6***	***Bill. m^3***			
of which: - production	*3.4*	***Bill. m^3***	Hydrocarbons production – Edison (Italy)	***2.2***	***Mboe***
- import	*29.3*	***Bill. m^3***	Number of concessions and permits in Italy	***58***	
			Hydrocarbons production – Edison (international)	**6.3**	***Mboe***
			Number of concessions and permits outside Italy	**60**	

Edison's sales and presence in Italy 2014 (First half)		
Edison's sales	***6.4***	***Bill. m^3***
Number of storage-center concessions in Italy	***3***	
Gas transmission network (low- and medium-pressure pipelines)	***3.58***	***'000/ km***
Gas transmission network (high-pressure pipelines)	***0.08***	***'000/ km***

Sources: Pre-closing data by the Ministry of Economic Development, Snam Rete Gas and Edison estimated data.

Simplified Structure of the Group at June 30, 2014

Organization and Activities of the Divisions, Business Units and Main Companies in the Scope of Consolidation



(1) – Edison Spa, working through its Business Units and Corporate Activities, is directly engaged in the production of electric power from thermoelectric and hydroelectric power plants, and produces, imports and distributes hydrocarbon products.

Board of Directors, Statutory Auditors and Independent Auditors

Board of Directors [1]

Chairman		Henri Proglio [2]
Chief Executive Officer		Bruno Lescoeur [3]
Directors		Béatrice Bigois [4]
	Independent	Paolo Di Benedetto [5]
		Philippe Esper
	Independent	Gian Maria Gros-Pietro [6]
		Denis Lépée
		Jorge Mora
		Thomas Piquemal [7]
	Independent	Nathalie Tocci [8]
		Nicole Verdier-Naves [9]

Secretary to the Board of Directors Lucrezia Geraci

Board of Statutory Auditors [10]

Chairman	Serenella Rossi
Statutory Auditors	Giuseppe Cagliero
	Leonello Schinasi

Independent Auditors [11]

Deloitte & Touche Spa

(1) Elected by the Shareholders' Meeting of March 22, 2013 for a three-year period ending with the Shareholders' Meeting convened to approve the 2015 annual financial statements.
(2) Confirmed to the post of Chairman by the Shareholders' Meeting on March 22, 2013
(3) Confirmed to the post of Chief Executive Officer by the Board of Directors on March 22, 2013.
(4) Chairman of the Control and Risk Committee.
(5) Chairman of the Compensation Committee and member of the Control and Risk Committee, the Committee of Independent Directors and the Oversight Board.
(6) Chairman of the Committee of Independent Directors, Lead Independent Director and member of the Control and Risk Committee, the Compensation Committee and the Oversight Board.
(7) Member of the Control and Risk Committee.
(8) Member of the Compensation Committee and the Committee of Independent Directors.
(9) Member of the Compensation Committee.
(10) Elected by the Shareholders' Meeting on March 28, 2014 for a three-year period ending with the Shareholders' Meeting convened to approve the 2016 annual financial statements.
(11) Audit assignment awarded by the Shareholders' Meeting of April 26, 2011 for the nine-year period from 2011 to 2019.

Information About the Company's Securities

Number of shares at June 30, 2014

Common shares	5,181,545,824
Savings shares	110,154,847

Shareholders with Significant Holdings at June 30, 2014

	% of voting rights	% interest held
EDF Eléctricité de France Sa [1]	99.476%	97.405%

(1) Held indirectly.

Key Events

Growing Our Business

Edison is awarded 3 new hydrocarbon exploration licenses in Norway

In January 2014, Edison, through its Edison International Spa subsidiary, was awarded three new hydrocarbon exploration and production licenses put out for bids by the Norwegian Oil and Energy Ministry.
The first license, in the Norway Sea, is for Bock PL759, with Edison as operator at 40% in a joint venture with Concedo at 30% and Skagen 44 at 30%; the second license, in the Southern North Sea, is for Block PL727, with Edison as operator at 40% in a joint venture with Concedo at 30% and Skagen 44 at 30%; lastly, the third license, in the Barents Sea, is for Block PL770, with Edison as operator at 60% in a joint venture with North Energy at 20% and Lime at 20%.
All three license allow a two-year period for 3D seismic mapping, at the end of which the partners will have to decide whether to proceed with drilling or relinquish the licenses, under the “drill or drop” provision.

Edison is awarded 2 new hydrocarbon exploration licenses in Egypt

On February 12, 2014, Edison, through its Edison International Spa subsidiary, was awarded two new hydrocarbon exploration and production licenses in Egypt: North Thekah Offshore and South Idku Onshore. The first block, with Edison as operator at 50% in a joint venture with Petroceltic at 50%, is located in a section of the Eastern Egyptian Offshore bordering Israel’s territorial waters; pursuant to contractual obligations, 3D seismic mapping of about 1,500 km^2 will be performed during the first three years The second block, with Edison at 25% and Petroceltic as operator at 75%, is located in the Western Nile Onshore Delta; commitments for the first three years include 3D seismic mapping and the drilling of two exploratory wells.

Edison is awarded a new hydrocarbon exploration license in United Arab Emirates

In April 2014, Edison, through its Edison International Spa subsidiary, acquired through a farm out a 30% interest in the Ras Al Khaima exploration permit in the eponymous emirate, part of the United Arab Emirates. The permit is operated by DNO Al Khalej, which holds the remaining 70%.
By November 15, 2015, following completion of the surveying and seismic data acquisition process, the consortia will decide whether to proceed with drilling or relinquish the license, under the “drill or drop” provision.

Significant Events Occurring After June 30, 2014

Information about events occurring after the end of the six-month period covered by this Report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled “Significant Events Occurring After June 30, 2014.”

Financial Highlights – Focus on Results

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables that follow contain alternative performance indicators that are not included among those provided in the IFRS accounting principles. The methods used to compute these indicators, consistent with the guidelines of the European Securities and Markets Authority (ESMA), are described in the footnotes to the tables.

Starting on January 1, 2014, further to the adoption of the IFRS 11 accounting principle, joint ventures previously consolidated by the proportional method are valued by the equity method; consequently, the data for 2013 were also reclassified. See the sections of the Notes to the Condensed Consolidated Semiannual Financial Statements entitled "Methods applied to the Preparation of the Condensed Semiannual Financial Statements" and "Comparability" for a detailed analysis.

Edison Group

2013 full year (*)	(in millions of euros)	First half 2014	First half2013 (*)	Change %
12,150	Sales revenues	6,092	6,160	*(1.1%)*
970	EBITDA	423	655	*(35.4%)*
8.0%	*as a % of sales revenues*	*6.9%*	*10.6%*	
325	EBIT	333	351	*(5.1%)*
2.7%	*as a % of sales revenues*	*5.5%*	*5.7%*	
98	Net profit (loss) from continuing operations	124	145	*(14.5%)*
-	Net profit (loss) from discontinued operations	-	-	-
96	Profit (loss) attributable to Parent Company shareholders	116	152	*(23.7%)*
171	Capital expenditures for continuing operations	112	77	*45.5%*
92	Investments in exploration	30	28	*7.1%*
9,690	Net invested capital (A + B)(1)	9,694	10,020	*0.0%*
2,451	Net financial debt (A)(1)(2)	2,264	2,748	*(7.6%)*
7,239	Total shareholders' equity (B)(1)	7,430	7,272	*2.6%*
7,126	Shareholders' equity attributable to Parent Company shareholders(1)	7,315	7,166	*2.7%*
3.48%	ROI (3)	7.11%	7.38%	
1.35%	ROE (4)	3.21%	4.28%	
0.34	Debt / Equity ratio (A/B)	0.30	0.38	
25%	Gearing (A/A+B)	23%	27%	
3,183	Number of employees (1)(5)	3,145	3,193	*(1.2%)*

(1) End-of-period data. The changes are computed against the data at December 31, 2013.
(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Condensed Consolidated Semiannual Financial Statements.
(3) Annualized EBIT/Average net invested capital from continuing operations.
Net invested capital from continuing operations does not include the value of equity investments held as non-current assets and is computed as the arithmetic average of the net invested capital at the end of the period and at the end of the previous year.
(4) Annualized Group interest in result/Average shareholders' equity attributable to Parent Company shareholders.
Average shareholders' equity is the arithmetic average of the Group interest in shareholders' equity at the end of the period and at the end of the previous year.
(5) Companies consolidated line by line.
(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Edison Spa

2013 full year	(in millions of euros)	First half 2014	First half 2013	Change %
5,601	Sales revenues	2,230	2,925	*(23.8%)*
60	EBITDA	(131)	161	*n.m.*
1.1%	*as a % of sales revenues*	*n.m.*	*5.5%*	
(177)	EBIT	(87)	70	*n.m.*
n.m.	*as a % of sales revenues*	*n.m.*	*2.4%*	
78	Net profit (loss) from continuing operations	15	102	*(85.3%)*
-	Net profit (loss) from discontinued operations	-	-	-
78	Net profit (loss)	15	102	*(85.3%)*
90	Capital expenditures	60	45	*33.3%*
6,745	Net invested capital	6,472	6,840	*(4.0%)*
746	Net financial debt	422	819	*(43.4%)*
5.999	Shareholders’ equity	6,050	6,021	*0.9%*
0.12	Debt/Equity ratio	0.07	0.14	
1,552	Number of employees	1,505	1,574	*(1.1%)*

Sales Revenues and EBITDA by Business Segment

2013 full year (*)	(in millions of euros)	First half 2014	First half 2013 (*)	change %
	Electric Power Operations (1)			
7,136	Sales revenues	4,011	3,543	*13.2%*
656	Reported EBITDA	356	342	*4.1%*
666	Adjusted EBITDA (**)	364	353	*3.1%*
	Hydrocarbons Operations (1)			
5,870	Sales revenues	2,424	3,047	*(20.4%)*
425	Reported EBITDA	126	361	*(65.1%)*
415	Adjusted EBITDA (**)	118	350	*(66.3%)*
	Corporate Activities and Other Segments (2)			
52	Sales revenues	23	24	*(4.2%)*
(111)	EBITDA	(59)	(48)	*(22.9%)*
	Eliminations			
(908)	Sales revenues	(366)	(454)	*19.4%*
	EBITDA			
	Edison Group			
12,150	**Sales revenues**	**6,092**	**6,160**	***(1.1%)***
970	**EBITDA**	**423**	**655**	***(35.4%)***
8.0%	***as a % of sales revenues***	***6.9%***	***10.6%***	

(1) See the Simplified Structure of the Group on page 5.
(2) Includes those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and certain holding companies and real estate companies.

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

(**) Adjusted EBITDA reflect the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. This reclassification is being made to allow a better operational presentation of the Group's industrial results.
Adjusted EBITDA are not verified by the Independent Auditors.

Performance and Results of the Group in the First Half of 2014

Operating Performance

In the first half of 2014, sales revenues totaled 6,092 million euros, virtually unchanged compared with the same period last year.
At the individual sector level, revenues were up 13.2% for the Electric Power Operations, due mainly to an increase in sales volumes, but decreased by 20.4% for the Hydrocarbons Operations as a result of the lower volumes sold and a reduction in average sale prices that reflected trends in the benchmark scenario.

EBITDA totaled 423 million euros, or 232 million euros less than in the first half of 2013 (655 million euros).
This result is attributable:

- for 118 million euros to the Hydrocarbon Operations (for a reduction of 232 million euros compared with the adjusted EBITDA[1] of the first six months of 2013) and, more specifically, to the positive margins of the Exploration and Production activities and the Regulated Gas Infrastructures, net of the loss in the gas buying and selling business, which continues to be characterized by negative unit sales margins. The decrease reflects the impact of positive nonrecurring components resulting from the price revisions of contracts to supply natural gas from Algeria and Qatar that boosted EBITDA in the first half of 2013;
- for 364 million euros to the Electric Power Operations (up 11 million euros compared with the adjusted EBITDA[1] of the first six months of 2013) which benefited from the management of the Group's thermoelectric, hydroelectric and renewable-source power plants, the contribution of dispatching activities, the optimization of the facilities portfolio in the spot and wholesale markets and sales to end customers.

For a more detailed analysis of the performance in the first half of 2014, please see the comments in the section of this Report entitled "Performance of the Group's Businesses."

EBIT, positive by 333 million euros, reflect, in addition to the factors mentioned above, depreciation and amortization and writedowns totaling 247 million euros and a net positive change in the fair value of derivatives (commodities and foreign exchange) of 157 million euros (negative change of 18 million euros in the first half of 2013). Depreciation, amortization and writedowns decreased by 39 million euros mainly as a result of lower writedowns of non-current assets.

The net result from continuing operations, which is after net financial expense of 82 million euros, amounted to 124 million euros (145 million euros in the first half of 2013).

At June 30, 2014, net financial debt amounted to 2,264 million euros (2,748 million euros at June 30, 2013), for a decrease of 187 million euros compared with the 2,451 million euros owed at December 31, 2013.

(1) See note on page 10.

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

2013 full year (*)	(in millions of euros)	First half 2014	First half 2013 (*)
(2,508)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF THE PERIOD**	**(2,451)**	**(2,508)**
970	EBITDA	423	655
(82)	Change in operating working capital	150	(294)
(220)	Income taxes paid (-)	(124)	(66)
(176)	Change in other assets (liabilities)	(13)	(378)
492	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**436**	**(83)**
(263)	Investments in property, plant and equipment and intangibles (-)	(142)	(105)
(4)	Investments in non-current financial assets (-)	-	-
(56)	Acquisition price of business combinations (-)	-	-
8	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	31	-
7	Capital distributions from equity investments	3	2
5	Dividends received	4	5
189	**C. FREE CASH FLOW**	**332**	**(181)**
(112)	Financial income (expense), net	(82)	(39)
-	Contributions of share capital and reserves	-	-
(20)	Dividends paid (-)	(63)	(20)
57	**D. CASH FLOW AFTER FINANCING ACTIVITIES**	**187**	**(240)**
-	Discontinued operations	-	-
57	**E. NET CASH FLOW FOR THE PERIOD**	**187**	**(240)**
(2,451)	**F. NET FINANCIAL (DEBT) AT END OF THE PERIOD**	**(2,264)**	**(2,748)**

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Condensed Consolidated Semiannual Financial Statements.

Outlook and Expected Year-end Results

The Group reaffirms its ability to generate EBITDA of 1 billion euros on a regular basis, the exact amount of which may vary depending on the timing of the price reviews of the long-term contracts for the natural gas supply. Edison is currently engaged in the second phase of the price review processes, which it expects to complete in 2014/2015. In 2014, net of any effect of the abovementioned renegotiations and considering first-half performance, EBITDA are expected to significantly exceed 600 million euros.

Edison and the Financial Markets

Stock Market Price and Other per Share Data

	June 30, 2014	December 31, 2013
Edison Spa		
Stock market price (in euros) [(1)] :		
- common shares [(2)]	-	-
- savings shares	0.9413	0.9592
Number of shares (at end of period):		
- common shares	5,181,545,824	5,181,545,824
- savings shares	110,154,847	110,154,847
Total shares	**5,291,700,671**	**5,291,700,671**
Edison Group		
Profit (Loss) per share: [(3)] :		
basic earnings per common share	0.0213	0.0175
basic earnings per savings share	0.0513	0.0475
diluted earnings per common share	0.0213	0.0175
diluted earnings per savings share	0.0513	0.0475
Group interest in shareholders' equity per share (in euros)	1.382	1.347

(1) Simple arithmetic average of the prices for the last calendar month of the period.
(2) Delisted as of September 10, 2012.
(3) Computed in accordance with IAS 38.

Other Financial Indicators

Rating		Current	December 31, 2013
Standard & Poor's			
	Medium/long-term rating	BBB+	BBB+
	Medium/long-term outlook	Stable	Stable
	Short-term rating	A-2	A-2
Moody's			
	Rating	Baa3	Baa3
	Medium/long-term outlook	Stable	Stable

Economic Framework

In the first half of 2014, global economic growth was not as strong as expected, due to the negative impact of a slowing in the United States, geopolitical tension between Russia and Ukraine and a rate of expansion that was less robust than in previous years in China and the emerging countries in general. On the other hand, positive signs developed in the Eurozone, Great Britain, Japan and India.

More specifically, the U.S. economy felt the effect of a particularly cold winter, consumer spending grew only slightly and below expectations, while investments and exports contracted.

Russia was adversely affected by contrasts with Ukraine and the West in general, which generated uncertainties with an impact on investment decisions and business confidence, triggering a massive flight of capital from that country.

China seems to be stabilizing on a growth track that, while more modest, is more sustainable than the high expansion rates of previous years, which brought to that country economic, financial, environmental and social imbalances that are no longer tolerable. The reforms implemented in China had repercussions on the emerging economies that are closely tied to the Chinese economy; however, this did not hinder expansion in some Asian economies, India in particular, which thus managed to leave behind a difficult period.

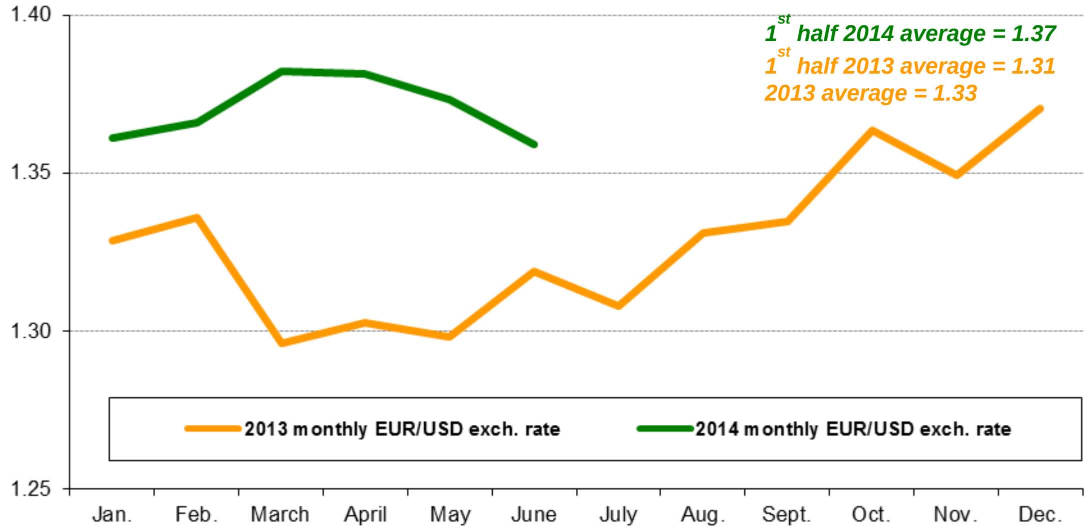
In Japan, after a period of government programs to stimulate the economy and expansionary monetary policy, the first restrictive measure was the main driver of the upward spike of the Japanese economy in the first quarter of 2014. Specifically, the decision to increase taxes on consumption starting on April 1 concentrated purchases, particularly of durable goods, in the first three mount of the year, propelling GDP higher; capital investments by businesses also showed healthy growth. However, consumer spending have not helped the growth equally in the second quarter of the year, justifying expectations of an economic contraction.

The United Kingdom saw a continuation of the positive growth signs experienced in 2013, which reflected the impact of strong internal demand, driven by gains both in wage and employment levels, while the surplus industrial production capacity inherited from the economic crisis made it possible to continue on an expansion path without an excessive risk of inflation.

The Eurozone showed modest signs of a recovery, thanks to a rising internal demand, supported by an accommodating monetary policy, low borrowing costs and gains in real income made possible by the containment of energy prices. While improving, in line with this modest recovery, unemployment remained high with significant disparities between different countries and age groups. Italy is one of the countries where the unemployment rate is continuing to increase; nevertheless, the overall situation in Italy is finally showing signs of improvement, with an increase in confidence indices, thanks in part to the achievement of greater political stability.

Insofar as the euro/U.S. dollar exchange rate is concerned, the trend in the first half of 2014 shows a rising euro versus the U.S. dollar with the exchange rate averaging 1.37 USD for one euro, up compared with the same period last year (1.31 USD for one euro), having fluctuated between a low of 1.349 at the beginning of February and a high of 1.395 on May 12, followed by a downward trend that reflected market expectations that the ECB would intervene with expansionary monetary policies to contain the risk of excessively low inflation. These expectations were confirmed at the June 5 meeting of the ECB's Governing Council, which resolved to implement a series of programs aimed, first of all, at supporting price levels and, second of all, at bolstering credit availability: one of the main actions taken was to cut to 0.15%, an all-time low, the benchmark rate for principal refinancing transactions and other long-term refinancing transactions with the aim of supporting the availability of credit to households and non-financial companies. All of these programs were aimed at lowering inflation levels close to the 2% mark, a primary objective of the ECB mandate.

EUR/USD



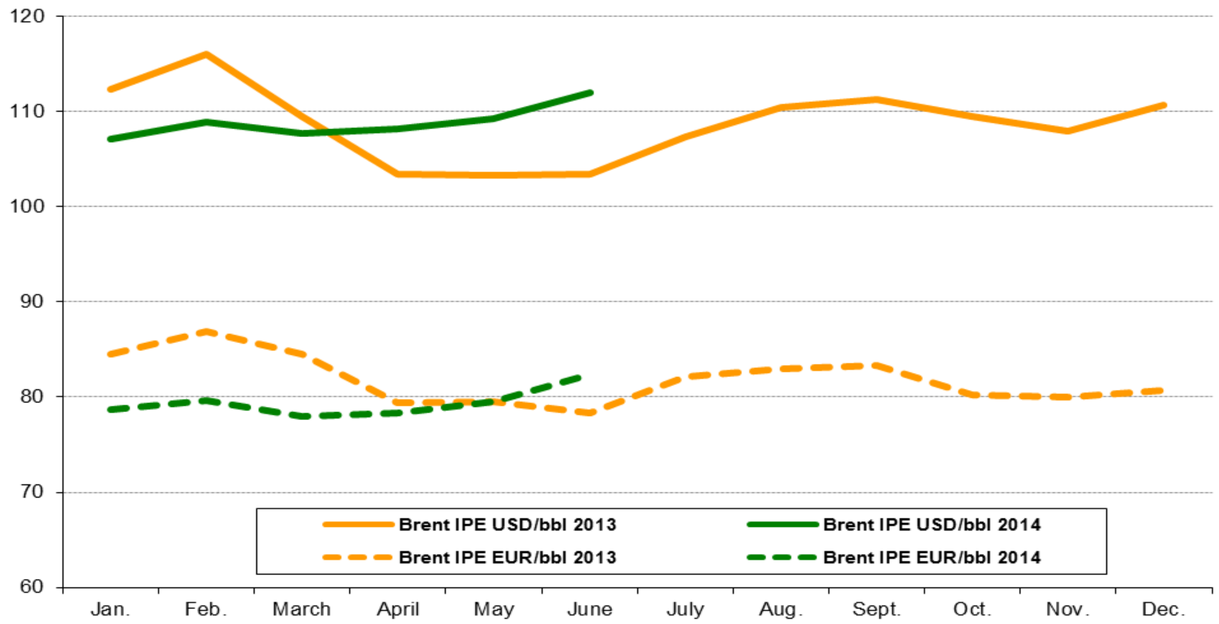
At 108.8 USD per barrel, the price of crude oil in the first half of 2014 was up 0.8% compared with the same period last year: Brent prices continued to be characterized by low volatility, holding relatively steady at an average of 108 USD per barrel; the price in euros was down slightly, decreasing by 3.4% due to the appreciation of the euro versus the U.S. dollar.

Fundamentals in the oil markets do not justify expectations in demand-supply imbalances because, on the supply side, a potential reduction in production by the OPEC countries, which despite the ongoing political crises have always been able to achieve a production ceiling of 30 million barrels a day, could be offset by the steady increase in production in the United States, where imports continue to account for a steadily declining share of demand, increasingly met instead by rising domestic production (+14% in the first half of 2014). On the demand side, according to the International Energy Agency, growth will be in line the moderate rate of economic expansion.

The table and chart that follow show the average data for the first half of the year and the monthly trends for 2014 and 2013:

2013 full year		First half 2014	First half 2013	% change
108.7	Oil price in USD/bbl[1]	108.8	108.0	*0.8%*
1.33	USD/EUR exchange rate	1.37	1.31	*4.3%*
81.9	Oil price in EUR/bbl	79.4	82.2	*(3.4%)*

(1) Brent IPE



On the Atlantic market, coal prices were also down (-7.8% in the first six months of 2014), due to an exceptionally warm winter that depressed both gas prices and coal prices. In some countries in Northern Europe, Great Britain for example, production from CCGT facilities increased, to the detriment of coal fired plants, due to the availability of particularly low spot gas prices.

Gas prices on the main European hubs were down sharply, with even bigger declines in comparison with the price on the Virtual Exchange Facility (-16.5%): in the first half of 2014, the price of gas decreased by 21% on the TTF (main European gas hub) and by 20% on NCG in Germany. The trend was the same at all other European gas hubs (Zeebrugge -21%, NBP -22%, VTP -16%).

In the first six months of 2014, in the CO_2 emissions rights market, the average value of ETS credits held at a level that, while relatively low (5.60 euros per ton), was higher than in the same period in 2013 (4.20 euros per ton). While in the first quarter the price of ETS credits was boosted by the approval of the quota backloading plan, rising to a high 7.30 euros per ton on February 21, 2014, it gradually decreased in the second quarter, falling back to an average value 5.60 euros per ton in June, due to the fact that data about electric power demand and production in the main countries continued to point to a rather modest outlook for the balance of the year.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

2013 full year	TWh	First half 2014	First half 2013	% change
277.4	Net production:	132.1	137.6	*(4.0%)*
182.5	*- Thermoelectric*	*79.0*	*87.9*	*(10.1%)*
52.5	*- Hydroelectric*	*30.4*	*27.3*	*11.1%*
42.3	*- Other renewables(1)*	*22.7*	*22.4*	*1.5%*
42.2	Net imports	22.3	21.4	*4.1%*
(2.4)	Pumping consumption	(1.4)	(1.3)	*2.3%*
317.1	**Total demand**	**152.9**	**157.6**	***(3.0%)***

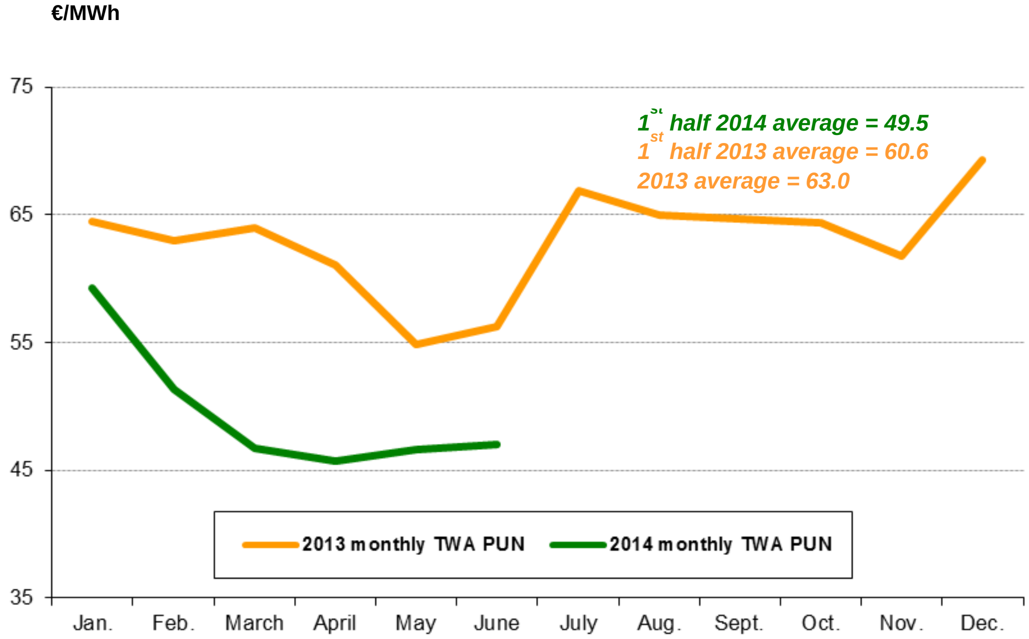
Source: Analysis of 2013 data and pre-closing 2014 Terna data, before line losses.
(1) Includes production from geothermal, wind power and photovoltaic facilities.

In the first half of 2014, total gross demand for electric power from the Italian grid decreased to 152.9 TWh (TWh = 1 billion kWh), or 3.0% less than in the same period last year. On a seasonally adjusted basis (i.e., eliminating the impact of changes in the number of business days), the reduction in demand shrinks to -2.8%.
Net national production declined by 5.5 TWh as the combined result of a contraction of 4.7 TWh in demand for electric power and an increase of 0.9 TWh in net electric power imports. National production for the first six months of the year, net of pumping consumption, was equal to 86% of demand, down slightly (-1%) compared with the first half of 2013, with net imports covering the remaining 14%.

As was the case in 2013, the drop in net national production is attributable in its entirety to the thermoelectric sector (-10.1% compared with the first half of 2013), which was again adversely affected by a gain in hydroelectric production (+11.1% compared with the same period last year) made possible by abundant rainfall during the first six months of the year, and a modest increase in production from other renewable sources (+1.5% compared with the first half of 2013).
More specifically, an increase in production by photovoltaic facilities (+0.9 TWh compared with the first half of 2013) and an improved performance by geothermal power plants (+0.1% compared with the first half of 2013) more than offset a decrease in the output of wind farms (-0.7 TWh) caused by less windy conditions than in the same period last year.

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) decreased to 49.5 euros per MWh at June 30, 2014, down by 18.4% compared with the first six months of 2013 (60.6 euros per MWh).
The biggest price drops occurred in March and April (-27% and -25%, respectively), as a sharp decrease in demand for gas caused by an exceptionally warm winter drove gas prices lower on the Virtual Exchange Facility, which, in turn, depressed electric power prices.

The chart below shows the monthly trends and provides a comparison with the first six months of 2013:



Germany and France also reported a significant reduction in electric power prices for the same reasons that drove prices lower in the Italian market: a mild winter caused French and German energy prices to decrease by 21% and 14%, respectively, in the first half of 2014, compared with the same period last year. The differential with France narrowed, contracting from 16.7 euros per MWh in the first six month of 2013 to14.8 euros per MWh in 2014. The same was true for the Italy-Germany differential, which contracted from 23.1 euros per MWh to 17,1 euros per MWh.

Demand for Natural Gas in Italy and Market Environment

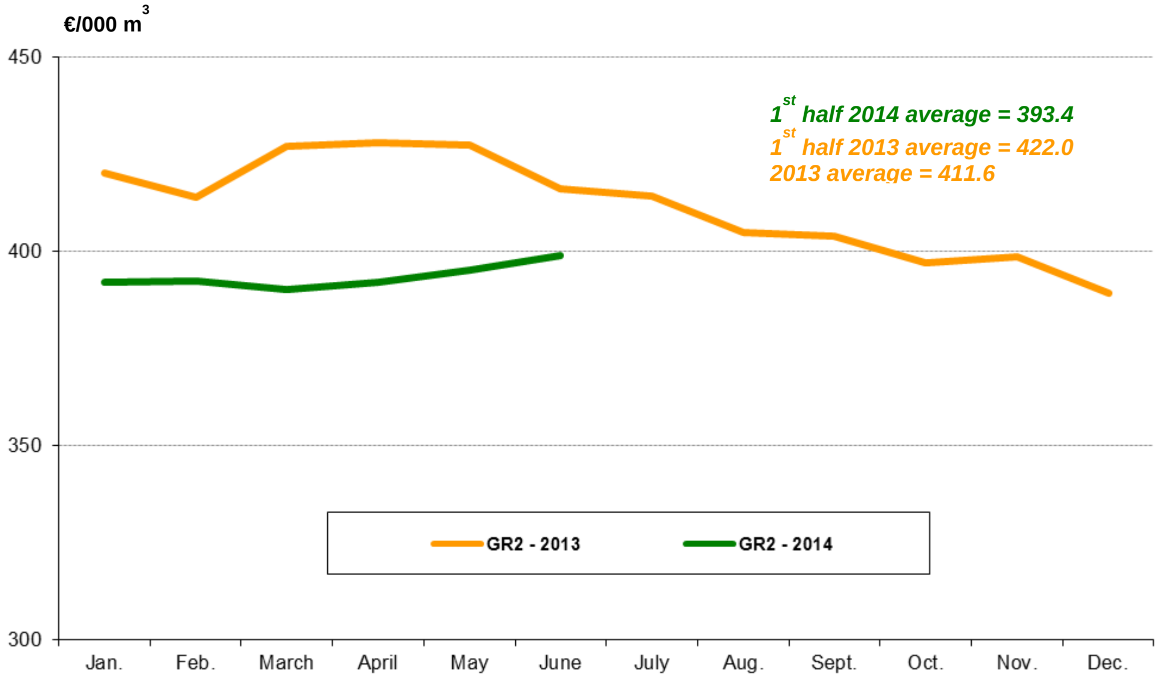
2013 full year	in billions of m^3	First half 2014	First half 2013	% change
30.4	Services and residential customers	15.1	18.8	*(19.7%)*
16.9	Industrial users	8.7	8.8	*(1.0%)*
20.7	Thermoelectric power plants	8.2	9.8	*(16.2%)*
1.5	System usage and leaks	0.6	0.7	*(12.4%)*
69.5	**Total demand**	**32.6**	**38.1**	***(14.4%)***

Source: 2013 data and 2014 preliminary data from Snam Rete Gas and the Ministry of Economic Development and Edison estimates.

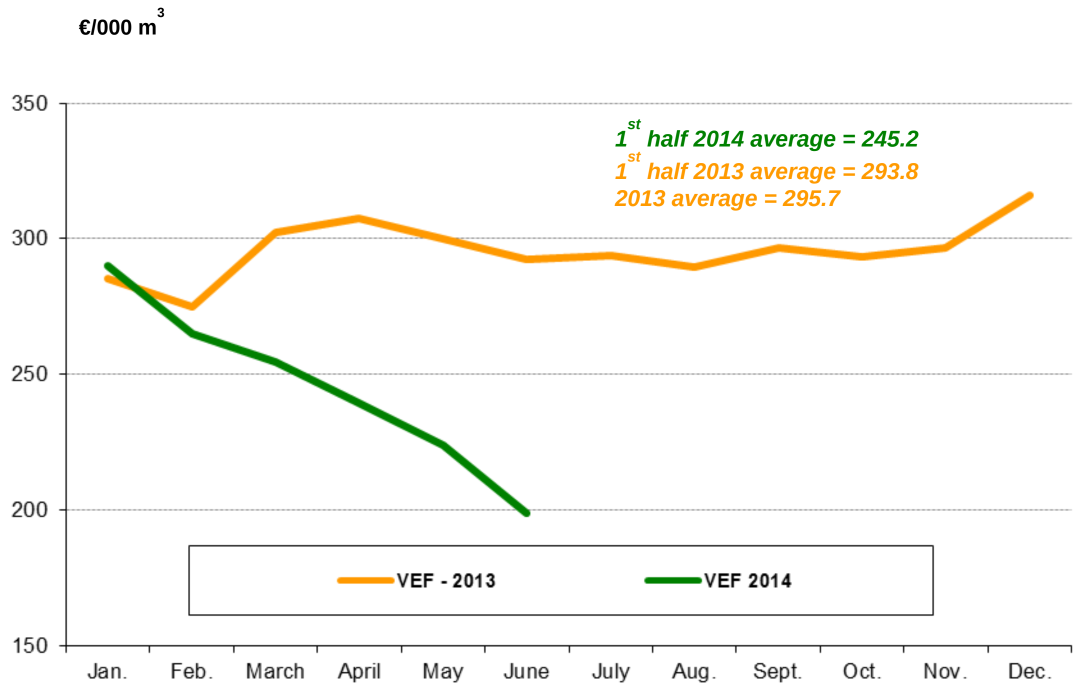
In the first half of 2014, Italian demand for natural gas was down significantly, contracting by 14.4% compared with the same period last year to a total of about 32.6 billion cubic meters, for an overall reduction of about 5.5 billion cubic meters.
The main reason for this decrease is a major contraction in consumption by residential customers (reduction of 3.7 billion cubic meters; -19.7%, compared with the first half of 2013) caused by unusually mild weather during the winter months. Gas consumption by thermoelectric power plants also continued to decline (-1.6 billion cubic meters; -16.2%, compared with the first half of 2013), due both to the growing contribution provided by renewable-source generating facilities and an overall decrease in electric power that reflected the significant impact of weather conditions during the reporting period, with warm temperatures in January, February and March significantly above the seasonal averages.
Demand from industrial users reported a further slight decline (-0.1 billion cubic meters; -1.0%, compared with the first half of 2013), confirming stable below pre-crisis levels.

The following developments characterized supply sources in the first half of 2014:
- lower domestic production (-0.3 billion cubic meters; -8% compared with the first six month of 2013);
- lower gas imports than in the first six months of 2013 (-1.4 billion cubic meters; -5%);
- a net increase in the volumes of stored gas inventories (0.1 billion cubic meters added in the first half of 2014, as against 3.6 billion euros withdrawn in the first six month of 2013), due to lower withdrawals during the winter months and higher additions in spring.

The monthly trend for prices of indexed gas (depicted in the chart below, which uses the Gas Release 2 formula as a benchmark) shows a reduction of 6.8% in the first six months of 2014 compared with the same period last year. This trend reflects the combined impact of relatively steady prices for crude oil and the petroleum products included in the formula and the appreciation of the euro versus the U.S. dollar.



The monthly trend for gas prices on the spot market, depicted in the chart below, which uses the price on the Virtual Exchange Facility (VEF) as a benchmark, shows a very significant drop in the price of natural gas in the first half of 2014 (-16.5%) compared with the same period last year. The price decline was relatively modest in the first quarter of 2014 (-6%), but became much steeper in the second quarter (-27%), as the mild winter both reduced gas demand in the winter months and left gas storage facilities relatively full. At the end of the gas release period (March 31, 2014), the system showed that stored gas totaled 3.3 billion cubic meters, or 1.7 billion cubic meters more than at March 31, 2013. The level of stored gas, coupled with the rigidity of gas contracts, produced a structural gas surplus during the summer, when demand is typically very low, putting downward pressure on prices.



The table below shows average semiannual prices for the Gas Release 2 and at the Virtual Exchange Facility:

2013 full year		First half 2014	First half 2013	% change
411.6	Gas Release 2 - euros/000 m^3 (1)	393.4	422.0	*(6.8%)*
295.7	Virtual Exchange Facility – euros/000 m^3	245.2	293.8	*(16.5%)*

(1) Gas Release 2: Gas sold by ENI to competitors pursuant to a 2007 resolution by the Antitrust Authority. It reflects the trend of natural gas prices under long-term supply contracts. The price is the one quoted on the Virtual Exchange Facility.

The CMEM rate component, which is indicative of the prices charged in the residential market, is fully indexes to prices on the TTF as of the 2013-2014 thermal year, as per Resolution No. 196/2013/R/GAS, and, consequently, is reflective of the trend in European spot gas prices commented above. The average value of the CMEM component in the first half of 2014 was 301 euros per thousand cubic meters.

Legislative and Regulatory Framework

The main legislative and regulatory measures enacted in the first half of 2014 that had an impact on the various businesses of the Group are reviewed below.

Electric Power

Environment

Law No. 23 of March 11, 2014, "Taxing Authority Delegation Law" (published on March 12, 2014, in Issue No. 59 of the *Official Gazette of the Italian Republic)*, which sets forth *"Provisions for a more equitable, transparent and growth oriented taxation system,"* went into effect on March 27, 2014. Article 15 sets forth provisions concerning "Taxation in the Energy and Environmental Fields" aimed at steering the market towards sustainable consumption and production modalities and revise the rule governing excise taxes on energy products and electric power, taking also into account carbon content and emissions of nitric oxide and sulfur oxide, consistent with the principles that will be adopted with the approval of the proposed amendment to Directive No. 2003/96/EC, as mentioned in Communication No. COM(2011)169 published by the Commission on April 13, 2011.

"Power Bill Cutter" Decree Law: Decree Law No. 91 of June 24, 2014, which sets forth "Urgent provisions for the agricultural sector, the protection of the environment, the enhancement of energy efficiency in the construction of school and university buildings, the relaunching and development of businesses, the reduction of costs burdening electric power rates and the immediate definition of activities to comply with E.U. regulations," was published on June 24, 2014 in Issue No. 144 of the *Official Gazette of the Italian Republic*. This decree law contains some provisions that are relevant to the Company in the following areas:

1) User Efficiency Services (UESs):
   a) a fee equal to 5% of the unit amounts payable for energy drawn from the national grid is chargeable for UESs operational by December 31, 2014;
   b) for UESs operational after December 31, 2014
      - a fee equal to 5% of the unit amounts payable for energy drawn from the national grid is chargeable if no government incentives for the energy produced are accessed;
      - a fee equal to 10% of the unit amounts payable for energy drawn from the national grid is chargeable if government incentives for the energy produced are accessed (e.g., incentives for renewables).

   Starting on January 1, 2016, these percentages may be updated by the Ministry of Economic Development, maintaining the differentiation between incentivized and non-incentivized energy.
2) Photovoltaic Energy Account: the decree call for a remodulation of the incentivizing system by:
   a) remodulating the incentive from 20 to 24 years effective as January 1, 2015 for facilities with a rated capacity of more than 200 kW;

b) the remodulation will determined based on the remaining incentivized period and by applying a reduction percentage commensurate with the remaining incentivized period (for a remaining period of 12 years, the reduction percentage is 25%; for a remaining period of more than 19 years, the reduction percentage is 17%);

c) alternatively, if the owners of solar photovoltaic facilities opt for a reduction of 8% of the incentive offered on the decree's implementation date, the remodulation will not be applicable (choice to be made by November 30, 2014, with the reduction applicable starting on January 1, 2015).

The process of converting the decree into law is currently in progress.

Wholesale Market

Remuneration of production capacity: In January 2014, the Electric Power and Gas Authority (AEEG) launched a specific procedure aimed at implementing the provision of the 2013 Stability Law concerning flexibility criteria for the remuneration of production capacity. A consultation document explaining the AEEG's view with regard both to the provisional mechanism and the full-implementation mechanism was published at the end of May.

Facilities that are essential for the reliability of the electrical system: Facilities classified as essentials for 2014 included San Quirico (included with cost reimbursement status) and Milazzo (included in alternative modalities with a contract with Terna for the forward step-up supply of reserve on the Dispatching Services Market). Up until its sale, the Porcari power plant was also classified as essential (regular status with reimbursement only of variable costs during essential operation hours). The Torviscosa power plant, initially identified by Terna as essential, was removed from the list, having been denied cost reimbursement status: this facility is thus free to offer power on the market without any restriction.

Dispatching for renewable sources: The "Destination Italy" decree law, converted into law in February 2014, in practice eliminated the minimum guaranteed prices for all renewable-source facilities, except for photovoltaic systems of up to 100 kW and hydroelectric power plants of up to 500 kW. All other facilities will be fully exposed to zonal pricing. In June 2014, the Council of Stare permanently voided Resolution No. 281/12 concerning the introduction of imbalance compensation penalties for non-programmable renewable-source facilities and ordered the AEEG to revise the regulations in this area, taking into account the different extent to which the sources may be programmable. This issue will the subject of discussions in the next quarter.

Private network, RIU and SEU: In March 2014, Enel Distribuzione challenged a resolution concerning San Quirico, by which the AEEG recognized Edison's right to obtain an agreement for the remuneration and use of its assets by the distributor.

Retail Market

Indemnification System: Edison Energia Spa filed a challenge against the AEEG Resolutions No. 99/2012/R/eel and No. 195/2012/R/eel with the Regional Administrative Court of Lombardy. Subsequently, Edison began a constructive dialog with the AEEG that ended with the withdrawal of the challenge in January 2014. The dialog with the AEEG about the different mechanisms concerning the retail market (tool to minimize credit risks, distributor/seller relationship, simplification of customer invoices and commercial quality obligations, development of post-metering systems) is continuing, with important progress expected in the coming months, with the publication of consultation documents and resolutions in this area.

Reactivation of the project for the definition of the standardized network code for electric power distribution: At the end of 2013, the AEEG reactivated the project for the definition of the standardized network code for the electric power distribution system. During the initial phase, the focus of the project was on adopting provisional measured aimed at resolving some problems that had arisen with regard to billing for the transmission service and determining the guarantees required of operators for the purpose of accessing the service. On March 14, 2014, the AEEG convened the first meeting of the Work Group for the electric power standardized network code. The main items on the meeting's agenda included: provision of guarantees to access the distribution service (determination of the amount of the guarantees and definition of the types of guarantees allowed) and billing for transmission services (standardization of transmission invoices and payment terms). Edison attended the meeting as a Federestrattiva representative. In June, the AEEG published a consultation document that contains all of the recommendations discussed by the Work Group.

Integrated Information System: On June 23, 2014, the AEEG published Resolution No. 296/2014/R/gas by which it set forth provisions governing the preliminary activities for the implementation of the Integrated Information System for the natural gas sector, establishing rules for the accreditation of users and distributors and the initial population of the official central register.

Hydrocarbons

Rates and Market

Rate regulations of the transmission system for the 2014-2017 regulatory period (Resolution No. 514/2013/R/gas): The new regulation substantially confirms the old regulation, continuing to call, during the next regulatory period, for the adoption of a variable charge and a fixed charge for reserved transmission capacity. However, both the new rate structure (applied starting in January 2014) and the transmission capacity allocation criteria may be revised during the regulatory period, partly to ensure compliance with the European network code.
In addition, the regional charge for redelivery point located within 15 km from the national network is being gradually eliminated, as are the reductions of this charge for off-peak usage and the startup of new redelivery points. Lastly, a re-proportioning coefficient of the charge for daily capacity conveyances at the entry points is being introduced.

Gas balancing (Resolutions No. 27/2014/R/gas and No. 57/2014/R/gas): Starting on February 1, 2014, new flexibility resources were gradually introduced for the offer side on the G-1 balancing platform: in addition to pipeline imports, active since November 2013, it is also possible to offer:

- resources resulting from unused delivery/injection capacity of the transmission operator Snam Rete Gas;
- additional delivery capacity provided by Stogit to its users;
- available capacity from Edison Stoccaggio;
- guaranteed flexibility in managing the existing gas in the transmission network (line pack space).

Fourth regulatory period for calls for tenders for area gas distribution

The "Destination Italy" Decree Law No. 145 of December 23, 2013, converted into Law No. 9/2014, made significant changes to the Letta Decree No. 164/2000, amending some of its provisions concerning the criteria for valuing natural gas distribution networks relevant for the purpose of awarding service delivery contracts through calls for tenders. More specifically, the new law introduces a different method for computing the reimbursement value owed to the owners of the expiring awards and concessions, when it cannot be deduced from the contracts between the municipal administration and the operator, and makes reference to guidelines for the computation of the VIR that the Ministry of Economic Development is expected to publish. In any case, private contributions are excluded from the VIR computation, making the methodology consistent with the one used for the RAB computation. The expiration of the first block of areas that will be offered through calls for tenders was July 11, 2014 and the calls for tenders for next two blocks have been postponed by four months past the original dates.

As for the bidding costs, in order to facilitate the start of the calls for tender procedures, the law requires that they be advances by the outgoing operator, who will then recover them, with interest, from the incoming operators (who will recover this cost through the rate charged).

In the meantime, further to the approval of the Uniform Code on the quality of the rates for gas distribution and metering services for the 2014-2019 regulatory period (TUGD), the AEEG is completing the rate regulations for area concessions, specifically with regard to the rate component that covers the difference between VIR and RAB, as required by Legislative Decree No. 93/11.

By a Ministry Decree dated May 22, 2014, the Ministry of Economic Development approved guidelines setting forth the criteria and implementation modalities for determining the amount of the reimbursement owed to the exiting concession holder (Guidelines of April 7, 2014), applicable when no other provisions have been stipulated in the deeds of the individual concessions executed before February 11, 2012 (effective date of Ministerial Decree No. 226/2011, which established the new competitive bidding criteria with the new system for Minimum Area Concessions).

These guidelines, which are the product of consultations with the National Association of Italian Municipalities and associations of distributor companies and were reviewed by the AEEG, provide a general methodology and specific guidance for the monetization of assets.

The process begins with a determination of the conditions of the assets, followed a measurement of their value based on the method of the cost of replacing them with new items, net of the physical and technical wear and tear of the facilities and after deducting any government grants,

The industrial value is reduced by deducting any private sector grants, revalued and degraded in accordance with rate regulations, and increased by adding the residual value of the bonus paid by the distributor to the municipality, appropriately revalued and degraded.
However, the scope of implementation of the Guideline, which is broader than what was originally expected based on the provisions of Ministry Decree No. 226/2011, raised some concerns among operators about the possibility of retroactively voiding certain agreements stipulated between the local government granting a concession and the Operator with regard to the value of the distribution facilities. The possibility that some operator or association may decide to challenge this decree, thereby further delaying the start of the calls for tenders, cannot be excluded.

Infrastructures

Storage – Changes to the revenue guarantee mechanism for auction-based capacity conveyances

In June, the AEEG published Resolution No. 295/2014/R/Gas by which, consistent with the provisions of the resolution published last year (No. 121/2013/R/gas), it provides a mechanism to offset for storage companies the financial effects of changes in the regulations governing conveyances of capacity introduced by Resolution No. 85/2014/R/gas. This resolution required that the entire modulation storage capacity no longer be allocated through administrative procedures (the so-called pro-rated criterion) using instead a competitive bidding process (auctions).
This past March, Edison Stoccaggio had already conveyed its entire available capacity (0.54 Gm^3) as capacity for peak modulation service.
In addition, under the abovementioned resolution, users are required to pay to storage companies, for the modulation service they provide, only the auction price amount (award price) for the conveyed capacities (price on average lower than the storage rate). Moreover, the resolution set at zero the storage rate variable component.
These changes to the regulatory system for the conveyance of capacity made it necessary to adjust the revenue guarantee mechanism for storage companies (in advance) because the revenues actually earned by these companies are tied to the award prices of the conveyance auctions which, as mentioned above, have been significantly lower than those resulting from the application of the rate components (as per Resolution No. 350/2013 – 2014 rates).
Essentially, starting in July 2014, the storage companies will receive in advance from the Equalization Fund for the Electric Power Sector the amounts resulting from the mechanism to guarantee capacity revenues (each month one-twelfth of the total balance) in addition to the missing commodity revenues (from the elimination of the storage rate variable component) for the third preceding month.

European Regulations

Approval of European regulation EC/312/2014, which establishes the European Network Code for balancing gas networks. The second European Network Code required by the Third Energy Package, which is a Network Code that introduces harmonized rules for balancing the gas networks of member countries was approved on March 26. Pursuant to this Regulation, which must be implemented by all member countries by October 1, 2016 at the latest, E.U. gas transmission operators must update their balancing mechanism, adopting a system in which (1) primary responsibility for maintaining balance positions rests with the network users; (2) users have access to sufficient flexibility tools to manage the positions in their portfolios of network withdrawals and injections; and (3) the residual actions by the transmission operator to balance the network with purchases or sales are carried out on market terms. The AEEG asked Snam Rete Gas to prepare and submit for consultation its action plan for implementation in Italy of the balancing model designed in the European Network Code.

The European Network Code for Interoperability and Data Exchange on gas transmission networks is in the final approval phase. Only the green light from the Committee of Member Country Experts, scheduled to meet and deliberate together with the European Commission in July 2014, is missing for final approval of the Third European Network Code for the gas market. Once the Interoperability Code is in effect as a European Union Regulation, gas transmission companies will be required to standardize a number of operating procedures (content of interconnection contracts, units of measure used, procedures to manage different quality gases, etc.) so as to reduce the existing technical obstacles to transnational gas flows between E.U. countries. In addition, protocols and information technology formats common for all E.U. transmission companies will be introduced to standardize the exchange of data flows with network users.

MIFID Directive - The text of the new MIFID Directive (Markets in Financial Instruments), which replaces and abrogates the existing Directive No. 39/2004, and of the MIFIR Regulation, which introduces some amendments to E.U. Regulation No. 648/2012 on OTC derivatives were published in the *Official Journal of the European Union* in June 2014. The new MIFID Directive introduces important changes regarding the requirements for trading in commodities (i.e., to eventually become MIFID licensed and, consequently, qualify as a financial counterparty also pursuant to the EMIR Regulation) and makes significant changes in three areas: the exemptions framework, the definition of financial instruments and the introduction of a system of ceilings on commodity derivative positions. The current generic exemption system for commodity traders has been abrogated and, consequently, companies, in order to benefit from new exemption system, will have to prove that their financial instrument trading is ancillary to their main business and is a marginal endeavor compared with the group's main activity. ESMA and the European Commission will take into account several criteria, including capital employed, in implementation measures that will be adopted in the near future, to assess the profile of trading activities (risk coverage, intercompany activities or speculative trading) and enable companies to define their status within the new reference framework. Another important new development, relevant also for the EMIR, is the new definition of financial instruments, relevant for energy commodity derivatives. Power and gas contracts with physical deliveries traded off regulated-market platform (i.e., on the new Organized Trading Facilities - "OTF") will not be treated as financial derivatives, as they are already governed by the REMIT Regulation. Oil and coal and other energy commodity derivatives, while qualifying as financial instruments, will be exempted for 42 months, counting from the effective date of the new Directive, from the requirements of the EMIR Regulation, specifically with regard to clearing and threshold computation. Other risk mitigation measures (compression, reconciliation, timely confirmation) will remain in effect. The system of ceilings on position will be defined at the national level by the various competent authorities, but based on common criteria that ESMA is expected to define in the near future. Hedging derivatives will not be relevant for computation purposes, as is the case for ceilings in EMIR. A period of two years is being provided to incorporate into the legal systems of the member countries these new rules, which will become applicable in January 2017. Nevertheless, starting this year, ESMA and the European Commission will begin to establish the detailed conditions applicable to exemptions (i.e., ancillary nature of the activities, definition of intercompany activities) and the definition of financial instruments (i.e., physical delivery, characteristics of the new "OTF" platforms) and a system of position ceilings.

Performance of the Group's Businesses

Electric Power

Quantitative Data

Sources

2013 full year (**)	GWh (*)	First half 2014	First half 2013 (**)	Change %
18,408	**Edison's production:**	**8,472**	**8,985**	***(5.7%)***
13,503	*- Thermoelectric power plants*	*5,625*	*6,501*	*(13.5%)*
4,029	*- Hydroelectric power plants*	*2,367*	*1,979*	*19.6%*
876	*- Wind farms and other renewables*	*480*	*505*	*(4.9%)*
53,721	**Other purchases (wholesalers, IPEX, etc.)[1]**	**36,567**	**27,600**	***32.5%***
72,129	**Total sources in Italy**	**45,039**	**36,585**	***23.1%***

(*) One GWh is equal to one million kWh, referred to physical volumes.

(**) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements" and a different presentation of Sources/Uses.

(1) Before line losses and excluding the trading portfolio.

Uses

2013 full year (**)	GWh (*)	First half 2014	First half 2013 (**)	Change %
19,529	**End customers [1]**	**10,352**	**9,387**	***10.3%***
52,600	**Other sales (wholesalers, IPEX, etc.)[2]**	**34,687**	**27,198**	***27.5%***
72,129	**Total uses in Italy**	**45,039**	**36,585**	***23.1%***

(*) One GWh is equal to one million kWh.

(**) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements" and a different presentation of Sources/Uses.

(1) Before line losses

(2) Excluding the trading portfolio.

Financial Highlights

2013 full year (**)	in millions of euros	First half 2014	First half 2013 (**)	Change %
7,136	**Sales revenues**	**4,011**	**3,543**	***13.2%***
656	Reported EBITDA	356	342	*4.1%*
666	Adjusted EBITDA[1]	364	353	*3.1%*
31	Capital expenditures	16	11	*45.5%*
1,138	Number of employees [2]	1,105	1,166	*(2.9%)*

(1) See note on page 10.

(2) End-of-period data. The changes are computed against the data at December 31, 2013.

(**) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Production and Sales

In 2014, the Group consolidated a business model that calls for the separation of power generation activities (thermoelectric and renewables), sales to the end-user market (business and retail), proprietary trading activities and buying and selling activities, aimed at implementing adequate segregation and risk hedging policies for the abovementioned portfolios and at maximizing their profitability through their optimization.

Within the framework of this model, Edison's net production decreased to 8,472 GWh, or 5.7% less than in the first half of 2013, as a result of a 13.5% reduction in thermoelectric output, which was consistent with the prevailing national trend and reflective of a drop in demand for electric power, and a concurrent sizable gain in production from renewable sources. With regard to renewables, hydroelectric production was up sharply in the first six months of 2014 (+19.6%), benefiting from the abundance of water resources that characterized Italy during the first half of the year, but production from wind farms and other renewable-source facilities was down 4.9%, due mainly to less windy conditions during the period.

Sales to end customers increased by 10.3% thanks to the acquisition of new customers in the business segment.

Other purchases and sales were up sharply in the first half of 2014 (up about 30%), due to production facilities operating in bidding mode and through the balancing of the individual portfolios and the use of make-or-buy activities, which, by exploiting the flexibility of the Groups' CCGT power plants, made it possible to reduce thermoelectric output (not competitive in the current market environment), choosing instead purchases on the IPEX and wholesale market.

Operating Performance

In the first half of 2014, sales revenues increased by 13.2% compared with the same period in 2013, due mainly to the effect of higher sales volumes, which more than offset a reduction in average sales prices driven by the trend in the benchmark scenario (PUN TWA -18.4% compared with the first six months of 2013).

Within the context of an electric power market that continues to be particularly challenging, with a further reduction both of spreads and consumption, the electric power operations were again able to report relatively strong adjusted EBITDA of 364 million euros (353 million euros in the first half of 2013), thanks to the optimization of the portfolio of thermoelectric power plants in the different target markets (Day Ahead Market, Dispatching Services Market and forward markets), the abundance of water resources that boosted hydroelectric production to a level that was significantly above average and even surpassed last year's already positive results as well as the operating performance of the sales to end customers segment.

Capital Investments

Capital expenditures by the electric power operations, which totaled 16 million euros at June 30, 2014, referred mainly to minor projects and to maintenance upgrades at hydroelectric and thermoelectric power plants.

Hydrocarbons

Quantitative Data

Sources of Natural Gas

2013 full year	in millions of m^3 of natural gas	First half 2014	First half 2013	% change
410	Production in Italy (1)	167	230	*(27.5%)*
12,512	Imports (Pipelines + LNG)	4,927	6,551	*(24.8%)*
3,078	Purchases	1,270	1,052	*20.7%*
(341)	Change in stored gas inventory(2)	82	162	*(49.5%)*
15,659	**Total sources**	**6,446**	**7,995**	***(19.4%)***
1,799	**Production outside Italy (3)**	**892**	**902**	***(1.1%)***

(1) Net of self-consumption and stated at Standard Calorific Power.

(2) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.

(3) Counting volumes withheld as production tax.

Uses of Natural Gas

2013 full year	in millions of m^3 of natural gas	First half 2014	First half 2013	% change
2,737	Residential use	1,351	1,682	*(19.7%)*
2,707	Industrial use	1,677	1,302	*28.8%*
6,578	Thermoelectric fuel use	2,064	3,117	*(33.8%)*
3,637	Other sales	1,354	1,894	*(28.5%)*
15,659	**Total uses**	**6,446**	**7,995**	***(19.4%)***
1,799	**Sales of production outside Italy(1)**	**892**	**902**	***(1.1%)***

(1) Counting volumes withheld as production tax.

Crude Oil Production

2013 full year	in thousands of barrels	First half 2014	First half 2013	% change
1,940	Production in Italy	1,190	703	*69.2%*
1,640	Production outside Italy (1)	800	847	*(5.5%)*
3,580	**Total production**	**1,990**	**1,550**	***28.4%***

(1) Counting volumes withheld as production tax.

Financial Highlights

2013 full year (*)	in millions of euros	First half 2014	First half 2013 (*)	% change
5,870	**Sales revenues**	**2,424**	**3,047**	***(20.4%)***
425	Reported EBITDA	126	361	*(65.1%)*
415	Adjusted EBITDA (1)	118	350	*(66.3%)*
135	Capital expenditures	95	65	*46.2%*
92	Investments in exploration	30	28	*7.1%*
1,415	Number of employees (2)	1,411	1,403	*(0.3%)*

(1) See note on page 10.

(2) End-of-period data. The changes are computed against the data at December 31, 2013.

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Production and Procurement

Production of natural gas, counting the combined output of the Italian and international operations, totaled 1,059 million cubic meters in the first half of 2014, for a decrease of 6.4% compared with the same period last year. Production was down 27.5% in Italy, due to the natural decline of production curves for some fields; outside Italy, production was substantially in line with the level of the first half of 2013.

Production of crude oil totaled 1,990,000 barrels (1,550,000 barrels in the first six months of 2013), with volumes increasing in Italy compared with the same period last year, due to production from the Tresauro field, which benefited from last year's development activities, and the Rospo field, which was shut down for maintenance in the first half of 2013. Outside Italy, production volumes from the concessions in Egypt was down slightly (-5.5%).

Total natural gas imports decreased by 24.8% due to a reduction in demand from residential and thermoelectric users; the contribution provided by withdrawals from the stored gas inventory was also down, decreasing to 82 million cubic meters, due to the significant impact of the weather dynamics that characterized the reporting period.

Sales and Marketing

Unit sales of natural gas totaled 6,446 million cubic meters, for a decrease of 19.4% compared with the first half of 2013.

Specifically, sales to residential users were down by 19.7%, due to the abovementioned weather dynamics, and deliveries to thermoelectric users decreased by 33.8%, due to lower gas consumption by thermoelectric power plants of the Group and third parties, which, as mentioned above, were adversely affected by a contraction in national demand and an increase in output by renewable-source facilities. On the other hand, sales to industrial users grew by about 375 million cubic meters (+28.8%) thanks to the acquisition of new customers.

Operating Performance

In the first half of 2014, sales revenues amounted to 2,424 million euros, or 20.4%less than in the first six months of 2013, due mainly to a decrease both in sales volumes and in average sales prices that reflects the impact of a significant decline in the benchmark scenario.

Adjusted EBITDA totaled 118 million euros at June 30, 2014, for an decrease of 232 million euros compared with the first half of 2013, which benefited from the positive effect of the price revision of contracts to supply natural gas from Algeria and Qatar.

The amount reported in 2014 is the combined result of the adjusted EBITDA of the exploration and production activities, amounting to 216 million euros (214 million euros in the first half of 2013), the EBITDA earned by regulated gas infrastructures and a loss of over 150 million euros incurred by the activities engaged in buying and selling natural gas, which continue to experience negative average unit sales margins. For this reason, Edison is committed to pursuing to completion a second round of price renegotiations for all of its procurement contracts, in the belief that it is essential to restore a reasonable level of profitability to its portfolio of multi-year contracts.

Capital Investments

Capital investments totaled about 95 million euros in the first half of 2014.

The main investments in Italy included 25 million euros to develop the Fauzia field and 19 million euros for sidetrack drilling activities in the Clara East field.

Investment projects outside Italy focused on the Zidane concession in Norway (5 million euros) and preliminary activities for the construction of the Polarled pipe line that will link Zidane with the mainland (9 million euros).

Exploration Activities

In the first six months of 2014, the Group invested about 30 million euros in exploration, including exploration activities in the Handcross concession in Great Britain (11 million euros) and hydrocarbon exploration activities in areas south and north of the Falkland Islands (8.5 million euros).

Corporate and Other Segments

Financial Highlights

2013 full year (*)	in millions of euros	First half 2014	First half 2013 (*)	% change
52	**Sales revenues**	**23**	**24**	*(4.2%)*
(111)	EBITDA	(59)	(48)	*(22.9%)*
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
5	Capital expenditures	1	1	-
630	Number of employees (1)	629	624	*(0.2%)*

(1) End-of-period data. The changes are computed against the data at December 31, 2013.

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Corporate Activities and Other Segments include those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and certain holding companies and real estate companies.

In the first half of 2014, sales revenues were virtually unchanged compared with the same period last year, but EBITDA contracted by 11 million euros compared with the first half of 2013 due to a different phasing of costs that will be evened out by the end of the year.

Reconciliation of the Parent Company's Net Income and Shareholders' Equity to the Corresponding Data for the Group

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the schedules that follow provide a reconciliation of the Group interest in net profit (loss) for the period and the shareholders' equity attributable to the shareholders of the controlling company at June 30, 2014 to the corresponding data for Edison Spa, the Group's Parent Company.

Reconciliation of the Net Profit (Loss) of Edison Spa to the Group Interest in Net Profit (Loss)

(in millions of euros)	First half 2014	First half 2013 (*)
Net profit (loss) of Edison Spa	**15**	**102**
Intra-Group dividends eliminated in the consolidated financial statements	(168)	(118)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	263	175
Valuation of investments in associates measured by the equity method	(2)	-
Other consolidation adjustments	8	(7)
Group interest in net profit (loss)	**116**	**152**

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Reconciliation of the Shareholders' Equity of Edison Spa to the Shareholders' Equity Attributable to the Shareholders of the Controlling Company

(in millions of euros)	6/30/14	12/31/13 restated (*)	12/31/13 Published (*)
Shareholders' equity of Edison Spa	**6,050**	**5,999**	**5,999**
Carrying value of investments in associates eliminated against the corresponding interests in the shareholders' equities of the investee companies, including:			
- Elimination of the carrying values of the consolidated investments in associates	(1,265)	(1,308)	(1,345)
- Recognition of the shareholders' equities of consolidated companies	2,525	2,435	2,492
Valuation of investments in associates measured by the equity method	33	32	12
Other consolidation adjustments	(28)	(32)	(32)
Shareholders' equity attributable to the shareholders of the controlling company	**7,315**	**7,126**	**7,126**

(*) The data for 2013 were restated due to the adoption of IFRS 11 "Joint Arrangements."

Innovation, Research and Development

During the first half of 2014, the Research, Development and Innovation Department worked on implementing a program that encompasses topics both in the Electric Power and Hydrocarbons sectors, with a growing presence of activities in the latter sector.
Activities in the Electric Power sector included, in addition to specific research-oriented programs, such as those involving the study of advanced energy materials and techniques, also innovation projects that provide other Departments with innovative process and product solutions. In the first half of the year, there was further growth in the portfolio of projects that are part of the EDF Group Program in the hydrocarbon area, which is coordinated by the Research, Development and Innovation Department.

A noteworthy development at the Trofarello Research Center, in addition to studies on advanced materials, is the implementation of a project for a new dedicated laboratory for hydrocarbons, with startup of the first sections expected later this year.

The Research, Development and Innovation Department also pursues innovation in various areas related to sustainability through studies, monitoring activities and solutions in the fields of energy efficiency, renewable sources and distributed power generation and storage within a smart grid framework.
This broad portfolio of activities is pursued with and thanks to the cooperation of EDF's research organization and a series of collaborations and partnership with universities and businesses who developed specific knowhow.

In June, the EPS-Edison Volta European Prize was awarded to Jean-Michel Raimond of Université Pierre et Marie Curie in Paris for his important contribution to studies and experiments in quantum physics.

Health, Safety and the Environment

The main achievements of the first half of 2014 and projects under development are reviewed below.

Occupational Safety

Consistent with previous years, the Group consolidated the practice of presenting comprehensively the effect of programs to promote a culture of occupational health and safety; occupational safety indices are computed combining the data for Edison's personnel and for employees of suppliers, assigning to management throughout the organization improvement objectives compared with the average results for the previous three years.

On this basis, in the first half of 2014, the combined Injury Incidence Rate for activities in Italy was 0.7. The decrease compared with the rate for the first half of 2013 (1.0) and the rate at the end of 2013 (3.1) is the result of a reduction in the number of injuries (2 compared with 3 in the first half of 2013) achieved even though the hours worked decreased by about 3% compared with the same period last year (-0.4% for employees of contractors and -3.4% for Group employees).

The combined Lost Workday Incidence Rate for activities in Italy was 0.07 for the first six months of 2014, basically in line with the level in the first half of 2013 (0.05).

For activities outside Italy, there were no injuries in the first half of 2014 and, consequently, the Injury Incidence Rate was zero, compared with 0.8 in the first six months of 2013.

In the aggregate, adding the data for the Italian and international operations, Edison's Injury Incidence Rate was 0.5 for the first half of 2014, down compared with the corresponding rate for the first six months of 2013 (0.9).

Activities Concerning Occupational Health and Safety

The main activities carried out in the first half of 2014 in this area are reviewed below:

- The Risk Assessment Documents were reviewed and updated. The results of the assessments were discussed at the periodic safety meetings required by current regulations (Article 35 of Legislative Decree No. 81/08), during which progress reports on the implementation of training processes and the macro-results of employee health monitoring programs were also presented.
- A transversal training program planned for Managers of the Company's Protection and Prevention Services in 2014 was defined. The program, which last a total of 24 hours, addresses the following issues: equipment management and control, effectiveness of the internal auditing process, role of the Managers of the Company's Protection and Prevention Services. Concurrently, a training meeting for Employee Safety Representatives was planned for October 2014 on the issue of work related stress.
- All operational employees of Edison Energie Speciali took a safe driving course specifically designed for driving in slippery road conditions.
- Within the framework of the Back School at Work Project, a voluntary training cycle was provided on the topic of on-the-job posture to employees at the Foro Buonaparte headquarters. The course

was comprised of ten training sessions divided into a part on theory and a second part devoted to learning and executing exercises to prevent and remedy muscular-skeletal ailments.

- All of the preparatory activities required to launch the safety management system at the Foro Buonaparte and Rome headquarters were completed with the aim of scheduling before the end of the year the 18001 certification inspections by the accredited entity. The following documents were published as part of this effort: "Occupational Health and Safety Policies at Headquarters Offices" and "Management System Manual for Headquarters Offices."
- The main health and safety indicators achieved within the EDF Group in 2013 were presented and published. Edison performed particularly well in this area with regard both to the Injury Incidence Rate for Company employees (1.2 compared with 3.1 for the Group) and the absenteeism rate (4.9 days/year compared with 9.0 days/year for the Group).
- A new Group Health and Safety Policy was published in April.

Environmental Activities

There were no accidents with an impact on the environmental matrices (soil, subsoil, surface waters and biodiversity) in the first six months of 2014.

The main activities carried out or launched in the first half of 2014 in this area are reviewed below:

- as part of the implementation of the environmental management systems, all analyses of environmental issues at operating sites and their level of significance were updated.
- The process for the environmental certification of the Engineering Division and the Trofarello Research and Development Center in accordance with the UNI EN ISO 14001 standard was successfully completed.
- The first phase of the project to monitor biodiversity at the Vega offshore field was completed. The results show that the area where the Vega A platform is located has a high level of biodiversity and an attraction effect for many species usually not found in that type of environment. A similar project was completed for the Meduno Valley hydroelectric area, which showed that Edison's facilities did not have any impact on the species present in that area.
- Edison contributed to the preparation of the first Environmental Report prepared by Assomineraria, which was presented to the public in connection with a seminar held at Milan's Museum of Science and Technology.
- All activities required by national environmental laws were completed on schedule, including: disclosures about the handling of drained and discharged water, reports about generated waste, disclosures about the handling of fluorinated gases with a greenhouse effect, transmission of data to the INES/E-PRTR register for targeted facilities with emissions that exceed the ceilings of the relevant regulations, disclosures required by the Emissions Trading regulations, filing of application for the issuance of the Integrated Environmental Permit, and payment of the fee for the waste tracking system (SISTRI). Worth mentioning with regard to SISTRI was the start of an online system for the transportation of hazardous waste, which was supported by a specific training session for all company operators involved.
- Site characterization, safety assurance and environmental remediation work continued. Most of these activities involve highly significant industrial sites potentially polluted by activities carried out

in the past that were sold or terminated. At the same time, work continued on environmental remediation procedures for soil and aquifer contamination plumes identified or started in previous years at some of the Group's thermoelectric and hydroelectric power plants.

Combined Quality, Environmental, Health and Safety Activities

The following monitoring inspections of certified management systems were successfully completed in the first half of 2014: the 9001 quality management system for the Marketing, Sales and Energy Services Division and Edison Energia SpA; the 14001-18001 integrated environmental and safety management system for the Hydroelectric Operations; and the 18001 safety management system for the Trofarello Research and Development Center. The EMAS environmental registration for the Cellino storage site was also renewed.

All management reviews required by the implementation of organizational models and the environmental and safety management systems were carried out. During those reviews the results for 2013 were analyzed and programs for improvements in subsequent years were identified.

The process of collecting and analyzing the environmental and health and safety data needed to prepare and publish the Sustainability Reports of Edison and the EDF Group was completed.

Human Resources and Industrial Relations

Human Resources

At June 30, 2014, the Edison Group had a staff of 3,145 employees, or 38 fewer than at December 31, 2013, when 3,183 employees were on its payroll.

Industrial Relations

The National Collective Bargaining Agreement for the Gas and Water Sector, which expired on December 31, 2012 and is applicable to about 123 employees of the Edison Group in the gas distribution sector, was renewed on February 14, 2014 for three year, from 2013 to 2015.

Insofar as the economic part is concerned, the agreement calls for an increase in contractual minimums and lump-sum payments to cover the 2013 wage increase. It also defines a "productivity" contribution aimed, through company-level agreements, at increasing the productivity and competitiveness of businesses.

The contract also governs other issues, such as short-term contracts, trade apprenticeships, use of temporary employees, work hours and the on-call availability status.

In addition, during the first half of 2014, work continued on the implementation of the Union Agreement signed on October 30, 2012 to address the occupational issues resulting from crisis of the Italian thermoelectric industry that also affected Edison's production facilities.

More specifically, the plan for the reassignment of employees from the Porto Viro (Ro) and Cologno Monzese (Mi) power plants, who were reassigned within the Group, was completed in the first half of 2014, while for employees of Jesi Energia S.p.A., by an agreement signed at the Ministry of Labor on March 27, 2014, enrollment in the Special Supplemental Layoff Benefits Fund was extended for an additional 12 months (until March 31, 2015) in order to allow a more extended timeframe for the reassignment of the employees of this production unit.

Lastly, in order to addressed the problems deriving from the creation of the steel production hub where the Piombino power plant is located and operates, an agreement was signed with the unions for the activation of a defensive Solidarity Contract to manage the occupational and income impact on the employees working at this facility.

Organization and Employee Services

The main organizational changes that occurred during the first half on 2014 are listed below:

- reconfiguration of the organization models of the Power International Department, with the aim of strengthening international power development activities, redefining the business areas based on geographic criteria.

- Reconfiguration of the organization models of the External Relations & Communication Department specifically aimed at increasing support with regard to communication with host communities, internal communications and development of web-based communications.
- Definition of a policy for sponsorships and charitable contributions, with the aim of defining the decision-making process for the award of sponsorships, contributions to associations and charitable contributions to third parties in a manner consistent with the Company's strategic priorities and contributing to an effective control of this type of costs.
- Redefinition of the policy for planning, authorizing and awarding consulting assignments, with the objective of formalizing the process designed to plan, assess and authorize the award of consulting assignments to third parties. The purpose of this process is also to foster an accurate traceability of the economic and decision-making aspects of this process, with the aim of contributing to a more effective containment and control of the cost involved.
- Further development of the "Edison per Te" employee wellbeing program, the objective of which is to help employees reconcile their personal needs with their professional obligations and further enhance activities that protect the health of their family and provide support for them. The annual evaluation survey produced a highly positive assessment of the program: 96% of respondents rated the program as very/quite useful (+4% compared with the previous year) and this assessment was confirmed in the MyEDF survey, in which 85% of respondents were satisfied with the employee services (+1% compared with 2013). Lastly, based in part on the findings of the survey, two new services to provide support to families in defraying school costs and managing parenting obligations during the summer months were launched in the first half of 2014.

Training

Training and development activities carried out in the first half of 2014 included, as usual, the start of institutional and managerial training tracks aimed at preparing young recent college graduates and professionals for assignments with increasing management responsibility. In addition, a follow-up of the management development training program for executives was carried out in June to address more in detail people management issues, and collaboration with the Group's Corporate University continued in all leadership and management programs. A noteworthy development in the first half of 2014 was the launch of the new Gas and Hydrocarbons Fundamentals programs developed by Edison and EDF in collaboration with SDA Bocconi, which Edison and Group executives attended in Milan in March.
In April, Edison hosted the Technology Outlook Seminar, a Group seminar on technology trends in the energy field.
The "professional family" competencies were addressed, in addition to the structural activities of the Edison Market Academy, with the start of specialized training programs, including a program taught mainly by internal instructors for project engineers in the Engineering Division and technical trade training for the hydrocarbon districts of Edison Spa and Edison Stoccaggio. In addition, activities involving the Exploration and Production Division included the Media Training program developed by the External Relations Department to support management in interacting with the media and the host communities.

Lastly, the first step of a process aimed at early detection of talented employees, consistent with the new Group policies, was completed in the first half of 2014. Early in the year, sessions involving a group of about 50 young Company employees were held at the Assessment Center, with the participation of senior Company managers as observers and assessors, in addition to the external assessors.

Risks and Uncertainties

Risk Management at the Edison Group

Enterprise Risk Management

Edison developed an integrated risk management model based on the international principles of Enterprise Risk Management (ERM), the main purpose of which is the adoption of a systematic approach to identifying the Company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to minimize them. For more details about the process and the ERM model adopted by Edison see the comprehensive description provided in the Report on Operations at December 31, 2013.

Energy Risk Management

Within the risk management activities, a separate process specifically addresses the commodity risk, which is the risk associated with price fluctuations in the financial and physical markets in which the Company operates with respect to such energy raw materials as electric power, natural gas, coal, crude oil and derivative products, and the related foreign exchange risk.
The specific objectives and operating procedures of the energy risk management process are discussed in detail in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management," which should be consulted for additional information.

Risk Factors

Risks Related to the External Environment

Legislative and Regulatory Risk

A potential source of significant risk for the Edison Group is constant evolution occurring in the reference legislative and regulatory framework, which affects how the market operates, rate plans, required levels of service quality and technical and operational compliance requirements. In this area, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialog with national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.
An overview of the main changes in the legislative framework, which are discussed in detail in the section of this Report entitled "Legislative and Regulatory Framework," is provided below:

- **Renewals of Hydroelectric Concessions**
  Article 37 of Decree Law No. 83 of June 22, 2012, setting forth "Urgent Measures for the Country's Development" (converted into law No. 134/2012), substantially amended the regulations governing hydroelectric concessions. Pursuant to the new rules, issues related to concessions that expired or are in the process of expiring are also addressed in the law by means of transitional provisions (for

concessions that have already expired and those expiring up to December 31, 2017, to which the five year period provided under Article 12, Section 1, of the Bersani Decree is not applicable, the new concession starts five years after the original expiration date, but never later than December 31, 2017).

Publication of a long-awaited Ministry decree that specifies the criteria for responding to calls for tenders is now expected to complete the regulatory framework. This decree should be a source of reliable information for operators, also with regard to planning future investments and the submission of bids for the renewal of concessions.

Price Risk and Foreign Exchange Risk Related to Commodity Activities

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, including, specifically, electric power, natural gas, coal, petroleum products and environmental securities. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting foreign exchange rate risk.

The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly available in the market for the purpose of containing the risk exposure within preset limits.

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. Trading portfolios are monitored by means of strict risk limits and compliance with these limits is verified by an organizational unit independent of those who execute the transactions.

A more detailed analysis of these risks is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management."

Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison's activities 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. The objectives pursued when managing the exchange rate risk are set forth in specific Exchange Risk Policies, depending on the different nature of the risk in question. For a detailed analysis of this risk please see the IFRS 7 disclosure provided in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management."

Interest Rate Risk

Because it is exposed to fluctuations in interest rates primarily with regard to the measurement of debt service costs, the Edison Group assesses on a regular basis its exposure to the risk of changes in interest rates and uses derivatives to hedge its positions. The Group's main interest rate exposure is to the Euribor.

A more detailed analysis of the interest rate risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management."

Credit Risk

The credit risk represents Edison's exposure to potential losses caused by the failure of commercial and financial counterparties to honor the commitments they have undertaken. The Edison Group's exposure to the credit risk is related to sales of electric power and natural gas, the investment of temporary excess liquidity and financial derivative positions.

To control this risk, the Group implemented procedures and activities that are described more in detail in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management."

Competitive Pressure

The energy markets in which the Group operates are subject to intense competition. Specifically, in the Italian electric market, Edison competes with other Italian and international producers and traders who sell electric power to industrial, commercial and residential customers. This market, due to the drop in demand (see in this regard the section entitled "The Italian energy Market" earlier in this Report) and the structural increase in capacity from renewable sources, is characterized by an excess of supply that adversely affects exclusively thermoelectric product, gas fired in particular, and compresses margins, particularly in peak hours.

In order to address the risks entailed by its involvement in the domestic electric power market, the Edison Group has been pursuing in recent years lines of action aimed mainly at developing a portfolio of customers in the deregulated segment of the market, consistent with a strategy of gradual downstream integration, geographic diversification, optimization of the production mix, and development of renewable energy sources.

In recent years, the natural gas market has been going through a phase of excess supply that developed due to a number of concomitant factors, including the full availability of new importation infrastructures started in previous years, an ample supply of LNG and the development of major reserves of non-conventional gas in the United States, which resulted in an increase in the availability of gas in an environment characterized by falling consumption. More specifically, in the Italian market, Edison is faced with an increase in competition from Italian and international operators which, combined with an unfavorable economic environment and excess production capacity in the electric power market, causes pressure on natural gas sales margins to steadily increase.

Among the various actions taken to minimize the competitive pressure risk in the hydrocarbon area, a major contractual tool is the enforcement of clauses allowing the renegotiation of prices, based on changes in the benchmark energy scenario and market conditions, which are included in long-term natural gas supply contracts. In this regard, Edison successfully completed a first round of price renegotiations for the existing contracts with all of its current suppliers of natural gas. The success of these negotiations made it possible to relieve over the near term the pressure on sales margins that the Group is continuing to experience. The Company is still engaged in the second phase of these price review processes for long-term contracts for the supply of gas from Libya and Russia, which should be finalized in 2014/2015, in order to restore to a reasonable level of profitability its portfolio of multi-year contracts.

Technological Innovation

Radical changes in the electric power generation technologies currently in use or under development could make some technologies more competitive than those currently represented in the Group's production mix. To minimize this risk, Edison monitors on an ongoing basis the development of new technologies both in the electric power and the hydrocarbon sectors. The Company's activities focus on the assessment of innovative technologies in the fields of energy efficiency and generation from renewable sources, and on issues related to advanced materials and fuel cells. Additional information about activities in this area is provided in the section of this Report on Operations at June 30, 2014 entitled "Innovation, Research and Development."

Demand for Electric Power and Natural Gas

Generally, demand for electric power and natural gas is tied to changes in gross domestic product (GDP), the effectiveness of energy efficiency program and the geographic location of manufacturing facilities that use electric power and natural gas for their production activities. Starting in the last quarter of 2008 and even more in 2009, the impact of the global economic crisis produced a drastic reduction in consumption of electric power, which was made up only in part in 2010 and 2011. Over the ensuing years, consumption experienced a deep contraction that continued in the first half of 2014, when demand fell below the level reported in the same period last year.

Demand for natural gas was also affected by the global economic crisis, as shown by the consumption levels recorded starting in 2009, when demand was down sharply compared with 2008. Demand for natural gas picked up in 2010, only to decrease again in the years that followed, falling to levels lower than those reported in 2009. This negative trend continued in the first six months of 2014, causing demand for natural gas to contract further; more specifically, in the first quarter of the year, consumption was down in the residential sector, depressed due to unusually mild weather, and in the thermoelectric sector, where it was affected by the reduction in demand for electric power.

The decrease in the overall level of demand for energy, the future projections of which are being adversely affected by extreme uncertainty about Italy's economic growth prospects, put significant pressure on sales margins, already adversely affected by the competitive pressure developments described in the preceding paragraph. More specifically, in the natural gas area, potential impacts could include the Group's exposure to take-or-pay clauses in long-term contracts for the supply of natural gas. Under these clauses, Edison is required to take delivery each year of contractually predetermined volumes of natural gas or, should it fail to do so, pay the full amount, or a portion thereof, owed for the undelivered volumes up to the contractual minimum. However, under the take-or-pay clauses, the

Company can take delivery of the abovementioned prepaid volumes in subsequent contract years, thus recovering the cash advances paid, net of the finance charges associated with the abovementioned advances.

Among the activities carried out in this area, in addition to specific initiatives aimed at renegotiating the abovementioned long-term contract for the importation of natural gas (see the Competitive Pressure section above), the Group monitors both trends in electrical load and natural gas consumption (on a daily basis) and the Italian and international macroeconomic scenario, based on the updates published by major economic and financial forecasting entities. This information is analyzed in order to spot, as early as possible, potential changes in electric power and natural gas demand trends and optimize the production scenario accordingly. In addition, the adoption of a strategy of commercial diversification makes it possible to counter, up to a point, the effects of an unfavorable market scenario.

Country Risk

The Edison Group operates in the international markets, focusing mainly on the Balkans and Southeast Europe, with some foreign branches that engage in the marketing of electric power. It is also present in Greece, where it produces and markets electric power through a joint venture with Hellenic Petroleum, its Greek partner. In addition, the Edison Group is active in hydrocarbon exploration and production, with a particularly important presence in Egypt, where it produces natural gas and crude oil as the operator of the Abu Qir offshore concession.

Because of its presence in these international markets, the Group is exposed to the so-called "country risk," i.e., a whole series of risks deriving mainly from political, economic, social, regulatory and financial differences compared with the country of origin. These risks can have a negative effect on the profitability and valuation of foreign investments.

Greece continues to be characterized by a difficult macroeconomic scenario, combined with ongoing uncertainty about the stability of the internal political environment and widespread social unrest. Nevertheless, thanks to the substantial economic aid package agreed upon with the European Union, the European Central Bank and the International Monetary Fund (IMF), coupled with the strict fiscal policies implemented by the Greek government, the country experienced an improvement in the overall environment, as shown by the fact that the Standard and Poor's rating agency raised Greece's credit rating to B-, with stable outlook. Recently, in May 2014, the Fitch rating agency raised Greece's long-term credit rating from B- to B (with stable outlook), a decision that reflects the achievement, in 2013, of the primary surplus target set in the Troika's program and the initial signs of economic recovery recorded in the first quarter of 2014.

In this context, the Group's Parent Company constantly monitors the stability of the regulatory framework, specifically with regard to potential changes, in accordance with the relevant guidelines established by the European Commission, in the structure of the electric power market. Even though the situation in Greece cannot yet be defined as stable, the Company is confident that the political determination of the Eurozone countries to keep Greece in the monetary union, coupled with the programs implemented and the results achieved, will restore investor confidence and support Greece's economic recovery.

The deterioration of economic conditions in Egypt, tied to the high level of political instability that followed the fall of the Mubarak regime and the ouster of President Morsi by the armed forces, appears to have become less pronounced following the adoption of a new constitution in January 2014 and election of President Al-Sisi in June of this year. However, expectation of a recovery are closely tied to the ability of the new government to implement substantive political and economic reforms.
Egypt's public finances are bolstered by generous aid from the Gulf countries, which are enabling the Egyptian authorities to manage the most urgent problems over the medium term, such as a weak fiscal and debt position, the deterioration of reserves and the scarcity of foreign currency. In response to these development, the Standard and Poor's rating agency revised Egypt's credit rating, assigning to its long-term sovereign debt a rating in B-, with stable outlook. At this point, negotiations for IMF loans, which would send to investors an important signal of confidence in Egypt, are still suspended.
In this environment, the potential repercussions on Edison's ability to continue operating under economically viable and safe conditions are being closely monitored by the Group's Parent Company. In any case, internal tensions had no impact at the operational level on natural gas and crude oil production from the Abu Qir concession, which has steadily generated positive economic results.

Process Risks

Operational Risk

Edison's core businesses include building and managing technologically complex facilities for the production of electric power and hydrocarbons that are interconnected along the entire length of the value chain. The risk of losses or damages can arise from the unexpected unavailability of one or more pieces of equipment or facilities of critical importance for the production process caused by damaging events, including material damages to the equipment or specific components of it, that cannot be fully covered or transferred by means of insurance policies.
Therefore, Edison pursues an industrial risk management policy that includes risk prevention and control activities, the adoption specific security standards developed by international recognized entities, such as the National Fire Protection Association (NFPA) and Factory Mutual (FM), implementation of the upgrades required by national laws and local entities with regulatory authority over such issues, and frequently scheduled equipment overhauls, contingency planning, inventory management and maintenance activities. When appropriate, an effective industrial insurance and expert evaluation strategy that includes the use of Erection All-Risk, Property All-Risk and Exploration and Production policies that also provide coverage for indirect damages or delays in the availability of new facilities can help minimize the potential consequences of such damage events.
Additional information about the management of environmental and occupational safety risks is provided in the section of this Report on Operations at June 30, 2014 entitled "Health, Safety and the Environment."

Information Technology

The Group's operations are supported by complex information systems, specifically with regard to the technical, commercial and administrative areas. Risks issues also exist in terms of the adequacy of these systems and the integrity and confidentiality of data and information. With regard to system adequacy issues, a new information system for ERP processes (Accounting, Management Control, Purchasing, Investments, Maintenance, Human resources) in Italy and abroad went on stream in January 2014; during this year, additional important projects will be finalized in order to:

- revise the processes of the Marketing, Sales & Energy Services Division through the adoption of a new integrated information system;
- make the gas portfolio management processes consistent with new Italian directives and allow access to new international markets.

As for the risk of activity interruption caused by a system fault, Edison has adopted hardware and software architectures with high reliability configurations for those applications that support critical activities. Specifically, a project to transform the disaster recovery service into a business continuity service that will guarantee the continuity of processes even in case of a disaster event at the main data processing center was completed.

Lastly, the risk entailed by new forms of cyber-attacks is being mitigated with the adoption of strict standards and security solutions; in addition, in this area, a project is being defined with EDF for the establishment of a European Security Operation Center (ESOC) that will deliver the services needed to handle these new types of attacks.

Liquidity

Managing the liquidity risk means addressing the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. Insofar as the strategic objectives of liquidity risk management are concerned, the process of integrating Edison and its subsidiaries with EDF, its reference shareholder, was completed during the first half of 2013. Inter alia, the adopted system entails a centralized cash management system that will provide Edison with flexibility for its own short-term cash needs and those of its consolidated subsidiaries, while optimizing the management of daily cash surpluses and needs. As part of this integration process with EDF, the Group prepared a medium/long-term refinancing plan that will provide coverage for all the financial needs contemplated in the expenditure plan.

A more detailed analysis of this risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 entitled "Group Financial Risk Management."

Strategy and Planning Risks

Investments in Development and Acquisitions

The development of the core businesses of the Edison Group must be supported with direct investments (internal growth) and acquisitions.

Insofar as direct investments in the electric power sector are concerned, the Edison Group is constantly engaged in programs to develop new power plants and upgrade older facilities in order to increase their profitability, efficiency and operating flexibility. In addition, the average age of the thermoelectric power plants in Edison's portfolio of production facilities is quite low, because in recent years the Group completed an ambitious program to expand electric power generating capacity in Italy. Moreover, also in the areas of electric power distribution and production, the Group is engaged in the development of investments outside Italy, focusing on the Balkans and Southeast Europe.
As a result of these activities, the Edison Group is exposed to permit risks; risks of delays in the construction and launch of commercial activity of new projects; risk of increases in operating, materials and service costs; risks related to new developments in existing technologies; and risks related to changes in the political and regulatory framework in some of the foreign countries where it operates or plans to operate in the future (see the "Country Risk" section above).
As for direct investments in the hydrocarbon sector, the Group is engaged in exploration, development and production in the natural gas and crude oil areas, with the aim of increasing its hydrocarbon reserves and develop its asset portfolio as an integrated energy operator, while pursuing projects for the development of gas storage fields and thus increase the reliability of Italy's gas system.
With regard to the hydrocarbon development and production activities, in addition to the remarks provided above concerning investments made to develop the electric power operations and the considerations about country risk (disclosed in a special section of this chapter), please note that they are typically subject to uncertainties with regard to estimates of proven reserves, projections of future production rates and the timing of development investments, due to the fact that estimates of proven reserves depend on a long series of factors, assumptions and variables. Moreover, between the exploration phase and the start of subsequent phases involving the development and commercial exploitation of the discovered hydrocarbon reserves there is usually a significant time lag needed to assess the commercial viability of the discovered hydrocarbon deposits, authorize the development project and build and put into service the necessary equipment (time to market). During this time period, a project's profitability can be affected by volatility in oil and gas prices and by the variability of development and production costs.
Moreover, future hydrocarbon production levels will depend on the Group's ability to access new reserves through new discoveries made possible by its exploration activities, the success of its development activities and its ability to negotiate concession agreements with the countries that possess known hydrocarbon reserves.
Additional investment and some carefully selected divestments, implemented as part of a strategy to streamline the overall portfolio, are planned for the future to support the growth of the Group's core businesses both in the electric power sector and the hydrocarbons area. As mentioned above, this development strategy also calls for expansion of the Group's international operations outside the European Union, in countries where Edison is already present, but where the political, social and economic environment could be less stable.
As for the strategy of growth through acquisitions, its success is predicated on Edison's ability to identify and seize opportunities available in the market to acquire assets or companies that could help the growth of the Group's core businesses at an acceptable cost. In this area, there can be no absolute guarantee that

Edison will be able to achieve the benefits initially expected from such transactions. Specifically, this could result from an ineffective integration of the acquired assets or from losses and costs not originally anticipated. Moreover, acquisition also entail the financial risk of being unable to cover purchasing costs, due to the occurrence of a protracted weakness in prices and the benchmark scenario.
In order to minimize these risks, Edison adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to requiring the use of appropriate written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorization processes, project risk assessment activities and strict project management and project control activities.

Policies and Management Tools Adopted by the Group

Energy Risk Policy

Governance

Pursuant to the rules governing Energy Risks Management, risk limits, stated in terms of economic capital, may be approved exclusively by the Board of Directors together with the budget.
The Control and Risk Committee defines the policies, monitors risk levels, approves hedging strategies and defines any subsets of risk limits.
Consistent with the need to establish a clear separation of functions, the Risk Office, which reports to the CFO, prepares the items on the agenda of Control and Risk Committee meetings and monitors compliance with limits and the results of financial hedges, while the Front Office, which reports to the manager of the Energy Management BU, executes transactions in the financial markets, striving to optimize their structure, timing and counterparties.

Financial Hedges

One of the objectives of the Group's risk management activity is to stabilize the cash flows generated by the existing portfolio of assets and contracts and use strategic hedging to protect the Group's industrial margins from fluctuations caused by the effect of the price risk and the foreign exchange risk (as defined above in the Risk Factors section of this chapter) on the commodities handled.
Strategic hedging is carried out by means of financial hedges that are activated gradually during the year, based on market trends and changes in projections of the volumes of physical buy and sell contracts and the production of the Group's assets.
The gradual implementation of strategic hedging helps minimize the execution risk, which refers to the possibility that all hedges will be activated during an unfavorable market phase, the volume risk, which is related to the variability of the underlying items that require hedging based on the best volume projections, and the operational risk, which is related to implementation errors.
Moreover, the Group's policy is designed to minimize the use of financial markets for hedging purposes by maximizing the benefits of the vertical and horizontal integration of its different business segments.

Accordingly, the Group makes it a planning priority to physically balance the volumes of physical energy commodities that it will sell in the market on the different due dates, using for this purpose the production assets it owns and its portfolio of medium/long-term contracts and spot contracts.
In addition, the Group pursues a strategy designed to homogenize sources and physical uses, so that the formulas and indexing mechanisms that determine the revenues generated by the sale of energy commodities reflect as much as possible the formulas and indexing mechanisms that govern the costs that the Group incurs to purchase energy commodities in market transactions and to supply its production assets.
To manage the price and foreign exchange risk on the remaining exposure of its portfolio of assets and contracts, the Group can use structured hedges executed in the financial markets in accordance with a cash flow hedging strategy.
Financial hedges can also be established in response to specific requests by individual business units to lock in, with operational hedging, the margin earned on a single transaction or a limited number of related transactions.

Enterprise Risk Management Policy

The ERM Process and Assessments of the Impact on Margins-Objectives

The Enterprise Risk Management process is carried out concurrently with the development of the Budget and Strategic Plan by means of a Risk Self-Assessment process, the results of which are presented on predetermined dates at meetings of the Control and Risk Committee and the Board of Directors. In this case as well, the model is based on information provided by the individual operating units and departments, each of which, limited to the areas under its jurisdiction, prepared a map of the existing risks based on three parameters that measure their overall impact, the probability of occurrence and the level of control.
The overall results for the first half of 2014 are reviewed in the Risk Factors section of this Report.
A coordinator is designated for each of the mapped priority risks and specific mitigating actions are identified and codified within predefined classes of actions. Regular updates are performed during the year to review the results of the selected mitigating actions and assess their potential impact.

Provisions for Risks and Charges

In addition to the disclosures provided above concerning risk management and mitigation activities, whenever it incurs current obligations arising from past events, which can be of a legal or contractual nature or implied by Company declarations or conduct such as to create in a third party a valid expectation that the Company will be responsible or assume responsibility for the performance of an obligation, the Edison Group sets aside appropriate amounts in special provisions for risks and charges, which are shown among the liabilities on the balance sheet (see also the Notes to the Condensed Consolidated Semiannual Financial Statements). Specifically, in the normal course of business, Group companies have become parties to judicial proceedings and tax disputes, a description of which is provided in the section entitled "Risks and Contingent Liabilities Associated with Legal and Tax

Disputes," within the "Commitments, Risks and Contingent Assets" chapter of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014."

Other Information

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

- At June 30, 2014, it did not hold treasury shares or shares of its parent company, either directly or indirectly through nominees or other third parties. No transactions involving treasury shares or shares of the parent company were executed during the period, either directly or indirectly through nominees or other third parties.
- In first half of 2014, the Group executed significant transactions with related parties, a description of which is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Intercompany and Related-Party Transactions."
- No secondary registered offices have been established.

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

CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

at June 30, 2014

EDISON

Income Statement

2013 full year (*)	of which related parties	(in millions of euros)	See Note	1st half 2014	of which related parties	1st half 2013 (*)	of which related parties
12,150	495	Sales revenues	*1*	6,092	152	6,160	171
709	4	Other revenues and income	*2*	276	24	467	1
12,859	**499**	**Total net revenues**		**6,368**	**176**	**6,627**	**172**
(11,666)	(323)	Raw materials and services used (-)	*3*	(5,834)	(150)	(5,863)	(131)
(223)		Labor costs (-)	*4*	(111)		(109)	
970		**EBITDA**	*5*	**423**		**655**	
(9)		Net change in fair value of commodity derivatives	*6*	157		(18)	
(636)		Depreciation, amortization and writedowns (-)	*7*	(247)		(286)	
325		**EBIT**		**333**		**351**	
(112)	(16)	Net financial income (expense)	*8*	(82)	(15)	(39)	2
8	5	Income from (Expense on) equity investments	*9*	7	3	1	
(4)		Other income (expense), net	*10*	(9)		(27)	
217		**Profit (Loss) before taxes**		**249**		**286**	
(119)		Income taxes	*11*	(125)		(141)	
98		**Profit (Loss) from continuing operations**		**124**		**145**	
-		Profit (Loss) from discontinued operations		-		-	
98		**Profit (Loss)**		**124**		**145**	
		Broken down as follows:					
2		Minority interest in profit (loss)		8		(7)	
96		**Group interest in profit (loss)**		**116**		**152**	
		Earnings (Loss) per share (in euros)	*12*				
0.0175		Basic earnings (loss) per common share		0.0213		0.0281	
0.0475		Basic earnings per savings share		0.0513		0.0581	
0.0175		Diluted earnings (loss) per common share		0.0213		0.0281	
0.0475		Diluted earnings per savings share		0.0513		0.0581	

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

Other Components of the Comprehensive Income Statement

2013 full year (*)	(in millions of euros)	See Note	1st half 2014	1st half 2013 (*)
98	**Profit (Loss)**		**124**	**145**
	Other components of comprehensive income:			
16	**A) Change in the Cash Flow Hedge reserve**	*23*	**124**	**(13)**
31	- Gains (Losses) arising during the period		177	(22)
(15)	- Income taxes		(53)	9
(4)	**B) Change in reserve for available-for-sale investments**	*23*	-	**(4)**
(4)	- Gains (Losses) arising during the period not realized		-	(4)
-	- Income taxes		-	-
(12)	**C) Differences on the translation of assets in foreign currencies**		**8**	-
(17)	- Gains (Losses) arising during the period not realized		10	-
5	- Income taxes		(2)	-
-	**D) Pro rata interest in other components of comprehensive income of investee companies**		-	-
(1)	**E) Actuarial Gains (Losses) (**)**		-	**(2)**
(1)	- Actuarial Gains (Losses)		-	(2)
-	- Income taxes		-	-
(1)	**Total other components of comprehensive income net of taxes (A+B+C+D+E)**		**132**	**(19)**
97	**Total comprehensive profit (loss)**		**256**	**126**
	Broken down as follows:			
2	Minority interest in comprehensive profit (loss)		8	(7)
95	**Group interest in comprehensive profit (loss)**		**248**	**133**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Items not reclassificable in Income Statement.

Balance Sheet

01.01.2013 (*)	of which related parties	(in millions of euros)	See Note	06.30.2014	of which related parties	12.31.2013 (*)	of which related parties
		ASSETS					
4,571		Property, plant and equipment	*13*	4,251		4,344	
9		Investment property	*14*	6		6	
3,231		Goodwill	*15*	3,231		3,231	
948		Hydrocarbon concessions	*16*	821		860	
103		Other intangible assets	*17*	120		114	
150	150	Investments in associates	*18*	144	144	144	144
194		Available-for-sale investments	*18*	180		183	
12	7	Other financial assets	*19*	100	87	106	90
136		Deferred-tax assets	*20*	233		236	
108		Other assets	*21*	176		189	
9,462		**Total non-current assets**		**9,262**		**9,413**	
386		Inventories		493		486	
3,293	53	Trade receivables		3,078	63	3,098	120
25		Current-tax assets		22		24	
543	84	Other receivables		1,025	143	653	96
180	83	Current financial assets		87	6	77	6
735		Cash and cash equivalents		648	424	492	245
5,162		**Total current assets**	*22*	**5,353**		**4,830**	
1		**Assets held for sale**		**-**		**-**	
-		**Eliminations of assets from and to discontinued operations**		**-**		**-**	
14,625		**Total assets**		**14,615**		**14,243**	
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292		Share capital		5,292		5,292	
1,693		Reserves and retained earnings (loss carryforward)		1,787		1,750	
(11)		Reserve for other components of comprehensive income		120		(12)	
81		Group interest in profit (loss)		116		96	
7,055		**Total shareholders' equity attributable to Parent Company shareholders**		**7,315**		**7,126**	
119		Shareholders' equity attributable to minority shareholders		115		113	
7,174		**Total shareholders' equity**	*23*	**7,430**		**7,239**	
35		Provision for employee severance indemnities and provisions for pensions	*24*	35		35	
53		Provision for deferred taxes	*25*	113		64	
853		Provisions for risks and charges	*26*	912		901	
1,796		Bonds	*27*	598		1,098	
151		Long-term financial debt and other financial liabilities	*28*	1,010	796	972	795
29		Other liabilities	*29*	6		5	
2,917		**Total non-current liabilities**		**2,674**		**3,075**	
104		Bonds		1,291		772	
1,379	16	Short-term financial debt		187	22	268	22
2,354	80	Trade payables		2,314	64	2,177	92
10		Current taxes payable		12		42	
687	124	Other liabilities		707	205	670	111
4,534		**Total current liabilities**	*30*	**4,511**		**3,929**	
-		**Liabilities held for sale**		**-**		**-**	
-		**Eliminations of liabilities from and to discontinued operations**		**-**		**-**	
14,625		**Total liabilities and shareholders' equity**		**14,615**		**14,243**	

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

Cash Flow Statement

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

2013 full year (*)	of which related parties	(in millions of euros)	See Note	1st half 2014	of which related parties	1st half 2013 (*)	of which related parties
217		**Profit (Loss) before taxes**		**249**		**286**	
636		Depreciation, amortization and writedowns	7	247		286	
(44)		Net additions to provisions for risks		(4)		8	
(5)	(5)	Interest in the result of companies valued by the equity method (-)		(3)	(3)	1	1
5	5	Dividends received from companies valued by the equity method		3	3	3	3
(21)		(Gains) Losses on the sale of non-current assets		(5)		1	
(2)		Change in the provision for employee severance indemnities and provisions for pensions	24	-		(2)	
(2)		Change in fair value recorded in EBIT		(185)		4	
(82)	(55)	Change in operating working capital		150	29	(295)	(35)
(119)	(25)	Change in other operating assets and liabilities		26	47	(334)	10
113	13	Financial (income) expense	8	73	8	50	3
(95)	(7)	Net financial expense paid		(66)	(8)	(53)	-
(220)		Income taxes paid		(124)		(66)	
381		**A. Cash flow from continuing operations**		**361**		**(111)**	
(263)		Additions to intangibles and property, plant and equipment (-)	13-17	(142)		(105)	
(4)		Additions to non-current financial assets (-)		-		-	
(56)	(56)	Net price paid on business combinations (-)		-		-	
8		Proceeds from the sale of intangibles and property, plant and equipment		31		-	
-		Proceeds from the sale of non-current financial assets		-		-	
7		Repayment of capital contribution by non-current financial assets		3		2	
24		Change in other current financial assets		(10)		2	
(284)		**B. Cash used in investing activities from continuing operations**		**(118)**		**(101)**	
1,796	1,343	Receipt of new medium-term and long-term loans	27, 28, 30	-		1,547	1,193
(2,079)	(550)	Redemption of medium-term and long-term loans (-)	27, 28, 30	(13)		(1,517)	
(37)		Change in short-term net financial debt		(11)		(29)	
-		Distribution of shareholders' equity and reserves (-)		-		-	
(20)		Dividends paid to controlling companies or minority shareholders (-)		(63)		(20)	
(340)		**C. Cash used in financing activities from continuing operations**		**(87)**		**(19)**	
-		**D. Net currency translation differences**		-		-	
(243)		**E. Net cash flow for the period from continuing operations (A+B+C+D)**		**156**		**(231)**	
-		**F. Net cash flow for the period from discontinued operations**		-		-	
(243)		**G. Net cash flow for the period (continuing and discontinued operations) (E+F)**		**156**		**(231)**	
735		**H. Cash and cash equivalents at the beginning of the year from continuing operations**		**492**		**735**	
-		**I. Cash and cash equivalents at the beginning of the year from discontinued operations**		-		-	
492	245	**L. Cash and cash equivalents at the end of the period (continuing and discontinued operations) (G+H+I)**		**648**	424	**504**	236
-		**M. Cash and cash equivalents at the end of the period from discontinued operations**		-		-	
492	245	**N. Cash and cash equivalents at the end of the period from continuing operations (L-M)**		**648**	424	**504**	236

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

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 January 1, 2013	5,292	1,693	(16)	4	1	-	-	81	7,055	119	7,174
Appropriation of the previous year's profit (loss)	-	81	-	-	-	-	-	(81)	-	-	-
Dividends and reserves distributed	-	(17)	-	-	-	-	-	-	*(17)*	(7)	*(24)*
Other changes	-	(5)	-	-	-	-	-	-	*(5)*	1	*(4)*
Total comprehensive profit (loss)	-	-	(13)	(4)	-	-	(2)	152	*133*	(7)	*126*
of which:											
- Change in comprehensive income for the period	-	-	(13)	(4)	-	-	(2)	-	*(19)*	-	*(19)*
- Profit (Loss) at 06.30.2013	-	-	-	-	-	-	-	152	*152*	(7)	*145*
Balance at June 30, 2013	5,292	1,752	(29)	-	1	-	(2)	152	7,166	106	7,272
Other changes	-	(2)	-	-	-	-	-	-	*(2)*	(2)	*(4)*
Total comprehensive profit (loss)	-	-	29	-	(12)	-	1	(56)	*(38)*	9	*(29)*
of which:											
- Change in comprehensive income for the period	-	-	29	-	(12)	-	1	-	*18*	-	*18*
- Profit (Loss) from 07.01.2013 to 12.31.2013	-	-	-	-	-	-	-	(56)	*(56)*	9	*(47)*
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)*
Other changes	-	4	-	-	-	-	-	-	*4*	1	*5*
Total comprehensive profit (loss)	-	-	124	-	8	-	-	116	*248*	8	*256*
of which:											
- Change in comprehensive income for the period	-	-	124	-	8	-	-	-	*132*	-	*132*
- Profit (Loss) at 06.30.2014	-	-	-	-	-	-	-	116	*116*	8	*124*
Balance at June 30, 2014	5,292	1,787	124	-	(3)	-	(1)	116	7,315	115	7,430

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

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2014

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2014 was prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures it provides are consistent with the provisions of IAS 34 - Interim Financial Reporting. The abovementioned report is consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied to the Preparation of the Condensed Consolidated Semiannual Financial Statements

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

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

  The standard, applied retrospectively, results in the deconsolidation of some joint entity belonging both to the Electric Power Operations and to the Hydrocarbon Operations. The impact on the previous year's Income Statement, Balance Sheet and Cash Flow Statement data is shown in the Comparability section, later in these Notes. Within these Notes, the amounts for the previous year have been restated as a result of the adoption of this principle and thus are consistent with those for 2014.

- **IFRS 12 "Disclosure of Interests in Other Entities"**: it combines into a single standard the disclosure requirements regarding subsidiaries, joint arrangements and associates, in order to specify the assumptions relevant to the determination of the investments in associates as above.
- **IAS 27** revised **"Separated financial Statements"**: this standard was revised following the introduction of IFRS 10 and provides a comprehensive guide focused only on the preparation of separate financial statements;
- **IAS 28** revised **"Investments in Associates and Joint Ventures"**: it reflects the changes in the classification of joint arrangement introduced by IFRS 11 and extends to joint ventures the implementation of the equity method;
- **IAS 32** revised **"Financial Instruments: Presentation"**: it introduces an application guide on the subject of offsetting agreements that clarifies the requirements for offsetting financial assets and liabilities in cases in which they were entered into netting agreements;
- **IAS 36** revised **"Impairment of Assets"**: this standard includes the requirements of IFRS 13, introducing additional disclosures in cases where a loss is recognized or derecognized and the recoverable amount of the assets or of the Cash Generating Unit corresponds to the fair value net of costs to sell;
- **IAS 39** revised **"Financial Instruments: Recognition and Measurement"**: these changes allow a continuation of hedge accounting of derivatives that are designated as such in the event that they are the subject of novation as a result of legislation or regulations (i.e. EMIR). This principle does not apply to Edison group at this time.

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

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

Use of Estimated Values

The preparation of the Condensed Consolidated Semiannual Financial Statements at June 30, 2014 requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement.

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 test. More detailed information about impairments test is provided in the Section of Notes entitled "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Notes 18), in the Consolidated Financial Statements at December 31, 2013.
- Valuation of derivatives and financial instruments in general. Please refers to the Consolidated Financial Statements at December 31, 2013, in the paragraph entitled "Valuation Criteria - Financial instruments" in the section entitled "Accounting Principles and Consolidation Criteria" and in the paragraph "Analysis of Forward Transactions and Derivatives" , included in this report, of the following section entitled "Group Financial Risk Management", which should be also consulted for more information about the method of valuation of fair value and manage inherent risks in connection with energy commodities, foreign exchange rates and interest rates;
- Measurement of certain sales revenues, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on available information and by the contribution of an independent appraiser.
- Advances paid under long-term natural gas supply contracts for gas volumes (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); and b) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to 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 could consider, as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

The Board of Directors, meeting on July 30, 2014, authorized the publication of the Condensed Consolidated Semiannual Financial Statements, which were the subject of a limited audit 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

For consolidation purposes, Edison determined that it met the requirements of IFRS 10. More specifically, the Group consolidates two companies, 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 concern only current activities of a residual nature. Significant activities are directed through contractual agreements. These agreements expose Edison to the majority of the variables returns and give it the power to influence the returns through the management of the significant activities (in particular, the management, withdrawal at predetermined prices and dispatching of electric power).

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

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

Electric Power Operations:

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

Hydrocarbon Operations:

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

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

Corporate:

- Elpedison Bv consolidated at 50%.

It is worth of mentioning that in the **Electric Power Operations**:

- **D.S. Smith Paper Italia Srl**, a wholly owned subsidiary of Edison Spa consolidated line by line, to which the Porcari thermoelectric power plant was conveyed at the beginning of 2014, **was divested** in February. This disposal generated a gain of about 6 million euros and proceeds of about 31 million euros;
- In June **was acquired the Società Idroelettrica Calabrese Srl** owned at 100% by Edison Spa consolidated line by line.

Comparability

As mentioned above, as of January 1, 2014, further to the adoption of the accounting principle IFRS 11 "Joint Arrangements", certain companies previously consolidated by the proportional method are valued by the equity method. The comparative data for the previous periods were restated in accordance with the new principle, consistent with the data for 2014 according to IAS 1.

For the sake of greater clarity, the tables that follow show the effects of these restatements on the:

- Income Statement for the first half of 2013 and 2013 full year;
- Balance Sheet at January 1, 2013 and at December 31, 2013;
- Balance Sheet at June 30, 2013;
- Cash Flow Statement for the first half of 2013 and 2013 full year.

Income Statement for the first half of 2013 and 2013 full year

2013 Published	IFRS 11	2013 Restated		1st half 2013 Published	IFRS 11	1st half 2013 Restated
12,335	(185)	12,150	Sales revenues	6,248	(88)	6,160
715	(6)	709	Other revenues and income	468	(1)	467
13,050	**(191)**	**12,859**	**Total net revenues**	**6,716**	**(89)**	**6,627**
(11,815)	149	(11,666)	Raw materials and services used (-)	(5,936)	73	(5,863)
(226)	3	(223)	Labor costs (-)	(110)	1	(109)
1,009	**(39)**	**970**	**EBITDA**	**670**	**(15)**	**655**
(9)	-	(9)	Net change in fair value of commodity derivatives	(18)	-	(18)
(656)	20	(636)	Depreciation, amortization and writedowns (-)	(297)	11	(286)
344	**(19)**	**325**	**EBIT**	**355**	**(4)**	**351**
(115)	3	(112)	Net financial income (expense)	(41)	2	(39)
3	5	8	Income from (Expense on) equity investments	2	(1)	1
(4)	-	(4)	Other income (expense), net	(27)	-	(27)
228	**(11)**	**217**	**Profit (Loss) before taxes**	**289**	**(3)**	**286**
(130)	11	(119)	Income taxes	(144)	3	(141)
98	**-**	**98**	**Profit (Loss) from continuing operations**	**145**	**-**	**145**
-	-	-	Profit (Loss) from discontinued operations	-	-	-
98	**-**	**98**	**Profit (Loss)**	**145**	**-**	**145**
			Broken down as follows:			
2	-	2	Minority interest in profit (loss)	(7)	-	(7)
96	**-**	**96**	**Group interest in profit (loss)**	**152**	**-**	**152**
			Earnings (Loss) per share (in euros)			
0.0175		0.0175	Basic earnings (loss) per common share	0.0281		0.0281
0.0475		0.0475	Basic earnings per savings share	0.0581		0.0581
0.0175		0.0175	Diluted earnings (loss) per common share	0.0281		0.0281
0.0475		0.0475	Diluted earnings per savings share	0.0581		0.0581

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

01.01.2013				12.31.2013		
Published	IFRS 11	Restated	(in millions of euros)	Published	IFRS 11	Restated
			ASSETS			
4,786	(215)	4,571	Property, plant and equipment	4,548	(204)	4,344
9	-	9	Investment property	6	-	6
3,231	-	3,231	Goodwill	3,231	-	3,231
948	-	948	Hydrocarbon concessions	860	-	860
105	(2)	103	Other intangible assets	115	(1)	114
51	99	150	Investments in associates	51	93	144
194	-	194	Available-for-sale investments	183	-	183
75	(63)	12	Other financial assets	74	32	106
145	(9)	136	Deferred-tax assets	245	(9)	236
108	-	108	Other assets	189	-	189
9,652	**(190)**	**9,462**	**Total non-current assets**	**9,502**	**(89)**	**9,413**
390	(4)	386	Inventories	489	(3)	486
3,391	(98)	3,293	Trade receivables	3,176	(78)	3,098
25	-	25	Current-tax assets	26	(2)	24
562	(19)	543	Other receivables	664	(11)	653
99	81	180	Current financial assets	75	2	77
753	(18)	735	Cash and cash equivalents	506	(14)	492
5,220	**(58)**	**5,162**	**Total current assets**	**4,936**	**(106)**	**4,830**
1	**-**	**1**	**Assets held for sale**	**-**	**-**	**-**
14,873	**(248)**	**14,625**	**Total assets**	**14,438**	**(195)**	**14,243**
			LIABILITIES AND SHAREHOLDERS' EQUITY			
5,292	-	5,292	Share capital	5,292	-	5,292
1,693	-	1,693	Reserves and retained earnings (loss carryforward)	1,750	-	1,750
(11)	-	(11)	Reserve for other components of comprehensive income	(12)	-	(12)
81	-	81	Group interest in profit (loss)	96	-	96
7,055	**-**	**7,055**	**Total shareholders' equity attributable to Parent Company shareholders**	**7,126**	**-**	**7,126**
132	(13)	119	Shareholders' equity attributable to minority shareholders	126	(13)	113
7,187	**(13)**	**7,174**	**Total shareholders' equity**	**7,252**	**(13)**	**7,239**
35	-	35	Provision for employee severance indemnities and provisions for pensions	36	(1)	35
79	(26)	53	Provision for deferred taxes	90	(26)	64
863	(10)	853	Provisions for risks and charges	903	(2)	901
1,796	-	1,796	Bonds	1,098	-	1,098
174	(23)	151	Long-term financial debt and other financial liabilities	1,035	(63)	972
31	(2)	29	Other liabilities	7	(2)	5
2,978	**(61)**	**2,917**	**Total non-current liabilities**	**3,169**	**(94)**	**3,075**
104	-	104	Bonds	772	-	772
1,461	(82)	1,379	Short-term financial debt	282	(14)	268
2,440	(86)	2,354	Trade payables	2,240	(63)	2,177
11	(1)	10	Current taxes payable	43	(1)	42
692	(5)	687	Other liabilities	680	(10)	670
4,708	**(174)**	**4,534**	**Total current liabilities**	**4,017**	**(88)**	**3,929**
-	**-**	**-**	**Liabilities held for sale**	**-**	**-**	**-**
14,873	**(248)**	**14,625**	**Total liabilities and shareholders' equity**	**14,438**	**(195)**	**14,243**

Balance Sheet at June 30, 2013

(in millions of euros)	06.30.2013 Published	06.30.2013 IFRS 11	06.30.2013 Restated
ASSETS			
Property, plant and equipment	4,664	(210)	4,454
Investment property	9	-	9
Goodwill	3,231	-	3,231
Hydrocarbon concessions	906	-	906
Other intangible assets	105	(2)	103
Investments in associates	50	91	141
Available-for-sale investments	183	-	183
Other financial assets	69	(57)	12
Deferred-tax assets	178	(10)	168
Other assets	497	(1)	496
Total non-current assets	**9,892**	**(189)**	**9,703**
Inventories	315	(4)	311
Trade receivables	3,625	(69)	3,556
Current-tax assets	19	(1)	18
Other receivables	573	(15)	558
Current financial assets	97	75	172
Cash and cash equivalents	516	(12)	504
Total current assets	**5,145**	**(26)**	**5,119**
Assets held for sale	**1**	**-**	**1**
Eliminations of assets from and to discontinued operations	**-**	**-**	**-**
Total assets	**15,038**	**(215)**	**14,823**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	5,292	-	5,292
Reserves and retained earnings (loss carryforward)	1,752	-	1,752
Reserve for other components of comprehensive income	(30)	-	(30)
Group interest in profit (loss)	152	-	152
Total shareholders' equity attributable to Parent Company	**7,166**	**-**	**7,166**
Shareholders' equity attributable to minority shareholders	118	(12)	106
Total shareholders' equity	**7,284**	**(12)**	**7,272**
Provision for employee severance indemnities and provisions for	36	-	36
Provision for deferred taxes	77	(26)	51
Provisions for risks and charges	898	(6)	892
Bonds	1,797	-	1,797
Long-term financial debt and other financial liabilities	1,291	(15)	1,276
Other liabilities	30	(1)	29
Total non-current liabilities	**4,129**	**(48)**	**4,081**
Bonds	100	-	100
Short-term financial debt	341	(83)	258
Trade payables	2,308	(61)	2,247
Current taxes payable	45	(1)	44
Other liabilities	831	(10)	821
Total current liabilities	**3,625**	**(155)**	**3,470**
Liabilities held for sale	**-**	**-**	**-**
Eliminations of liabilities from and to discontinued operations	**-**	**-**	**-**
Total liabilities and shareholders' equity	**15,038**	**(215)**	**14,823**

Cash Flow Statement for the first half 2013 and 2013 full year

2013 full year					1st half 2013		
Published	**IFRS 11**	**Restated**		(in millions of euros)	**Published**	**IFRS 11**	**Restated**
228	**(11)**	**217**		**Profit (Loss) before taxes**	**289**	**(3)**	**286**
656	(20)	636		Depreciation, amortization and writedowns	297	(11)	286
(45)	1	(44)		Net additions to provisions for risks	7	1	8
-	(5)	(5)		Interest in the result of companies valued by the equity method (-)	-	1	1
1	4	5		Dividends received from companies valued by the equity method	1	2	3
(21)	-	(21)		(Gains) Losses on the sale of non-current assets	1	-	1
(2)	-	(2)		Change in the provision for employee severance indemnities and provisions for pensions	(2)	-	(2)
(2)	-	(2)		Change in fair value recorded in EBIT	4	-	4
(84)	2	(82)		Change in operating working capital	(291)	(4)	(295)
(113)	(6)	(119)		Change in other operating assets and liabilities	(348)	14	(334)
116	(3)	113		Financial (income) expense	52	(2)	50
(100)	5	(95)		Net financial expense paid	(47)	(6)	(53)
(221)	1	(220)		Income taxes paid	(67)	1	(66)
413	**(32)**	**381**	**A.**	**Cash flow from continuing operations**	**(104)**	**(7)**	**(111)**
(271)	8	(263)		Additions to intangibles and property, plant and equipment (-)	(111)	6	(105)
(4)	-	(4)		Additions to non-current financial assets (-)	-	-	-
(56)	-	(56)		Net price paid on business combinations	-	-	-
8	-	8		Proceeds from the sale of intangibles and property, plant and equipment	-	-	-
-	-	-		Proceeds from the sale of non-current financial assets	-	-	-
7	-	7		Repayment of capital contribution by non-current financial assets	2	-	2
24	-	24		Change in other current financial assets	2	-	2
(292)	**8**	**(284)**	**B.**	**Cash used in investing activities from continuing operations**	**(107)**	**6**	**(101)**
1,853	(57)	1,796		Receipt of new medium-term and long-term loans	1,547	-	1,547
(2,153)	74	(2,079)		Redemption of medium-term and long-term loans (-)	(1,520)	3	(1,517)
(48)	11	(37)		Change in short-term net financial debt	(33)	4	(29)
-	-	-		Capital contributions and reserves (-)	-	-	-
(20)	-	(20)		Dividends paid to controlling companies or minority shareholders (-)	(20)	-	(20)
(368)	**28**	**(340)**	**C.**	**Cash used in financing activities from continuing operations**	**(26)**	**7**	**(19)**
-	-	-	**D.**	**Net currency translation differences**	-	-	-
(247)	**4**	**(243)**	**E.**	**Net cash flow for the period from continuing operations (A+B+C+D)**	**(237)**	**6**	**(231)**
-	-	-	**F.**	**Net cash flow for the period from discontinued operations**	-	-	-
(247)	**4**	**(243)**	**G.**	**Net cash flow for the period (continuing and discontinued operations) (E+F)**	**(237)**	**6**	**(231)**
753	**(18)**	**735**	**H.**	**Cash and cash equivalents at the beginning of the year from continuing operations**	**753**	**(18)**	**735**
-	-	-	**I.**	**Cash and cash equivalents at the beginning of the year from discontinued operations**	-	-	-
506	**(14)**	**492**	**L.**	**Cash and cash equivalents at the end of the period from discontinued operations (G+H+I)**	**516**	**(12)**	**504**
-	-	-	**M.**	**Cash and cash equivalents at the end of the period from discontinued operations**	-	-	-
506	**(14)**	**492**	**N.**	**Cash and cash equivalents at the end of the period from Continuing Operations (L-M)**	**516**	**(12)**	**504**

SEGMENT INFORMATION

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

INCOME STATEMENT	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*
Sales Revenues	**4,011**	**3,543**	**2,424**	**3,047**	**23**	**24**	-	-	**(366)**	**(454)**	**6,092**	**6,160**
- third parties sales revenues	4,004	3,536	2,086	2,622	2	4			-	(2)	6,092	6,160
- Intra-Group sales revenues	7	7	338	425	21	20			(366)	(452)	-	-
EBITDA	**356**	**342**	**126**	**361**	**(59)**	**(48)**	**-**	**-**	**-**	**-**	**423**	**655**
as a % of sales revenues	*8.9%*	*9.7%*	*5.2%*	*11.8%*	*n.m.*	*n.m.*					*6.9%*	*10.6%*
Net change in Fair Value of Commodity derivatives	1	(14)	156	(4)	-	-	-	-	-	-	157	(18)
Depreciation, amortization and writedowns	(117)	(171)	(125)	(111)	(5)	(4)	-	-	-	-	(247)	(286)
EBIT	**240**	**157**	**157**	**246**	**(64)**	**(52)**	**-**	**-**	**-**	**-**	**333**	**351**
as a % of sales revenues	*6.0%*	*4.4%*	*6.5%*	*8.1%*	*n.m.*	*n.m.*					*5.5%*	*5.7%*
Net financial income (expense)											**(82)**	**(39)**
Interest in result of companies valued by equity method											**3**	**(1)**
Income taxes											**(125)**	**(141)**
Profit (Loss) from continuing operations											**124**	**145**
Profit (Loss) from discontinued operations							-	-			**-**	**-**
Minority interest in profit (loss)											**8**	**(7)**
Group interest in profit (loss)											**116**	**152**

BALANCE SHEET	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*
Total assets	**8,366**	**8,191**	**5,731**	**5,782**	**5,180**	**5,049**	**-**	**-**	**(4,662)**	**(4,779)**	**14,615**	**14,243**
Total liabilities	**3,332**	**3,015**	**3,346**	**3,506**	**4,040**	**4,097**	**-**	**-**	**(3,533)**	**(3,614)**	**7,185**	**7,004**
Net Financial Debt							**-**	**-**			**2,264**	**2,451**

OTHER INFORMATION	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
(in millions of euros)	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*	*1st half 2014*	*1st half 2013 (*)*
Capital expenditures	14	11	86	61	-	1	-	-	-	-	**100**	**73**
Investments in exploration	-	-	30	28	-	-	-	-	-	-	**30**	**28**
Investments in intangibles	2	-	9	4	1	-	-	-	-	-	**12**	**4**
Total capital investments	**16**	**11**	**125**	**93**	**1**	**1**	**-**	**-**	**-**	**-**	**142**	**105**

	Electric Power Operations		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
	06.30.2014	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*	*06.30.2014*	*12.31.2013 (*)*
Number of employees	**1,105**	**1,138**	**1,411**	**1,415**	**629**	**630**	**-**	**-**	**-**	**-**	**3,145**	**3,183**

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

Thus far, the Group has not viewed **geographic area** segment information as meaningful. In recent years the foreign operations have gained steadily in importance: net non-current assets held totaled 1,280 million euros for the Hydrocarbons Operations, the largest component of which was located in Egypt. At June 30, 2014, the contribution of foreign operations accounted for about 13.2% of net invested capital.

The contribution of the Exploration & Production business at June 30, 2014 is shown in the table below. More specifically, EBIT for the first half of 2014 were affected by higher amortization and depreciation attributable to EDF Production UK, acquired in October 2013, for 21 million euros.

INCOME STATEMENT (in millions of euros)	1 st half 2014	1 st half 2013 (*)
Sales revenues	**349**	**319**
EBITDA	**216**	**214**
as % of sales revenues	*61,9%*	*67,1%*
EBIT	**101**	**111**
as % of sales revenues	*28,9%*	*34,8%*

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

As for the disclosure about the so-called "**major customers**", the Group's sales are generally not concentrated, except for the Electric Power Operations, where one major customer, as defined by IFRS 8, generated sales revenues totaling 620 million euros in the period, equal to about 15.5% of the total sales revenues of Electric Power Operations and to about 10.2% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

The trend of steady decline that has been afflicting the Italian economy since 2008, with negative repercussions on the level of national consumptions of electric power and natural gas, continued in the first half of 2014. More specifically, compared with the same period last year, domestic demand for electric power decreased by 3.0% (-2.8% on a seasonally adjusted basis), with a contraction that penalized only thermoelectric generation, due mainly to the availability of abundant water resources during the period. Italian demand for natural gas was also down sharply, decreasing by 14.3% compared with the same period last year, with thermoelectric and residential uses showing the biggest declines, due in part to higher temperatures. The continuation of a situation in which the weakness in demand was accompanied by a steady increase in generating capacity and availability of gas, resulted in a further increase in competitive pressure on sales prices of both gas and electric power.

In this scenario, Group **EBITDA** were positive by 423 million euros, compared with 655 million euros in the same period last year (-35.4%); more specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 364 million euros, for a gain of 3.1% compared with the same period of the previous year (353 million euros). This result benefited from an increase in hydroelectric generation, thanks to an abundance of water resources, and the optimization of the portfolio of generating facilities.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** were positive by 118 million euros, as against a positive balance of 350 million euros in the first half of 2013 which reflected the beneficial impact related to previous years from the revisions of long-term contracts to import natural gas from Algeria and Qatar. The contribution of the Exploration & Production activities was substantially in line.

The **Group's interest in the net result** was a gain of 116 million euros, decreasing compared to the first half of 2013 (152 million euros).

In addition to the effects of the industrial margins mentioned above, the gain was mainly affected by:

- the net changes in the fair value on derivatives, positive for 157 million euros;

[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 (+8 million euros in first half 2014, +11 million euros in first half 2013). This reclassification is being made to provide an operational presentation of the industrial results. The Adjusted EBITDA amount was not audited.

- a 39-million-euro decrease in depreciation and amortization, for the combined effect of lower writedowns in the **Electric Power Operations** (49 million euros) and higher depreciation in the **Hydrocarbons Operations due** to the inclusion of EDF Production UK Ltd in the scope of consolidation as of October 2013;

- an increase of 43 million euros in net financial expense, mainly due to the higher net foreign exchanges losses on fuel procurement transactions.

1. Sales Revenues

Sales revenues totaled 6,092 million euros, or 1.1% less than the 6,160 million euros reported in the same period last year.

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

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Revenues from the sales of:				
- Electric power	2,907	2,703	204	7.5%
- Natural gas	1,832	2,432	(600)	(24.7%)
- Steam	41	59	(18)	(30.5%)
- Oil	132	95	37	38.9%
- Green certificates	97	71	26	36.6%
- Other sales revenues	28	29	(1)	(3.4%)
Total sales revenues	**5,037**	**5,389**	**(352)**	**(6.5%)**
Revenues from services provided	5	5	-	-
Storage services	43	37	6	16.2%
Margin on physical trading activities	190	90	100	n.m.
Transmission revenues	803	632	171	27.1%
Other revenues from sundry services	14	7	7	100.0%
Total for the Group	**6,092**	**6,160**	**(68)**	**(1.1%)**

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

Breakdown by Business Segment

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Electric Power Operations	4,011	3,543	468	13.2%
Hydrocarbons Operations	2,424	3,047	(623)	(20.4%)
Corporate Activities and Other Segments	23	24	(1)	(4.2%)
Eliminations	(366)	(454)	88	(19.4%)
Total for the Group	**6,092**	**6,160**	**(68)**	**(1.1%)**

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

In particular:

- The **Electric Power Operations** reported a gain in sales revenues (+13.2%) compared with the first half of 2013, thanks to higher sales volumes to wholesalers and end customers.
- The sales revenues of the **Hydrocarbons Operations** were down, falling by 20.4% compared with the first half of 2013, and reflect the negative impact of price scenario as well as lower sales to thermoelectric and residential customers partially offset by higher sales to industrial customers.

2. Other Revenues and Income

Other revenues and income totaled 276 million euros (467 million euros in 2013). A breakdown is as follows:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Realized commodity derivatives	180	93	87	93.5%
Recovery of costs from partners in hydrocarbon exploration projects	17	17	-	-
Net reversals in earnings of provisions for risks on receivables and other risks	6	6	-	-
Out of period and sundry items	73	351	(278)	(79.2%)
Total for the Group	**276**	**467**	**(191)**	**(40.9%)**

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

The income from **realized commodity derivatives**, which should be analyzed together with the corresponding cost item included in "**Raw materials and services used**" (96 million euros) reflects primarily the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used in the Edison Group portfolios and gas earmarked for direct sales. This effect is mainly related to commodities markets changes in the period: more specifically the oil market showed an increase in prices.

In the first half of 2013, it should be noted that the **Out-of period income and sundry items** also included the benefits arising from the revision of long-term contracts to import natural gas attributable to costs incurred in previous years.

3. Raw Materials and Services Used

Raw materials and services used totaled 5,834 million euros, or 0.5% less than in the same period of 2013 (5,863 million euros), affected by the price and volume trends already mentioned in the note on "Sales revenues".

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

(in millions of euros)	1st half 2014	1st half 2013 (*)	Change	% change
Purchases of:				
- Natural gas	1,855	2,467	(612)	(24.8%)
- Electric power	1,960	1,641	319	19.4%
- Blast-furnace, recycled and coke-oven gas	8	16	(8)	(50.0%)
- Oil and fuel	2	-	2	n.a.
- Green certificates	15	5	10	n.a.
- CO_2 emissions rights	13	4	9	n.m.
-Utilities and other materials	41	33	8	24.2%
Total	**3,894**	**4,166**	**(272)**	**(6.5%)**
- Maintenance	67	57	10	17.5%
- Transmission of electric power and natural gas	1,149	1,025	124	12.1%
- Regasification fee	53	53	-	-
- Professional services	65	63	2	3.2%
- Writedowns of trade and other receivables	88	69	19	27.5%
- Realized commodity derivatives	96	54	42	77.8%
- Margin on financial trading activities	161	56	105	n.m.
- Additions to provisions for miscellaneous risks	7	13	(6)	(46.2%)
- Change in inventories	53	99	(46)	(46.5%)
- Use of property not owned	57	57	-	-
- Losses on sales of property, plant and equipment	1	1	-	-
- Sundry items	143	150	(7)	(4.7%)
Total for the Group	**5,834**	**5,863**	**(29)**	**(0.5%)**

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

Breakdown by Business Segment

(in millions of euros)	1st half 2014	1st half 2013 (*)	Change	% change
Electric Power Operations	3,674	3,215	459	14.3%
Hydrocarbons Operations	2,472	3,057	(585)	(19.1%)
Corporate Activities and Other Segments	60	52	8	15.4%
Eliminations	(372)	(461)	89	(19.3%)
Total for the Group	**5,834**	**5,863**	**(29)**	**(0.5%)**

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

The decrease compared with the first half of previous year in the amount paid for **natural gas** (612 million euros) is mainly due to the decrease of purchase volume, related to lower sales volume; this item should be analyzed together with the item included in **Changes in inventories.** The amount also reflects the negative impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (46 million euros), which, however, is offset by a benefit shown in commodity prices.

The rise in costs for **electric power** (319 million euros compared with the first half of 2013) is due mainly to the increase in purchase's volumes in electric market.

The higher costs paid for **transmission of electric power and natural gas** (124 million euros) reflects increases both in sale's volumes and rates paid.

The **regasification fee** (53 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (88 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations.

Margin on Trading Activities

The table below shows the results, as a whole in line with the same period previous year, from trading in physical and financial energy commodity contracts held in Trading Portfolios included in revenues and in raw materials and services used.

(in millions of euros)	*See Note*	**1st half 2014**	1st half 2013	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		3,446	1,949	1,497	76.8%
Raw materials and services used		(3,256)	(1,859)	(1,397)	75.1%
Total included in sales revenues	*1*	**190**	**90**	**100**	**n.m.**
Margin on financial contracts included in trading portfolios					
Other revenues and income		19	31	(12)	(38.7%)
Raw materials and services used		(180)	(87)	(93)	n.m.
Total included in Raw Materials and Services Used	*3*	**(161)**	**(56)**	**(105)**	**n.m.**
Total margin on trading activities		**29**	**34**	**(5)**	**(14.7%)**

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

4. Labor Costs

Labor costs totaled 111 million euros, or about 1.8% more than in the same period of 2013, when they amounted to 109 million euros. This increase is the result of wage dynamic.

5. EBITDA

EBITDA totaled 423 million euros, against the positive 655 million euros of the same period of 2013, that included the impact one off, related to the previous years, of long term gas supply contracts.

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

(in millions of euros)	**1st half 2014**	**as a % of sales revenues**	1st half 2013 (*)	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	356	8.9%	342	9.7%
Hydrocarbons Operations	126	5.2%	361	(11.8%)
Corporate Activities and Other Segments	(59)	n.m.	(48)	n.m.
Total for the Group	**423**	**6.9%**	**655**	**10.6%**
Adjusted EBITDA				
Electric Power Operations	364	9.1%	353	10.0%
Hydrocarbons Operations	118	4.9%	350	11.5%
Corporate Activities and Other Segments	(59)	n.m.	(48)	n.m.
Total for the Group	**423**	**6.9%**	**655**	**10.6%**

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

Regarding the performances:

- the adjusted EBITDA of the **Electric Power Operations** amounted to 364 million euros, for a gain of 3.1% compared with the same period previous year (353 million euros), and is mainly related to an abundance of water resources and to portfolio optimization of facilities;
- the adjusted EBITDA of the **Hydrocarbons Operations** were positive by 118 million euros (350 million euros in 2013); please note that, in the same period of the previous year, the result was affected by the beneficial impact of the revisions of long-term contracts to import natural gas from Algeria and Qatar, attributable to costs incurred in previous years. Net of this effect, the segment benefited from the stable and significant contribution of the Exploration & Production activities and from a partial recovery in the performance of the natural gas supply and sales activities, which, however, continued to be characterized by strong pressure on sales margins.

6. Net Change in Fair Value of Commodity Derivatives

A breakdown of this account, which had a positive balance of 157 million (negative balance of 18 million euros in the first half of 2013), is provided below:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Change in fair value in hedging the price risk on energy products:	**158**	**(18)**	**176**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (**)	4	(2)	6	n.m.
- not definable as hedges pursuant to IAS 39	154	(16)	170	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**(1)**	**-**	**(1)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (**)	(6)	-	(6)	n.m.
- not definable as hedges pursuant to IAS 39	5	-	5	n.m.
Total for the Group	**157**	**(18)**	**175**	**n.m.**

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

(**) Referred to the ineffective portion.

This line item reflects the change in fair value for the period of commodity and foreign exchange derivatives, excluding those that are part of the Trading Activities, executed as economic hedges of the Industrial Portfolio. The result for the period essentially reflects the considerable reduction in forward prices recorded in the first half of the year in the European gas markets.

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

7. Depreciation, Amortization and Writedowns

The items totaled 247 million euros, for a decrease of 39 million euros compared to the same period previous year. A breakdown of this item is provided below:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Depreciation and amortization of:	**246**	**237**	**9**	**3.8%**
- property, plant and equipment	170	162	8	4.9%
- hydrocarbon concessions	39	42	(3)	(7.1%)
- other intangible assets (**)	37	33	4	12.1%
Writedowns of:	**1**	**49**	**(48)**	**n.m.**
- property, plant and equipment	1	46	(45)	n.m.
- other intangible assets	-	3	(3)	n.a.
Total for the Group	**247**	**286**	**(39)**	**(13.6%)**

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Included the exploration costs (30 million euros in 2014, 28 million euros in 2013).

Breakdown by Business Segment

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change	% change
Electric Power Operations:	**117**	**171**	**(54)**	**(31,6%)**
- depreciation and amortization	117	122	(5)	(4,1%)
- writedowns of property, plant and equipment	-	46	(46)	n.a.
- writedowns of other intangible assets	-	3	(3)	n.m.
Hydrocarbons Operations:	**125**	**111**	**14**	**12,6%**
- depreciation and amortization	125	111	14	12,6%
Corporate Activities and Other Segments:	**5**	**4**	**1**	**25,0%**
- depreciation and amortization	4	4	-	-
- writedowns of property, plant and equipment	1	-	1	n.a.
Total for the Group	**247**	**286**	**(39)**	**(13,6%)**

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

In the **Electric Power Operations**, the decrease of 54 million euros is mainly due to the write down carried out in the first half of 2013 (49 million euros).

In the **Hydrocarbons Operations**, the increase of 14 million euros is due for 21million euros (of which 11 million euros for Exploration Costs) to EDF Production UK Ltd, acquired in October 2013.

8. Net Financial Income (Expense)

Net financial expense totaled 82 million euros, or 43 million euros more than in the same period of 2013 (39 million euros).

A breakdown of net financial expense is as follows:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change
Financial income			
Financial income from financial derivatives	35	23	12
Interest earned on bank and postal accounts	-	3	(3)
Interest earned on trade receivables	8	6	2
Other financial income	6	3	3
Total financial income	**49**	**35**	**14**
Financial expense			
Interest accrued on bond issues	(35)	(36)	1
Fair Value Hedge adjustment on bonds	-	22	(22)
Financial expense from financial derivatives	(24)	(26)	2
Interest accrued to banks	(2)	(2)	-
Fees	(21)	(7)	(14)
Financial expense on decommissioning projects and provisions for risks	(12)	(13)	1
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(19)	(14)	(5)
Other financial expense	(8)	(8)	-
Total financial expense	**(122)**	**(85)**	**(37)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	21	79	(58)
Foreign exchange translation losses	(30)	(68)	38
Net foreign exchange translation gains (losses)	**(9)**	**11**	**(20)**
Net financial income (expense) for the Group	**(82)**	**(39)**	**(43)**

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

The increase compared to the first half of 2013 reflects:

- higher foreign exchange transaction net losses related to fuel procurement transactions;
- an higher cost of money due to the long term refinancing plan executed in April 2013;
- higher costs related to the contracts assigning trade receivables without recourse.

9. Income from (Expense on) from Equity Investments

A breakdown of the positive balance positive of 7 million euros, is shown below.

(in millions of euros)	**1st half 2014**	1st half2013 (*)	Change
Income from Equity Investments			
Dividends	3	4	(1)
Revaluations of trading securities	1	1	-
Valuations of investments by equity method	5	-	5
Total income from equity investments	**9**	**5**	**4**
Expenses on equity investments			-
Writedowns and valuations of by equity method	(2)	(1)	(1)
Writedowns and valuations of investments avaiables for sale	-	(3)	3
Total expenses on equity investments	**(2)**	**(4)**	**2**
Total Group income from (expenses) equity investments	**7**	**1**	**6**

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

10. Other Income (Expense), Net

Net other expense totaled 9 million euros, compared with net expense of 27 million euros in the same period of previous year, is the result of nonrecurring items that are not directly related to the Group's industrial operations. Please note that the amount in the first half 2013 included additions to provisions for environmental risks related to non-core businesses for 20 million euros.

11. Income Taxes

The income-tax balance totaled 125 million euros (141 million euros in the first half of 2013). A breakdown of income taxes is provided below:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)	Change
Current taxes	131	183	(52)
Net deferred-tax liabilities (assets)	(8)	(38)	30
Income taxes attributable to previous years	2	(4)	6
Total for the Group	**125**	**141**	**(16)**

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

Current taxes include 140 million euros for corporate income taxes (IRES), 15 million euros for regional taxes (IRAP) and 35 million euros for foreign taxes, offset by a tax benefit of 59 million euros generated by the filing of a consolidated income tax return.

Please note that the enactment of Decree Law No. 66 of April 24, 2014, converted into Law No. 89 of June 23, 2014, resulted in a reduction of the IRAP tax rate, effective as of January 1, 2014, which produced a tax savings of about 2 million euros. The resulting restatement of deferred tax did not have a significant effect.

12. Earnings (Loss) per Share

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

2013 full year			**1st half 2014**		1st half 2013	
Common shares	Savings shares (1)	(in millions of euros)	**Common shares**	**Savings shares (1)**	Common shares	Savings shares (1)
96	96	Group interest in profit (loss)	116	116	152	152
91	5	Profit (Loss) attributable to the different classes of shares (A)	110	6	146	6
		Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
5,181,545,824	110,154,847	- basic (B)	5,181,545,824	110,154,847	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)				
0.0175	0.0475	- basic (A/B)	0.0213	0.0513	0.0281	0.0581
0.0175	0.0475	- diluted (A/C) (2)	0.0213	0.0513	0.0281	0.0581

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

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

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred in the period:

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2013 Published	**456**	**3,663**	**124**	**34**	**3**	**6**	**262**	**4,548**
IFRS 11 application	(14)	(153)	(27)	-	-	-	(10)	(204)
Balance at 12.31.2013 Restated (A)	**442**	**3,510**	**97**	**34**	**3**	**6**	**252**	**4,344**
Changes in the first half of 2014:								
- Additions	-	38	1	-	-	-	61	100
- Disposals (-)	(2)	(24)	-	-	-	-	-	(26)
- Depreciation (-)	(7)	(150)	(11)	(1)	-	(1)	-	(170)
- Writedowns (-)	(1)	-	-	-	-	-	-	(1)
- Other changes	-	18	1	-	-	-	(15)	4
Total changes (B)	**(10)**	**(118)**	**(9)**	**(1)**	**-**	**(1)**	**46**	**(93)**
Balance at 06.30.2014 (A+B)	**432**	**3,392**	**88**	**33**	**3**	**5**	**298**	**4,251**

A breakdown by business segment of **additions** totaling 100 million euros is as follows:

(in millions of euros)	**1st half 2014**	1st half 2013 (*)
Electric Power Operations	**14**	**11**
broken down as follows:		
- Thermoelectric area	*6*	*5*
- Hydroelectric area	*5*	*4*
- Renewable sources area (wind power, photovoltaic, etc.)	*3*	*2*
Hydrocarbons Operations	**86**	**61**
broken down as follows:		
- Hydrocarbon fields in Italy	*50*	*35*
- Hydrocarbon fields outside Italy	*22*	*14*
- Transmission and storage infrastructures	*14*	*12*
Corporate Activities and Other Segments	**-**	**1**
Total for the Group	**100**	**73**

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

In the period please note that:

- for the **Hydrocarbons Operations** projects concerned mainly Italy, where, in the Exploration & Production area, further investments were made to develop the Fauzia field and bring on stream sidetrack drilling at the Clara field. Moreover, abroad investments continued in Norway;
- for the **Electric Power Operations**, the main investments involved the replacement of components at some thermoelectric and hydroelectric power plants.

No capitalized borrowing costs were recognized during the period as part of property, plant and equipment, consistent with the requirements of IAS 23 Revised.

A more detailed analysis of **depreciation**, which amounted to 170 million euros (162 million euros in 2013), is provided in the "Depreciation, amortization and writedowns" note to the Income Statement.

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

For the **assets acquired under finance leases**, recognized in accordance with the IAS 17 Revised method, the balance of the remaining financial liability, which amounts to 25 million euros, is shown part under "Long-term financial debt and other financial liabilities" (22 million euros) and part under "Short-term financial debt" (3 million euros).

Please note that assets valued at 87 million euros are encumbered as collateral for loans provided by financial institutions.

14. Investment Property

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

15. Goodwill

Goodwill totaled 3,231 million euros, unchanged compared with December 31, 2013.

The table below provides a breakdown of goodwill by business segment:

(in millions of euros)	**06.30.2014**	12.31.2013
Electric Power Operations	2,528	2,528
Hydrocarbons Operations	703	703
Total for the Group	**3,231**	**3,231**

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 (Note 17).

16. Hydrocarbon Concessions

Concessions for the production of hydrocarbons were valued at 821 million euros. The decrease of 39 million euros, compared with December 31, 2013, mainly reflects the amortization for the period. The Group holds 108 mineral leases in Italy and abroad (including 3 storage concessions). In the first half of 2014 the Group reported an increase of seven new hydrocarbon exploration licenses, four in Norway, two in Egypt and one in United Arab Emirates.

17. Other Intangible Assets

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

(in millions of euros)	Concessions, licenses, patents and similar rights	CO_2 emissions rights	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2013 Published	**87**	**-**	**-**	**15**	**13**	**115**
IFRS 11 Application	-	-	-	(1)	-	**(1)**
Balance at 12.31.2013 Restated (A)	**87**	**-**	**-**	**14**	**13**	**114**
Changes in the first half of 2014:						
- Additions	6	-	30	4	2	42
- Amortization (-)	(6)	-	(30)	(1)	-	(37)
- Other changes	9	1	-	-	(9)	1
Total changes (B)	**9**	**1**	**-**	**3**	**(7)**	**6**
Balance at 06.30.2014 (A+B)	**96**	**1**	**-**	**17**	**6**	**120**

Exploration costs for the period, which were amortized in full when occurred, totaled 30 million euros compared with 28 million euros in first half of 2013.

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

Impairment Test of Assets in Accordance with IAS 36

In the first half of 2014, as required by IAS 36, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected.

Insofar as goodwill is concerned, because the Group has not yet developed a new industrial plan, an analysis of the short-term economic and scenario variables failed to produce, also with regard to the 2014 budget, specific triggers pointing to perform an impairment test at June 30, 2014.

Consistent with the estimates applied at the end of 2013, recoverable value was determined based on the value in use of the assets, estimated based on the present value of the operating cash flows net of taxes, taking into account the useful lives of the assets and their terminal values, when appropriate.

These cash flow amounts were updated when necessary if specific triggers were detected. The discount rates applied are also consistent with those used to perform impairment test at the end of 2013.

The tests performed using the process described above did not show reductions in value.

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

The total includes 144 million euros in investments in associates and unconsolidated subsidiaries, joint ventures and affiliated companies and 180 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (169 million euros) and in RCS Mediagroup Spa (6 million euros).

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

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2013 Published	**51**	**183**	**234**
IFRS 11 Application	93	-	**93**
Balance at 12.31.2013 Restated (A)	**144**	**183**	**327**
Changes in the first half of 2014:			
- Changes in shareholders' equity reserves	-	(3)	(3)
- Valuations at equity	3	-	3
- Dividend (-)	(6)	-	(6)
- Other changes (+/-)	3	-	3
Total changes (B)	**-**	**(3)**	**(3)**
Balance at 06.30.2014 (A+B)	**144**	**180**	**324**

The **Changes in shareholders' equity reserves,** negative by 3 million euros, refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl. In the period dividends distribution resolutions were recognized for 6 million euros (paid for 3 million euros) related to companies valued by equity method.

19. Other Financial Assets

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

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Escrow bank deposits that secure project financing facilities	-	4	(4)
Sundry items	100	102	(2)
Total other financial assets	**100**	**106**	**(6)**

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

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

Sundry items includes the portion maturing in September 2015 of the financial receivable owed by Elpedison Power Sa.

20. Deferred-tax Assets

Deferred-tax assets, which were valued, based on assumptions that they would be probably realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 233 million euros (236 million euros at December 31, 2013).

They are related to:

- taxed provisions for risks of 101 million euros;
- property, plant and equipment and intangibles of 72 million euros;
- a tax-loss carryforward of 59 million euros;

with differences stemming from the adoption of IAS 39 on financial instruments and sundry reversals accounting for the balance.

21. Other Assets

Other assets totaled 176 million euros or 13 million euros less than December 31, 2013. This account includes:

- 156 million euros in advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses.
- 9 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through June 30, 2014.
- 11 million euros in sundry receivables, consisting mainly of security deposits.

22. Current Assets

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

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Inventories	493	486	7
Trade receivables	3,078	3,098	(20)
Current-tax assets	22	24	(2)
Other receivables	1,025	653	372
Current financial assets	87	77	10
Cash and cash equivalents	648	492	156
Total current assets	**5,353**	**4,830**	**523**

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

A review of the individual components is provided below:

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Green certificates	CO_2 emission rights	Other	**Total at 06.30.2014**	Total at 12.31.2013 (*)	Change
Electric Power Operations	11	-	-	93	9	38	151	85	66
Hydrocarbons Operations	32	301	9	-	-	-	342	401	(59)
Total for the Group	**43**	**301**	**9**	**93**	**9**	**38**	**493**	**486**	**7**

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

It should be noted that in the period there were a decrease of stored natural gas and an increase in inventories of Green certificates and CO_2 emission right mainly related to the trading activity. Furthermore, in the period the stored natural gas was impaired for 13 million euros. Inventories also include 127 million euros of 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)	**06.30.2014**	12.31.2013 (*)	Change
Electric Power Operations	2,123	1,875	248
Hydrocarbons Operations	977	1,235	(258)
Corporate Activities and Other Segments and Eliminations	(22)	(12)	(10)
Total trade receivables	**3,078**	**3,098**	**(20)**
Of which Allowance for doubtful Accounts	**(355)**	**(300)**	**(55)**

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

In particular, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions. Moreover, this item includes, for 555 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios (222 million euros at December 31, 2013); this amount should be analyzed together with the corresponding debt item included in **Trade payables** (450 million euros at June 30, 2014, 180 million euros at December 31, 2013).

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

(in millions of euros)	12.31.2013 (*)	Additions	Utilizations	**06.30.2014**
Allowance for doubtful accounts (**)	(300)	(86)	31	**(355)**

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

(**) Included default interests.

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

It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse both on a monthly revolving basis and on a spot basis, consistent with a policy aimed at controlling and minimizing credit risks. These transactions totaled 3,339 million euros in the period (2,977 million euros at June 30, 2013). The residual risk of recourse associated with these receivables is less than 1 million euros.

- **Current-tax assets** of 22 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa, the Group's controlling company.

- A breakdown of **other receivables**, which totaled 1,025 million euros, is provided in the table below:

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Receivables arising from the valuation of derivatives	468	246	222
Amounts owed by partners and associates in hydrocarbon exploration projects	88	70	18
Advances to suppliers	55	45	10
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	132	93	39
VAT credit	1	20	(19)
Sundry items	281	179	102
Total other receivables	**1,025**	**653**	**372**

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

The increase shown for **receivables arising from the valuation of derivatives**, which should be analyzed in conjunction with the corresponding liability included in **Current liabilities** (decreased from 275 million euros to 196 million euros), primarily reflects changes in the market forward price scenario, in particular in the European gas markets, compared with December 31, 2013.

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

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

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Loans receivable	6	11	(5)
Derivatives	73	60	13
Equity investments held for trading	8	6	2
Total current financial assets	**87**	**77**	**10**

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

- **Cash and cash equivalents** of 648 million euros (492 million euros at December 31, 2013) consist of short-term deposits in bank and postal accounts and other short-term investments and they include the current account established with EDF Sa with a positive balance for 424 million euros.

Liabilities and Shareholders' Equity

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

The shareholders' equity attributable to Parent Company shareholders amounted to 7,315 million euros, or 189 million euros more than at December 31, 2013 (7,126 million euros). This increase is mainly due to the net profit for the period (116 million euros) and to the positive change in the Cash Flow Hedge reserve (124 million euros), partially offset by the effect of a resolution to distribute dividends to the shareholder Transalpina di Energia Spa (57 million euros) and the savings shareholders (6 million euros).

The shareholders' equity attributable to minority shareholders decreased to 115 million euros, or 2 million euros more than at December 31, 2013 (113 million euros), mainly due to the net profit for the period (8 million euros) and to the effect of dividend distribution by companies with minority shareholders (7 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		**5,292**

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

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2013	4	(4)	-
Changes in the first half of 2014	177	(53)	124
Reserve at June 30, 2014	**181**	**(57)**	**124**

No changes occurred in the reserve for available-for-sale investments.

24. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 35 million euros, unchanged compared with December 31, 2013, reflect the accrued severance indemnities and other benefits owed to employees. The actuarial gains (losses) are recorded in equity. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company. The actuarial parameters used were unchanged compared to December 31, 2013.

The table below shows the changes that occurred in the first half of 2014:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2013 Published	**35**	**-**	**35**
IFRS 11 Application	-	-	-
Balance at 12.31.2013 Restated (A)	**35**	**-**	**35**
Changes in the first half of 2014:			
- Financial expense	1	-	1
- Actuarial (gains) losses (+/-)	-	-	-
- Utilizations (-) / Other changes	(1)	-	(1)
Total changes (B)	**-**	**-**	**-**
Total at 06.30.2014 (A+B)	**35**	**-**	**35**

25. Provision for Deferred Taxes

The balance of 113 million euros (64 million euros at December 31, 2013) reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.

The following table shows a breakdown of this provision by type of underlying temporary difference, keeping in mind that certain Group companies that meet the requirements of IAS 12 offset their deferred-tax liabilities against their deferred-tax assets:

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Deferred-tax liabilities:			
- Valuation differences of property, plant and equipment and intangibles	131	165	(34)
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	14	-	14
- on shareholders' equity	58	4	54
- Other deferred-tax liabilities	41	31	10
Total deferred-tax liabilities (A)	**244**	**200**	**44**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	70	95	(25)
- Tax-loss carryforward	22	22	-
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	-	-
- on shareholders' equity	1	-	1
- Valuation differences of property, plant and equipment and intangibles	24	19	5
- Other deferred-tax assets	14	-	14
Total deferred-tax assets (B)	**131**	**136**	**(5)**
Total provision for deferred taxes (A-B)	**113**	**64**	**49**

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

26. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 912 million euros, for an increase of 11 million euros compared with December 31, 2013 (901 million euros).

The table below shows the changes that occurred in the first half of 2014:

(in millions of euros)	12.31.2013 (*)	Additions	Utilizations	Other changes	06.30.2014
Risks for disputes, litigation and contracts	137	1	-	1	139
Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
Environmental risks	62	-	(1)		61
Other risks and charges	13	-	-	-	13
Disputed tax items	53	6	(1)	(1)	57
Total for legal and tax disputes	**340**	**7**	**(2)**	**-**	**345**
Provisions for decommissioning and remediation of industrial sites	487	10	(2)	3	498
Provision for CO2 emission rights	6	-	(5)	(1)	-
Other risks and charges	68	2	(2)	1	69
Total for the Group	**901**	**19**	**(11)**	**3**	**912**

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

Regard to "**Provisions for legal and tax disputes**" (345 million euros) and to the issues that resulted in the current composition of them, more detailed information is provided in the subsequent paragraph entitled "Risks and contingent liabilities associated with legal and tax disputes".

The "**Provisions for decommissioning and remediation of industrial sites"**, totaling 498 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. This item shows a net increase of 11 million euros mainly due to additions recognized as financial charges linked to discounting effect.

The balance in the "**Provision for other risk and charges"**, which amounts to 69 million euros, includes 49 million euros for potential future charges related to the Electric Power Operations and 9 million euros for risk hedges of abroad activities.

27. Bonds

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

The table below shows the balance outstanding at June 30, 2014 and indicates the fair value of each 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. Excl	EUR	700	Annual in arrears	4.250%	07.22.2014	-	731	731	730
Edison Spa	Luxembourg Secur. Excl	EUR	500	Annual in arrears	3.250%	03.17.2015	-	507	507	515
Edison Spa	Luxembourg Secur. Excl	EUR	600	Annual in arrears	3.875%	11.10.2017	598	53	651	674
Total for the Group			**1,800**				**598**	**1,291**	**1,889**	**1,919**

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

28. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in milions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Due to banks	192	154	38
Due to other lenders	818	818	-
Total for the Group	**1,010**	**972**	**38**

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

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

29. Other Liabilities

Other liabilities amounted to 6 million euros (5 million euros at December 31, 2013).

30. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	**06.30.2014**	12.31.2013 (*)	Change
Bonds	1,291	772	519
Short-term financial debt	187	268	(81)
Trade payables	2,314	2,177	137
Current taxes payable	12	42	(30)
Other liabilities	707	670	37
Total current liabilities	**4,511**	**3,929**	**582**

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

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 1,291 million euros, include the total accrued interest at June 30, 2014 and reflect the reclassification from noncurrent liabilities of the issue maturing on March 17, 2015.
- **Short-term financial debt**, which totaled 187 million euros, essentially includes:
  - 62 million euros due to banks, 7 million euros of which represent the effect of measuring interest rate derivatives at fair value.
  - 115 million euros due to other lender, included the accrued interests on liabilities with companies of EDF Group;
  - 7 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,314 million euros. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2014	12.31.2013 (*)	Change
Electric Power Operations	1,572	1,215	357
Hydrocarbons Operations	732	933	(201)
Corporate Activities and Other Segments and Eliminations	10	29	(19)
Total trade payables	**2,314**	**2,177**	**137**

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

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. This item also includes 450 million euros for the fair value of the physical energy commodity contracts (180 million euros at December 31, 2013) held in the Trading Portfolios.

- **Current taxes payable** of 12 million euros represent the income taxes liability of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Spa). These taxes are paid directly by the companies upon which they are levied.

- A breakdown of **other liabilities**, which totaled 707 million euros, is as follows:

(in millions of euros)	06.30.2014	12.31.2013 (*)	Change
Amounts owed to shareholders	12	7	5
Amount owed to the controlling company in connection with the filing of a consolidated tax return	195	107	88
Amounts owed to joint holders of permits for hydrocarbon exploration	127	119	8
Payables for consulting and other services	41	31	10
Payables owed to Tax Administration (other than current tax payables)	61	33	28
Amount owed to employees	26	30	(4)
Liabilities stemming from the measurement at fair value of derivatives	196	275	(79)
Payables owed to social security institutions	20	24	(4)
Sundry items	29	44	(15)
Total other liabilities	**707**	**670**	**37**

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

NET FINANCIAL DEBT

At June 30, 2014, net financial debt decreased to 2,264 million euros, or 187 million euros less than the 2,451 million euros owed at December 31, 2013.

Consistent with the practice followed at the end of 2013, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	*See note*	**06.30.2014**	12.31.2013 (*)	Change
Bonds - non-current portion	*27*	598	1,098	(500)
Non-current bank loans	*28*	192	154	38
Amounts due to other lenders - non-current portion	*28*	818	818	-
Other non-current financial assets (**)	*19*	(87)	(90)	3
Medium/long-term net financial debt		**1,521**	**1,980**	**(459)**
Bonds - current portion	*30*	1,291	772	519
Short-term financial debt	*30*	187	268	(81)
Current financial assets	*22*	(87)	(77)	(10)
Cash and cash equivalents	*22*	(648)	(492)	(156)
Short-term net financial debt		**743**	**471**	**272**
Net financial debt		**2,264**	**2,451**	**(187)**

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

(**) Mainly related to financial asset owed from Elpedison Power Sa with maturity date in September 2015.

The net decrease for the period (187 million euros) is mainly due to the effect of the operating cash flow and the improvement in operating working capital (150 million euros), which more than offset the outlays for capital expenditures (142 million euros) and taxes (124 million euros), financial expense (82 million euros) and the distribution of dividends (63 million euros).

Net financial debt includes the loans outstanding with EDF Group companies for about 800 million euros and cash and cash equivalents totaling 424 million euros held in current account with EDF Sa (245 million euros at December 31, 2013).

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments

(in millions of euros)	06.30.2014	12.31.2013 (*)	Change
Guarantees provided	1,223	1,305	(82)
Collateral provided	135	171	(36)
Other commitments and risks	136	160	(24)
Total for the Group	**1,494**	**1,636**	**(142)**

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

Guarantees provided totaled 1,223 million euros at June 30, 2014. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes 78 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided in connection with the intra-Group assignment of tax credits. Guarantees provided by the Group's Parent Company or by banks from the same counter-guaranteed to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

Collateral provided, which amounted to 135 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 (87 million euros).

Other commitments and risks, which totaled 136 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (85 million euros).

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 defined price, exercisable in 2022.

Unrecognized Commitments and Risks

Significant commitments and risk non 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 6 and 21 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	**Total**
Natural Gas	Billions of m^3	11.1	52.4	133.3	**196.8**

The economic data are based on prospective pricing formulas.

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

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

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

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

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

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the main legal and tax disputes outstanding at June 30, 2014 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, subdividing further between those that could give rise to a probable liability, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and those that could give rise to a contingent liability, which is dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the notes to the financial statements.

Probable liabilities associated with legal disputes

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

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

Edison Spa

Stava Dam Disaster

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

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

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

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

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

Insofar as the criminal proceedings are concerned, the oral argument phase is in progress in the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989. At the latest hearing, held on June 19, 2012, the Public Prosecutor introduced different facts, never mentioned before, either in the preliminary hearing phase or during oral arguments, that have the potential of altering the charges against the defendants. In response to this development, the Company objected stating that this request was inadmissible, asking instead that the proceedings go forward based on the facts described in the indictment. However, by an order dated January 22, 2013, the Court denied the motion filed by the counsel for the defendants, ordering a continuation of the investigative hearings that is still continuing.

As for the administrative proceedings the following is noted.

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

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

Lastly, at the end of June 2014, Edison received notice of the start of additional proceedings aimed at identifying the party responsible for exceeding the "CCT" at another area within the Mantua National Interest Site, identified as the area between the "intake canal of the Versalis plant and the Formigosa arch".

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

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

Crotone Plant – Criminal Proceedings for Environmental Damages

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

Brindisi Petrochemical Facility – Administrative Proceedings

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

Belvedere di Spinello Mineral Concession

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

Claims for Damages Caused by Exposure to Asbestos

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

Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

There were no significant new developments with regard to the negative assessment action filed by Finimeg (now Nuova Cisa), formerly the parent company of Poggio Mondello, asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Court of Cassation in December 2001 be ruled unenforceable (the seizure also covers other real estate assets owned by Poggio Mondello) and the appeal concerning the same issues that was filed against the decision handed down by the Court of Palermo. With regard to the appeal, the lower court handed down a decision stating that it lacked jurisdiction (the criminal court being the proper court of venue) and denying the claims for damages filed by Finimeg (now Nuova Cisa) against the City of Palermo.
The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg (now Nuova Cisa), Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of these properties, proceeded through the various levels of the judicial system.

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

Edison Spa

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry

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

It is also worth mentioning that, in September 2013, the Company received a letter from the Ministry of the Environment containing an injunction to remove all waste found at landfills located both inside and outside the plant, restore the conditions of the sites and proceed with the remediation of the affected environmental matrices, if contaminated. In December 2013, this letter was challenged before the Abruzzo Regional Administrative Court – Pescara Section, which, by a decision handed down on April 30, 2014, rejected the Company's challenge. Like the challenged injunction, this decision is vitiated by obvious illegality profiles and is substantively unfair. Consequently, Edison appealed the decisions by the Abruzzo Regional Administrative Court to the Council of State in order to protect its rights and interest. A hearing for oral arguments has not yet been scheduled.As to the criminal proceedings filed by the Public Prosecutor of the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer, which is also used as a supply of drinking water, it is worth mentioning that these proceedings have gone through several stages in the judicial process, as a result of which, following an initial indictment, the proceeding reverted to the Court's preliminary hearing phase.

On April 18, 2013, at the preliminary hearing, the Preliminary Hearing Judge of the Court of Pescara denied a motion for summary judgment put forth by the defense counsels and indicted all defendants before the Chieti Lower Court.

The defendants' counsels, however, filed an appeal to the Court of Cassation for abnormity of the decision by which the judge had rejected the request for summary judgment. The Court of Cassation dismissed the action by a decision handed down on December 18, 2013, believing the decision of the judge, on one side, did not suffer from abnormity, but, on the other hand, was erroneous, and indicated that it was possible to repurpose the request for admission to the summary trial at the first hearing before the Lower Court of Chieti, which was scheduled for January 31, 2014.

On this occasion, the counsels of the defendants have repeated the request for admission to the summary trial, which the Lower Court upheld with an order issued on February 7, 2014. As a result of this, Edison has been excluded from the trial, as civil liable, pursuant to art. 87, subsection 3, of the Code of Criminal Procedure.

Spinetta Marengo Industrial Site

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

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

In these proceedings, the Preliminary Hearings Judge, by a decree dated January 16, 2012, indicted several individuals, including three former Montedison (now Edison) executives, for crimes against public safety and environmental crimes, ordering them to stand for trial before the Court of Alessandria. The trial before the Court of Alessandria began on October 17, 2012 and the preliminary phase is currently in progress.

Solvay – Edison Arbitration

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

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

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

With regard to these proceedings, please note that, on July 31, 2013, following the filing of initial briefs by the parties in 2013, the Board of Arbitrators decided to bisect the proceedings to address in advance certain prejudicial and preliminary exceptions put forth by Edison, separately from the action filed by Solvay Sa and Solvay Specialty Polymers Italy Spa. Edison expect a decision on the abovementioned exceptions by the fall of 2014.

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

Edison Spa

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

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

Property in Bussi sul Tirino (formerly owned by Montedison Srl)

Within the framework of the administrative proceedings launched with regard to the state of contamination of an industrial property owned by Edison Spa (formerly by Montedison Srl, a company merged into Edison effective as of July 1, 2012) adjacent to the industrial site in Bussi sul Tirino operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, negotiations with the Delegated Commissioner appointed by the Council of Ministers, without Montedison Srl (now Edison Spa) altering its claim to the status of guiltless owner, resulted in an agreement regarding the financial contribution provided for the emergency projects required to ensure the safety of the property.

On November 22, 2012, further to a request by the Delegated Commissioner for additional work at the site where the abovementioned safety project had been completed, Edison challenged the Commissioner's order before the Regional Administrative Court of Pescara, contesting its lawfulness in fact and in law.

There were no noteworthy developments concerning the two separate appeals that Montedison Srl (now Edison Spa), a company that never operated any activity at the property in question, filed with the Regional Administrative Court against the actions taken by the Delegated Commissioner.

City of Milan, Damage Claim for Montedison's "Former Officine del Gas" Site in Milan – Bovisa

In June 2013, the City of Milan served Edison with a summons to appear before the Court of Milan to provide compensation for damages allegedly related to the remediation costs for the "former Officine del Gas" site in Milan's Bovisa district, quantified at about 20 million euros. At this site, Montedison Spa carried out a gas production and distribution business from 1966 to 1981. The damage claim is also for the damage allegedly suffered by the City of Milan for the loss of value of assets it owns, estimated at about 10 million euros. Edison joined the proceedings filing a brief in December 2013. An initial hearing was held on February 14, 2014 and the briefs required pursuant to Article 183 of the Italian Code of Civil Procedure were , with the judge reserving the right to decide on the admissibility of the evidence submitted.

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

Edison Spa

Savings Shareholders / UBS: Challenge of the Resolution Approving the Merger of Edison into Italenergia and Claim of Compensation for Damages

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

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Contingent liabilities associated with legal disputes

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

Environmental Legislation

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

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

Edison Spa

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

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

ACEA Unfair Competition

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

Pagnan vs Edison

By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison, by means of a third-party summons, by Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of the Land and the Sea and the Ministry of

Infrastructures for alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park. An appeal was filed on September 21, 2010 and the Court of Appeals of Venice adjourned the proceedings, scheduling a hearing for closing arguments for December 2, 2015.

Vega Offshore Hydrocarbon Field – Vega Oil Vessel

On October 22, 2012, in the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel, The Court of Modica, upholding the arguments put forth the counsel for the defendants, voided the decree that ordered the trial, returning the record of the proceedings to the Preliminary Hearing Judge. The new Preliminary Hearing began on December 20, 2012 and Edison's civil representative was summoned to appear. With regard to these proceedings, it is worth mentioning that, following the closing in 2013 of the Modica Court pursuant to recent legislation, territorial jurisdiction over the proceedings was transferred to the Court of Ragusa, where a preliminary hearings is currently in progress.

Meraklon / Edison - Edison Energia Spa Dispute

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

Angelo Rizzoli / Edison et al.

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

By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims, ordering the plaintiff to refund all litigation costs incurred by the defendants, which, in Edison's case, were quantified at about 1.3 million euros. The Court also ordered Angelo Rizzoli, for liability aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.
The losing party is challenging this decision before the Milan Court of Appeals and a hearing for closing arguments is scheduled for October 20, 2014.

Cartel Damage Claims – Ausimont: Claim for Damages

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

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Probable liabilities associated with tax disputes

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

Edison Spa

Old Edison Spa – Income Tax Assessments for 1995, 1996 and 1997

In 2013, there was no significant change in the status of the disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 tax years of the old Edison Spa, absorbed by the current Edison Spa, as they are still pending before the Court of Cassation following appeals filed by the Revenue Administration.
Any charges that may be incurred from these disputes are covered by a special provision for risks.

Old Calcestruzzi Spa – Income Tax Assessments for 1991 and 1992

In November 2012, the Company filed a challenge with the Court of Cassation, asking it to review the decisions handed down in July 2012 by the Regional Tax Commission of Emilia Romagna, to which the proceedings had been returned pursuant to an earlier decision by the Court of Cassation concerning

the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years. A hearing for arguments before the Court has not yet been scheduled.
It is worth mentioning that, in the review phase, the Regional Commission found that the transaction involving the beneficial ownership of shares executed at the intercompany level could not be used a shield against the Revenue Administration and upheld in full the penalties, but voided some other minor recoveries. Consequently, the Company asked that this decision be reviewed specifically with regard to the penalties and the computation of the taxes resulting from the disallowance of the beneficial ownership transaction for tax purposes. The Office of the Solicitor General, as representative of the Revenue Agency, joined the proceedings without filing an incidental appeal for one of the two years.
In 2012, the payment of the taxes and penalties, made pursuant to the decisions by the Regional Tax Commission, was funded in full by the provision for risks established for this purpose and should be viewed as having been made while the proceedings were in progress and not as final, as a decision by the Court of Cassation is still pending. The existing provision refers to the other assessments that were voided by the Commission and are partly the subject of an incidental appeal by the Revenue Administration.

IRES and IRAP Assessments

The general audit of Edison Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2010 (up to the starting date of the audit) launched by the Milan Tax Police Unit was completed at the end of May 2011.
Based on the issues raised in an excerpted tax audit report the Revenue Agency – Regional Lombardy Division – Office of Major Taxpayers served Edison Spa with corporate income tax (IRES) and IRAP notices of assessment for 2005, 2006 and 2007, contesting, for these years, the deductibility of costs incurred with black-listed suppliers (mainly Swiss), thereby dissenting in part with the conclusions reached by the Revenue Police, and, for 2006 and 2007, expenses found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period, and costs of a lesser amount found to be not applicable.
The IRES notice of assessment subsequent to 2005 were also served on Transalpina di Energia Srl (now Transalpina di Energia Spa) (TdE) in its capacity as the consolidating entity.
Further to the challenges filed in May 2013 by the Company and TdE, the consolidating entity, the Milan Provincial Tax Commission issued a decision favorable to the Company for the years 2005 and 2006, upholding the challenges and voiding in full the notices of assessment. In December 2013, the Revenues Agency appealed this decision and the Regional Tax Commission scheduled a hearing for July 2014.
The challenges filed with regard to IRES and IRAP for 2007 were heard jointly at a hearing before the Milan Provincial Tax Commission, which upheld them by a decision handed down in January 2014 that voided all of the assessments. In July 2014, the Agency appealed this decision.

In December 2013, notices of assessment were served for IRES (notified also to the controlling company TdE), the IRES surcharge (Robin Hood Tax) and IRAP for 2008, with findings similar to those of previous years. In June 2014, after unsuccessfully attempting to reach a negotiated settlement, the Company filed the corresponding challenges before the Provincial Tax Commission, requesting a stay of the collection process. A hearing to discuss the motion to stay was scheduled for the end of September 2014.

It is important to keep in mind that, for the 2005-2009 tax years, virtually all of the verified or otherwise challenged costs were found to have been actually incurred and attributable both by the Revenue Police and the Revenue Agency. During its unsuccessful attempts to reach a negotiated settlement and within the framework of the disputes, the Company submitted extensive documentation and provided ample clarifications to support and document the economic rationale for the transactions it executed and is confident that the documents and arguments it submitted will result in the final voiding of the assessments made, confirming the lawfulness and logic of its conduct.

The provision recognized in the financial statements for the abovementioned tax years takes into account the potential costs that could result if the smaller assessments are upheld, also with regard to VAT, and was increased during the reporting period to reflect potential developments of these disputes that could result in their settlement, possibly on an out-of-court basis.

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

The Company, like other companies in its industry, is a party to disputes concerning assessments for municipal property taxes (ICI) issued by some municipalities where its power plants are located and to some disputes in which the Territorial Agency (now Revenue Agency) is contesting the proposed assessed values.

In view of possible out-of-court settlements with the various municipal administrations on pending or potential disputes, the Company recognized a provision to cover the possible costs.

Other Group Companies

Edison Trading Spa – IRES and IRAP Assessments for 2005

The IRES and IRAP assessments for 2005, which were notified in December 2010 and concerned mainly expenses found to be “not attributable” to the year in which they were recognized and deducted, but were nevertheless inherent and effective, were challenged by the Company before the Milan Provincial Tax Commission. A hearing in this matter was held in April 2014 and a decision by the Commission is pending.

In 2012, the Provincial Tax Commission voided the Level II assessments notified to Edison Spa and Edison Trading in 2011. This decision was confirmed by the Regional Tax Commission in a decision handed down in January 2014 denying the appeal filed by the Revenue Agency.

The notice of the imposition of penalties related to the IRES assessment was also challenged, following the rejections of the defensive arguments put forth. The Provincial Tax Commission upheld the challenge and voided the penalties.

A provision to cover charges that potentially could be incurred with regard to minor items has been recognized in the financial statements.

Edison Trading Spa – General Audit by the Revenue Police

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

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

The findings for 2006 and 2007 were settled following the successful conclusion of a negotiated settlement in May 2013 with the payment of slightly more than 1 million euros, including reduced penalties and interest.

In November 2013, the company was served with notices of assessment for IRES (also TdE), IRES surcharge (the Robin Hood Tax) and IRAP for 2008. The corresponding amounts owed were defined jointly with the Revenue Agency as part of a negotiated settlement and, consequently, the assessments were settled with the payment of amounts totaling less than 1 million euros for taxes, penalties and interest.

The company is currently considering the possibility of reaching a negotiated settlement also for the 2009 tax year, which is also the subject of an audit. For all tax years, settlements were reached exclusively for the purpose of avoiding litigation costs, as the company firmly believes that its actions were entirely lawful.

The provision recognized in the financial statements covers any charges that could potentially arise from the findings of the audit and the resulting dispute or negotiated settlement.

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Contingent liabilities associated with tax disputes

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

Edison Spa

Tax Assessments for 2002

There was no change in the dispute concerning the corporate income tax (IRPEG) and regional tax (IRAP) assessments for 2002, which is pending before the Court of Cassation following a primary appeal filed by the Office of the Solicitor General, acting on behalf of Milan Revenue Agency No. 1.

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

In November 2012 Edison Spa was served with a payment notice for registration mortgage and cadastral fees, totaling about 17 million euros, levied by the Rho Revenue Agency based on the presumed requalification of a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CET2 and CET3 thermoelectric power plants in Taranto) to Taranto Energia Srl and the subsequent sale of the equity interest in this company to ILVA Spa.

The Company believes that its actions were proper, fully in compliance with the law, justified by legal and economic reasons and not pursued solely for tax avoidance purposes. The Company has challenged this decision, asking for a stay of the collection process. In February 2013, the Milan Provincial Tax Commission issued an initial order staying the collection process, followed, in July 2013, by a decision on the merit, upholding the challenge and setting aside the payment notice.

The Revenue Agency appealed this decision to the Regional Tax Commission and a hearing to address this dispute has been schedule for October 2014.

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

In recent years, Edison Spa was served with notices of assessment for property taxes (ICI) by which municipal administrations on the Adriatic coast (Termoli, Porto Sant'Elpidio and Torino di Sangro) requested payment of municipal property taxes on some hydrocarbon production platforms located in the Adriatic Sea.

Up to 2012, all decisions were in the Company's favor. In 2012, the Campobasso Regional Tax Commission, ruling on the notices of assessments for the tax years from 1999 to 2004, partially upheld the challenge filed by the Termoli municipal administration, finding that the tax was owed but disallowing in full the penalties. The appeal before the Supreme Court of Cassation on this decision, asking the Court to confirm that property taxes cannot be levied on offshore hydrocarbon platforms, as already recognized by the Territorial Agency (now Revenue Agency), was filed on November 2013.

Further to a payment injunction and an enforcement action pursued by Assoservizi on behalf of the Termoli Municipal Administration based on the abovementioned decision by the Regional Commission, the Company paid the amount owed, albeit on a provisional basis while the proceedings are pending.

In January 2013, the Campobasso Provincial Tax Commission, ruling on the notices of assessments for the tax years from 2007 to 2009, handed down a decision by which it confirmed the tax liability but disallowed in full the penalties. In this case as well, the Company filed an appeal asking for a stay of the enforcement of this decision.

An additional notice of assessment for ICI issued by the Termoli municipal administration (for the 2011 tax year) is still pending before the Provincial Commission.

Of two assessments issued by the Porto Sant'Elpidio municipal administration, one (2001-2006 years) was voided in 2012, virtually in full, by the Provincial Commission, while for the other one (2007-

2011 years) in May 2014 the Provincial Commission upheld only the charge for the tax. In both cases, the dispute is continuing on appeal.
Lastly, the notice of assessment for ICI notified by the municipality of Torino di Sangro for the 2006-2011 year was voided by the Chieti Tax Commission with a decision handed down in April 2014.
The Company intends to pursue this dispute with the aim of ensuring that the validity and legitimacy of its actions are recognized, since it believes that the claims of the municipal administration are totally groundless in point of law. In any event, these disputes are not believed to entail a probable risk and, consequently, no provision for risks was recognized.

Other Group Companies

Edison Energia Spa – Customs VAT Assessment for 2001, 2002 and 2003 for the Former EDF Energia Italia Srl

In March 2013, the Court of Cassation reviewed the challenge filed by the company in the dispute concerning the Customs VAT assessments for 2001, 2002 and 2003 for EDF Energia Italia, later absorbed by the Company, following a decision unfavorable for Edison Energia handed down in 2011 by the Regional Tax Commission. A decision has not yet been handed down by the Court.
Following the payment of additional taxes and accrued interest made provisionally in 2011 pending the resolution of the dispute, the company filed an application for refund both with the Customs Agency and the Revenue Agency, invoking the deductibility of the VAT it paid, should the disputed assessment be confirmed by a final decision. The Revenue Agency denied the refund application and, consequently, the company challenged this decision reaffirming its request vis-a-vis both Agencies.
Any charges resulting from this dispute are covered by contractual guarantees provided by EDF International.

Contingent assets

In tax disputes please also note the following:

Dispute for Registration Fees on Transactions Requalified as Disposal of Business Operations (CIP 6/92 plants)

In July 2010, Edison Spa was served with a payment notice for additional registration, mortgage and cadastral fees, totaling about 11 million of euros, in connection with a transaction executed in 2008 involving the conveyance of business operations (CIP 6/92 power plants), followed by the sale of the corresponding equity investment to Cofatech Spa.
While the proceedings are in progress and lacking an order staying the collection process, the Company paid the additional taxes owed in order to avoid prejudicial collection actions.
Following a decision by the Provincial Tax Commission that was completely in the Company's favor, in December 2012 the Regional Tax Commission upheld the appeal filed by the Revenue Agency confirming the existing payment notice. The Company challenged this decision before the Court of Cassation asking it to find that its actions were both valid and proper. A date has not yet been set for a hearing to present the challenge before the Court.

GROUP FINANCIAL RISK MANAGEMENT

This Section describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions credits, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).

A more detailed description of these issues is provided in Consolidated Financial Statements at December 31, 2013.

In accordance with IFRS 7, 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

Consistent with its Energy Risk Policies, the Edison Group manages this risk within the limit of an Economic Capital amount — measured in terms of Profit at Risk (PaR[2]) — approved by the Board of Directors for the Industrial Portfolio, including both transactions that hedge contracts to buy or sell commodities and the Group's production and assets. The Economic Capital represents the risk capital, stated in millions of euros, available to hedge market risks.

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 Hedge) while others qualify as Economic Hedge, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. Issues concerning the Italian forward market for electric power are discussed in the Consolidated Financial Statements at December 31, 2013.

The table below shows the maximum negative variance in the fair value of outstanding financial derivatives expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at June 30, 2014, which is 315.4 million euros (321 million euros at June 30, 2013). In other words, compared with the fair value determined for financial derivatives outstanding at June 30, 2014, the probability of a negative variance greater than 315.4 million euros by the end of 2014 is limited to 2.5% of the scenarios.

Profit at Risk (PaR)	**1st half 2014**		1st half 2013	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	**97.50%**	**315.4**	97.50%	321

The corresponding value at December 31, 2013 was 328.6 million euros.

[2] Profit at Risk is a statistical measurement of the maximum potential negative variance in the projected margin in response to unfavorable market fluctuations, within a given time horizon and confidence interval.

The level of variance expected is in line with the level measured at June 30, 2013. The derivatives activity is due primarily to hedges for 2014, 2015 and 2016 related to the Hydrocarbon Operations.

The hedging strategy deployed during the period enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in the first half of 2014 by the Industrial Portfolio would have been equal to 113% of the approved limit (111% in the first half of 2013), with a peak of 138% in January 2014 (160% in January 2013) (and the approved limit was exceeded by an average of 20% during the first half of 2014 against 11% during the first half of 2013). With hedging, the average Economic Capital absorption in the first half of 2014 by the Industrial Portfolio was 71% (70% in the first half of 2013), with a peak of 94% in June 2014 (98% in January 2013).

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR[3]) limit with a 95% probability on the Trading Portfolios is 3.4 million euros (3.7 million euros at June 30, 2013), with a stop loss limit of 17.7 million euros (19.5 million euros at June 30, 2013). The VaR limit was 22% utilized at June 30, 2014 (51% at June 30, 2013), with an average utilization of 36% for the period (47% in the same period of 2013).

As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for potentially illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 52.9 million euros (58.6 million euros at June 30, 2013). This limit was 25% utilized at June 30, 2014 (56% at June 30, 2013), with an average utilization of 42% for the period (52% in the same period of 2013).

3 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.

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 is managed in accordance with specific limits and strategies.

3. Interest Rate Risk

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

Gross Financial Debt	**06.30.2014**			**12.31.2013 (*)**		
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)	2,625	2,025	66%	2,626	2,046	66%
- variable rate portion	461	1,061	34%	484	1,064	34%
Total gross financial debt (**)	**3,086**	**3,086**	**100%**	**3,110**	**3,110**	**100%**

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

In the first half of 2014 the Edison Group did not execute significant financial transactions and did not change its strategy to manage the risk of interest rate fluctuations, the breakdown of the financial structure between fixed rate component and variable rate component did not substantially change.

With regard to indebtedness and related hedges of other Group companies, it should be noted that a loan of Gever Spa and the related Interest Rate Swaps expired at June 30, 2014 and, further to an opportunity assessment by Edison Spa, an Interest Rate Swap held by Edison Energie Speciali Spa was closed early without significant impacts.

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

Sensitivity analysis (in millions of euros)	**1st half 2014** **Impact on the income statement (P&L)**			**06.30.2014** **Impact on the Cash Flow Hedge reserve (S.E.)**		
	+50 bps	**base**	**-50 bps**	**+50 bps**	**base**	**-50 bps**
Edison Group	**39**	**35**	**30**	**-**	**-**	**-**

Sensitivity analysis (in millions of euros)	**1st half 2013 (*)** **Impact on the income statement (P&L)**			**12.31.2013** **Impact on the Cash Flow Hedge reserve (S.E.)**		
	+50 bps	**base**	**-50 bps**	**+50 bps**	**base**	**-50 bps**
Edison Group	27	25	21	-	-	-

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

4. Credit Risk

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

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

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during the first half of 2014 totaled 3,339 million euros (2,977 million euros at June 30, 2013). At June 30, 2014, the amount of receivables that were exposed to the risk of recourse was less 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 June 30, 2014, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.

The table below provides an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. At June 30, 2014 no significant changes occurred compared to December 31, 2013. The increase in Allowance for doubtful accounts, for about 18%, was due to the composition of the receivables. The size of the allowance for doubtful accounts is determined conservatively according to the different underlying credit status or - specifically for receivables owed by residential customers - taking into account the relative age of the past-due receivables.

(in millions of euros)	**06.30.2014**	12.31.2013 (*)
Gross trade receivables	3,433	3,398
Allowance for doubtful accounts (-)	(355)	(300)
Trade receivables	**3,078**	**3,098**
Guarantees held (**)	531	538
Receivables less than 6 in arrears	452	440
Receivables 6 to 12 months in arrears	221	115
Receivables more than 12 months in arrears	536	542

(*) 2013 amounts have been restated as a result of the adoption of IFRS 11 "Joint Arrangements".
(**) Including 127 million euros to hedge receivables outstanding at June 30, 2014.

With references to foreign activities, which were adversely affected by the local political and economic situation, it is worth noting that the past-due receivables owed in Egypt at June, 2014 by the Egyptian General Petroleum Corporation (EGPC) (328 million euros), increased by 93 million euros compared with December 31, 2013. Please also note that the Group negotiated extended payment terms with EGPC for past-due receivables, which were discounted taking also into account Egypt's country risk.

5. Liquidity Risk

The liquidity risk is the risk that the Group may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario. Specifically, the liabilities reflect all future cash outflows, in addition to principal and accrued interest, including all interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives. As a result, the aggregate liability amount 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)	**06.30.2014**			12.31.2013 (*)		
	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	730	540	670	16	753	1,186
Financial debt and other financial liabilities	40	25	1,103	65	80	1,099
Trade payables	2,291	23	-	2,148	29	-
Total	**3,061**	**588**	**1,773**	**2,229**	**862**	**2,285**
Guarantees provided to third parties (**)	**344**	**512**	**367**	**387**	**301**	**617**

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

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

The financial debt maturing within three months, which totaled 770 million euros, consists mainly of a bond issue with a face value of 700 million euros, plus accrued interest, maturing on July 22, 2014, while the financial debt over three months and due within one year, which totaled 565 million euros, mainly refers to a bond issue with a face value of 500 million euros, plus accrued interest, maturing on March 17, 2015.

The financial debt maturing after one year, which totaled 1,773 million euros, includes a bond issue with a face value of 600 million euros, maturing on November 10, 2017, a loan from EDF Investissements Groupe Sa for 800 million euros, maturing on April 9, 2020, and the amount drawn down (137 million euros at June 30, 2014) on a medium/long-term direct credit line provided by the European Investment Bank (EIB) to finance gas storage projects.

The Group's projected cash flow dynamics do not indicate further actions to meet cash needs in the coming months.

More specifically, thanks to the refinancing plan implemented last year, at this point, Edison's short-term cash flow flexibility appears to be more than adequate. At June 30, 2014 were available for their full amount of 1,100 million euros:

- the revolving credit line provided by EDF Sa in April 2013 for an amount of 600 million euros, expiring on April 9, 2015.

- the Revolving Credit Facility, provided by a group of banks on a Club Deal basis pursuant to an agreement executed on July 10, 2013, for an amount of 500 million euros, expiring on January 7, 2015.

In addition, the amount up to 199 million euros was potentially available through the centralized cash management account established by Edison Spa with EDF Sa. Lastly, please note that Edison Group held liquid assets totaling 648 million euros at June 30, 2014.

However, Edison is considering whether to refinance its short-term financial borrowing, maturing in the first quarter of 2015, in a market context characterized by an ample liquidity and favorable economic conditions.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at June 30, 2014. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations.

(in millions of euros)	06.30.2015	06.30.2016	06.30.2017	06.30.2018	06.30.2019	After 5 years	Total
Bonds	1,291	(1)	(1)	600	-	-	1,889
Financial debt and other financial liabilities:							
- due to banks	62	24	15	24	23	106	254
- due to other lenders	125	4	3	3	3	805	943
Gross financial debt	**1,478**	**27**	**17**	**627**	**26**	**911**	**3,086**

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 three bond issues floated by the Group (Euro Medium Term Notes) with a total face value of 1,800 million euros were outstanding at June 30, 2014:

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed annual	4.250%
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%
EMTN 11/2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11.10.2017	600	Fixed annual	3.875%

Outstanding debt obligations of the Group include non-syndicated facilities totaling 1,615 million euros, the unused portion of which was 605 million euros at June 30, 2014, and syndicated facilities amounting to 500 million euros fully unused at June 30, 2014.

With regard to the transactions currently outstanding, including the corresponding loan agreements and bond indentures and the covenants they include, nothing changed compared with December 31, 2013. Additional information can be found in the extensive remarks provided in the notes to the Consolidated Financial Statements at December 31, 2013.

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

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

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

Forward transactions and derivatives can be classified as follows:

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

Fair Value Hierarchy According to IFRS 13

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

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

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

Instruments Outstanding at June 30, 2014

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value at 06.30.2014 (**)	Cumulative impact on the income statement at 06.30.2014 (***)	Notional amount at 12.31.2013 (*)	Balance sheet value at 12.31.2013 (**)
		due within 1 year	due between 2 and 5 years	due after 5 years	Total			Total	
Interest rate risk management:									
- Cash Flow Hedges in accordance with IAS 39	2	-	-	-	-	-	-	1	-
- Fair Value Hedges in accordance with IAS 39	2	725	600	-	1,325	73	73	1,325	56
- contracts that do not qualify as hedges in accordance with IAS 39	2	725	-	-	725	(7)	(7)	757	(10)
Total interest rate derivatives		**1,450**	**600**	**-**	**2,050**	**66**	**66**	**2,083**	**46**

		due within 1 year		due between 2 and 5 years		due after 5 years	Total				Total		
		receivable	payable	receivable	payable		receivable	payable			receivable	payable	
Foreign exchange rate risk management:													
- contracts that qualify as hedges in accordance with IAS 39:													
. on commercial transactions	2	2,482	(230)	942	(1)	-	3,424	(231)	(51)	(5)	3,882	(400)	(137)
. on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:													
. on commercial transactions	2	100	(69)	2	(2)	-	102	(71)	(2)	(2)	243	(251)	(7)
. on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total foreign exchange rate derivatives		**2,582**	**(299)**	**944**	**(3)**	**-**	**3,526**	**(302)**	**(53)**	**(7)**	**4,125**	**(651)**	**(144)**

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

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 06.30.2014 (**)	Cumulative impact on the income statement at 06.30.2014 (***)	Notional amount at 12.31.2013 (*)	Balance sheet value at 12.31.2013 (**)
		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:							**248**	**21**		**156**
- Natural Gas	2	Millions of therms	(590.15)	(50.21)	(0.45)	(640.81)	51	4	(404.78)	(3)
- LNG and oil	2	Barrels	23,643,655	11,385,920	1,005,225	36,034,800	190	16	37,165,528	160
- CO2	2	Millions of tons	5.00	4.10	1.42	10.52	7	1	8.29	(1)
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39							-	-		
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margins:							**127**	**127**		**(26)**
- Electric power	3	TWh	4.22	-	-	4.22	(2)	(2)	8.37	(2)
- Natural Gas	2	Millions of therms	(933)	(562)	-	(1,495)	119	119	(1,582)	(39)
- LNG and oil	2	Barrels	1,299,810	124,910	(168,410)	1,256,310	9	9	3,737,798	15
- CO_2	2	Millions of tons	0.86	-	-	0.86	1	1	-	-
TOTAL							**375**	**148**		**130**

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

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 06.30.2014 (**)	Cumulative impact on the income statement at 06.30.2014 (***)	Notional amount at 12.31.2013 (*)	Balance sheet value at 12.31.2013 (**)
		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							**(50)**	**(50)**		**(16)**
- Electric power	1 / 2	TWh	8.39	0.11	0.22	8.72	(49)	(49)	15.33	(15)
- Natural Gas	2 / 3	Millions of therms	-	-	-	-	-	-	4.55	(1)
- LNG and oil	2	Barrels	(151,800)	-	-	(151,800)	-	-	(50,000)	-
- CO_2	1 / 2	Millions of tons	(0.07)	(1.36)	-	(1.43)	(1)	(1)	(3.87)	-
Physical contracts							**105**	**105**		**42**
- Electric power	2 / 3	TWh	(5.82)	(0.34)	-	(6.16)	106	106	(7.90)	41
- Natural gas	2 / 3	Millions of therms	(795)	-	-	(795)	(1)	(1)	33	1
TOTAL							**55**	**55**		**26**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from
(****) 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 the first half of 2014

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at June 30, 2014, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.2013 (B)	*Portion of (B) contracts realized during the period (B1)*	Fair value recognized for contracts outstanding at 06.30.2014 (C)	Change in fair value in the period (D)=(C-B)	Amounts recognized in earnings at 06.30.2014 (A+D)	Amounts recognized in earnings at 06.30.2013
Sales revenues, Other revenues and income and Net change in fair value of commodity derivatives (see Notes 1, 2 and 6 to the Income Statement)							
Price risk hedges for energy products							
- definable as hedges pursuant to IAS 39 (CFH) (**)	102	17	5	21	4	106	74
- not definable as hedges pursuant to IAS 39	83	28	15	163	135	218	23
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (**)	-	-	-	-	-	-	(1)
- not definable as hedges pursuant to IAS 39	(5)	2	2	1	(1)	(6)	1
Margin on trading activities							
- Sales revenues from physical contracts included in the Trading Portfolios (***)	3,113	222	124	555	333	3,446	1,949
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(2,986)	(180)	(98)	(450)	(270)	(3,256)	(1,859)
Total margin on physical trading activities	*127*	*42*	*26*	*105*	*63*	*190*	*90*
Total (A)	**307**	**89**	**48**	**290**	**201**	**508**	**187**
Raw materials and services used and Net change in fair value of commodity derivatives (see Note 3 and 6 to the Income Statement)							
Price risk hedges for energy products							
- definable as hedges pursuant to IAS 39 (CFH) (**)	(15)	(1)	(1)	(1)	-	(15)	(42)
- not definable as hedges pursuant to IAS 39	(78)	(55)	(20)	(36)	19	(59)	(34)
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(46)	-	-	(6)	(6)	(52)	(45)
- not definable as hedges pursuant to IAS 39	(3)	(8)	(7)	(2)	6	3	(1)
Margin on financial trading activities							
- Other revenues and income from derivatives included in the Trading Portfolios (****)	14	29	21	34	5	19	31
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(140)	(45)	(27)	(85)	(40)	(180)	(87)
Total margin on financial trading activities	*(126)*	*(16)*	*(6)*	*(51)*	*(35)*	*(161)*	*(56)*
Total (B)	**(268)**	**(80)**	**(34)**	**(96)**	**(16)**	**(284)**	**(178)**
TOTAL INCLUDED IN EBIT (A+B)	**39**	**9**	**14**	**194**	**185**	**224**	**9**
Interest rate hedges, broken down as follows:							
Financial income							
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	12	56	12	73	17	29	11
- not definable as hedges pursuant to IAS 39	10	4	2	-	(4)	6	12
Total financial income (C)	**22**	**60**	**14**	**73**	**13**	**35**	**23**
Financial expense							
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(16)	-	-	-	-	(16)	(18)
- not definable as hedges pursuant to IAS 39	(14)	(14)	(3)	(8)	6	(8)	(8)
Total financial expense (D)	**(30)**	**(14)**	**(3)**	**(8)**	**6**	**(24)**	**(26)**
Margin on interest rate hedging transactions (C+D)=(E)	**(8)**	**46**	**11**	**65**	**19**	**11**	**(3)**
Foreign exchange rate hedges broken down as follows:							
Foreign exchange gains							
- definable as hedges pursuant to IAS 39	3	1	1	1	-	3	17
- not definable as hedges pursuant to IAS 39	5	1	1	-	(1)	4	32
Total foreign exchange gains (F)	**8**	**2**	**2**	**1**	**(1)**	**7**	**49**
Foreign exchange losses							
- definable as hedges pursuant to IAS 39	(11)	(1)	(1)	-	1	(10)	(14)
- not definable as hedges pursuant to IAS 39	(2)	(2)	(2)	-	2	-	(16)
Total foreign exchange losses (G)	**(13)**	**(3)**	**(3)**	**-**	**3**	**(10)**	**(30)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(5)**	**(1)**	**(1)**	**1**	**2**	**(3)**	**19**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 8 to the Income Statement)	**(13)**	**45**	**10**	**66**	**21**	**8**	**16**

(*) Includes the effective portion included in "Raw materials and services used" (Note 3 to the Income Statement) for purchases of natural gas.

(**) Includes the ineffective portion.

(***) Amounts included in "Sales revenues" (Note 1 to the Income Statement) under margin on physical trading activities.

(****) Amounts included in "Raw materials and sercices used" (Note 3 to the Income Statement) under margin on financial trading activities.

(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was -2 million euros at 06.30.2014.

The table below provides a breakdown of the amounts recognized on the Balance Sheet following the measurement at fair value of the derivatives and physical contracts outstanding on the date of the financial statements and their classification on the fair value hierarchy as required by IFRS 13:

(in millions of euros)	**06.30.2014**		12.31.2013 (*)	
	Receivables	**Payables**	Receivables	Payables
Foreign exchange transactions	13	(66)	16	(159)
Interest rate transactions	73	(7)	60	(14)
Commodity transactions	1,010	(580)	452	(296)
Fair value recognized as current assets or current liability (a)	**1,096**	**(653)**	**528**	**(469)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	555	(450)	222	(180)
- recognized as "Other receivables and payables"	468	(196)	246	(275)
- recognized as "Current financial assets" and "Short-term financial debt"	73	(7)	60	(14)
IFRS 7 potential ofsetting (b)	**(363)**	**363**	**(216)**	**216**
Potential net Fair Value (a+b)	**733**	**(290)**	**312**	**(253)**

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

With regard to these items, please note that a positive Cash Flow Hedge reserve amounting to 181 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements (at June 30, 2014, and for comparative purpose, at December 31, 2013) showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 13. The last column in the table shows, if applicable, the fair value of financial instruments at end of period.

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

Situation at June 30, 2014

(in millions of euros)	Criteria applied to value financial instruments in the financial statements										
	Financial instruments valued at fair value							**Financial instruments valued at amortized cost (B)**	**Equity investments valued at cost (C)**	**Carrying value at 06.30.2014 (A+B+C)**	Fair value at 06.30.2014
Financial instrument type	with change in fair value recognized in:			**Total Fair Value (A)**	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity			1	2	3				
	(a)	(b)	(c)				(m)	(d)	(e)		
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	169	-	-	**169**	-	-	169	-	5	**174**	n.a.
- listed securities	6	-	-	**6**	6	-	-	-	-	**6**	6
										180	
Other financial assets [(g)] [(l)]	-	-	-	-	-	-	-	**100**	-	**100**	100
Other assets [(l)]	-	-	-	-	-	-	-	**176**	-	**176**	176
Trade receivables [(i)] [(l)]	555	-	-	**555**	-	550	5	**2,523**	-	**3,078**	3,078
Other receivables [(f)] [(l)]	222	246	-	**468**	14	454	-	**557**	-	**1,025**	1,025
Current financial assets [(f)] [(h)] [(l)]	81	-	-	**81**	8	73	-	**6**	-	**87**	87
Cash and cash equivalents [(l)]	-	-	-	-	-	-	-	**648**	-	**648**	648
LIABILITIES											
Bonds (current and non-current)	1,845	-	-	**1,845**	-	1,845	-	**44**	-	**1,889**	1,919
Financial debt (current and non-current) [(f)] [(l)]	7	-	-	**7**	-	7	-	**1,190**	-	**1,197**	1,264
Trade payables [(i)] [(l)]	450	-	-	**450**	-	449	1	**1,864**	-	**2,314**	2,314
Other liabilities [(f)] [(l)]	131	65	-	**196**	40	154	2	**511**	-	**707**	707

[(a)] Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.

[(b)] Cash flow hedges.

[(c)] Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.

[(d)] Loans, receivables and financial liabilities valued at amortized cost.

[(e)] Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.

[(f)] Includes receivables and payables resulting from the measurement of derivatives at fair value.

[(h)] Includes equity investments held for trading.

[(i)] Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.

[(l)] The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.

[(m)] The fair value classified at Level 3 is recognized in the amount of 4 million euros as part of the physical trading margin included in Sales revenues (5 million euros as revenues and 1 million euros as costs) and for -2 million euros in Raw materials and services used.

Situation at December 31, 2013

(in millions of euros)	Criteria applied to value financial instruments in the financial statements										
	Financial instruments valued at fair value							Financial instruments valued at amortized cost (B)	Equity investments valued at cost (C)	Carrying value at 12.31.2013 (*) (A+B+C)	Fair value at 12.31.2013 (*)
Financial instrument type	with change in fair value recognized in:			Total Fair Value (A)	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity			1	2	3				
	(a)	(b)	(c)				(m)	(d)	(e)		
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	172	-	-	**172**	-	-	172	-	5	**177**	n.a.
- listed securities	-	6	-	**6**	-	-	-	-	-	**6**	6
										183	
Other financial assets [(g) (l)]	-	-	-	**-**	-	-	-	**106**	-	**106**	106
Other assets [(l)]	-	-	-	**-**	-	-	-	**189**	-	**189**	189
Trade receivables [(i) (l)]	222	-	-	**222**	-	215	7	**2,876**	-	**3,098**	3,098
Other receivables [(f) (l)]	80	166	-	**246**	19	227	-	**407**	-	**653**	653
Current financial assets [(f) (h) (l)]	66	-	-	**66**	6	60	-	**11**	-	**77**	77
Cash and cash equivalents [(l)]	-	-	-	**-**	-	-	-	**492**	-	**492**	492
LIABILITIES											
Bonds (current and non-current)	1,845	-	-	**1,845**	-	1,845	-	**25**	-	**1,870**	1,935
Financial debt (current and non-current) [(f) (l)]	14	-	-	**14**	-	14	-	**1,226**	-	**1,240**	1,270
Trade payables [(i) (l)]	180	-	-	**180**	-	171	9	**1,997**	-	**2,177**	2,177
Other liabilities [(f) (l)]	113	162	-	**275**	22	251	2	**395**	-	**670**	670

[(a)] Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.

[(b)] Cash flow hedges.

[(c)] Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.

[(d)] Loans, receivables and financial liabilities valued at amortized cost.

[(e)] Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.

[(f)] Includes receivables and payables resulting from the measurement of derivatives at fair value.

[(h)] Includes equity investments held for trading.

[(i)] Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.

[(l)] The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same

[(m)] The fair value classified at Level 3 is recognized in the amount of -2 million euros as part of the physical trading margin included in Sales revenues (7 million euros as revenues and 9 million euros as costs) and for -2 million euros in Raw materials and services used.

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

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 June 30, 2014 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	***Related Parties pursuant to IAS 24***			**Total for related parties**	**Total for financial statem. line item**	**Impact %**
	With unconsolidated Edison Group companies	*With controlling companies*	*With other EDF Group companies*			
Balance Sheet transactions:						
Investments in associates	144	-	-	**144**	**144**	**100.0%**
Other financial asset	87	-	-	**87**	**100**	**87.0%**
Trade receivables	2	-	61	**63**	**3,078**	**2.0%**
Other receivables	5	133	5	**143**	**1,025**	**14.0%**
Current financial assets	6	-	-	**6**	**87**	**6.9%**
Cash and cash equivalents	-	424	-	**424**	**648**	**65.4%**
Long-term financial debt and other financial liabilities	-	-	796	**796**	**1,010**	**78.8%**
Short-term financial debt	18	-	4	**22**	**187**	**11.8%**
Trade payables	3	2	59	**64**	**2,314**	**2.8%**
Other payables	1	196	8	**205**	**707**	**29.0%**
Income Statement transactions:						
Sales revenues	2	-	150	**152**	**6,092**	**2.5%**
Other revenues and income	1	1	22	**24**	**276**	**8.7%**
Raw materials and services used	(13)	(7)	(130)	**(150)**	**(5,834)**	**2.6%**
Financial income	4	-	-	**4**	**49**	**8.2%**
Financial expense	-	(1)	(11)	**(12)**	**(122)**	**9.8%**
Net foreign exchange translation gains (losses)	-	(7)	-	**(7)**	**(9)**	**77.8%**

A) Intercompany Transactions and with Controlling Companies

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

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

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for June 30, 2014 showed a debt of 2 million euros.

Consolidated IRES Return

Starting in 2013, for the three-year period from 2013 to 2015, Edison Spa and its principal subsidiaries agreed to be included in the consolidated corporate income tax (IRES) return filed by WGRM (now Transalpina di Energia Spa). The relationships between the filers of the consolidated tax return are governed by special agreements.

Consequently, the companies included in the consolidated corporate income tax (IRES) return will determine their IRES liability in coordination with the Group's controlling company.

Please note that Group companies that operate primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a corporate income tax surcharge, which has been set at 6.5%. The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return.

Centralized Cash Management System by EDF Sa

It is worth mentioning that on September, 27 2012, EDF Sa and Edison Spa executed a framework agreement for centralized cash management services, pursuant to which EDF manage the surplus cash and cash needs of the Edison Group, with the aim of optimizing short-term cash flows. At June 30, 2014, the current account established with EDF Sa has a positive balance for 424 million euros, which includes 15 million held by the subsidiary EDF Production UK acquired in October 2013.

Loan by EDF Sa

It is worth mentioning that in April 2013 EDF Sa granted to Edison Spa a credit line, for a face amount of 600 million euros and with maturity on April 9, 2015, entirely non utilized at June 30, 2014. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to about 7 million euros.

B) Transactions with Other EDF Group Companies

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

1) Commercial Transactions

Transactions executed are the following:

- With Fenice Spa, sales revenues of about 18 million euros, mainly from sales of natural gas.
- With EDF Trading Ltd, energy and gas sales revenues of 177 million euros and costs of 89 million euros stemming from sales and purchases of commodities.
- With EDF Trading Ltd as part of the physical trading activity, revenues of 279 million euros and costs of 324 million euros, these amounts are included in "Sales revenues" on a net basis and as part of financial trading activity, as net costs for 21 million euros, these amounts are recorded in "Raw materials and services used".
- With EDF Trading Ltd relating to commodity derivatives, revenues of 22 million of euros and cost of 20 million of euro, respectively recorded in "Other Revenues and Income" and "Raw materials and services used" in the item "Realized commodity derivatives".

The table provided above shows the impact on the balance sheet of the various transactions reviewed above.

2) Financial Transactions

The only financial transaction with another company of the EDF Group is reviewed below:

Loan by EDF Investissement Groupe Sa

It is worth mentioning that in April 2013 EDF Investissement Groupe Sa, an EDF Group company that handles long-term funding for Group companies, provided Edison Spa with a long-term loan for a face amount of 800 million euros and with maturity on April 9, 2020, which had been drawn down in full at June 30, 2014. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

The Edison Group declares that it did not execute significant nonrecurring events and transactions in the first half of 2014, pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006,

Transactions Resulting from Atypical and/or Unusual Activities

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

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2014

No significant events after June 30, 2014 occurred.

SCOPE OF CONSOLIDATION

at June 30, 2014

SCOPE OF CONSOLIDATION AT JUNE 30, 2014

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2014	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
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)
CSE Srl (single shareholder) - Electric Power Activities	Pavia (IT)	EUR	12,440	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	22,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	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 Gas and Power Romania Srl - Electric Power Activities	Bucuresti (RO)	RON	8,400,000	100.000	100.00	99.00	Edison International Holding Nv	-	-	S	-
						1.00	Edison Spa				
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Parco Eolico San Francesco Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00	90.00	Edison Spa	-	-	S	(i)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Vibo Valenzia (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	-	-	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
CSE Srl (single shareholder) - Hydrocarbons Activities	Pavia (IT)	EUR	12,440	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edf Production UK Ltd	Richmond Upon Thames Surrey (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	22,500,000	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)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2014	12.31.2013	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Edison Gas and Power Romania Srl - Hydrocarbons Activities	Bucuresti (RO)	RON	8,400,000	100.00	100.00	99.00	Edison International Holding Nv	-	-	S	-
						1.00	Edison Spa				
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 Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa	-	-	-	-
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (I)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06.30.2014	12.31.2013	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JO	(iii)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
B) Investments in companies valued by the equity method											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)(v)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.00	50.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)
Elpedison Bv	Amsterdam (NL)	EUR	1,000,000	50.00	50.00	Edison International Holding Nv	-	-	32.6	JV	(iv)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	30.00	Edison International Spa (single shareholder)	-	-	-	JV	(iv)(v)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	Edison Spa	-	-	24.4	JV	(iv)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	26,400,000	50.00	50.00	Edison International Holding Nv	-	-	3.5	JV	(iv)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	0.8	JV	(iv)
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	Edison Spa	-	-	35.6	JV	(iv)
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	0.8	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	2.7	AC	-
Energia Senales Scarl - Es Scarl	Senales (BZ) (IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	1.6	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	-	-	4.2	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	20.0	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,419,179		20.82	Edison Spa	-	-	15.7	AC	-
Total investments in companies valued by the equity method									**141.9**		

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	by	Type of investment relationship (e)	Notes
Elpedison Energy Sa	Marousi Athens (GR)	EUR	1,435,600	50.00	100.00	Elpedison Bv	JV	(iv)
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	75.78	Elpedison Bv	JV	(iv)

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	by	Type of investment relationship (e)	Notes
ICGB AD	Sofia (BG)	BGL	12,517,320	25.00	50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iv)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
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	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
D) Investments in other companies valued at fair value											
D.1) Investments held for trading											
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.7	NG	-
Amsc-American Superconductor	Devens (US)	USD	681,396		0.25	Edison Spa	-	-	0.2	NG	-
Hera Spa	Bologna (IT)	EUR	1,421,342,617		0.21	Edison Spa	-	-	6.1	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	2,292,436		17.76	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	-	-	5.8	NG	-
Syremont Spa	Messina (IT)	EUR	1,250,000		24.00	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	-	-	169.2	NG	-
Total investments in other companies valued at fair value									**187.9**		
Total equity investments									**332.2**		

Notes

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

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

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

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

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

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

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

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

(iii) This company is a contractual joint venture.

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

(v) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreements 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
BRL Brazilian real
CHF Swiss franc
EGP Egyptian pound
EUR Euro
GBP British pound
HRK Croatian kuna
PTE Portuguese escudo
RON Romanian leu
USD U.S. dollar
XAF Central African franc

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CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY

at June 30, 2014

Income Statement

2013 full year	(in millions of euros)	See Note	First half 2014	First half 2013
5.601	Sales revenues	1	2.230	2.925
642	Other revenues and income	2	235	444
6.243	**Total revenues**		**2.465**	**3.369**
(6.045)	Raw materials and services used (-)	3	(2.528)	(3.139)
(138)	Labor costs (-)	4	(68)	(69)
60	**EBITDA**	5	**(131)**	**161**
(17)	Net change in fair value of derivatives (commodities and foreign exchange)	6	150	17
(220)	Depreciation, amortization and writedowns (-)	7	(106)	(108)
(177)	**EBIT**		**(87)**	**70**
(37)	Net financial income (expense)	8	(38)	(1)
227	Income from (Expense on) equity investments	9	126	97
-	Other income (expense), net	10	(9)	(26)
13	**Profit (Loss) before taxes**		**(8)**	**140**
65	Income taxes	11	23	(38)
78	**Profit (Loss) from continuing operations**		**15**	**102**
-	Profit (Loss) from discontinued operation	12	-	-
78	**Profit (Loss) for the period**		**15**	**102**

Other Components of the Comprehensive Income Statement

2013 full year	(in millions of euros)	See Note	First half 2014	First half 2013
78	**Profit (Loss) for the period**		**15**	**102**
	Other components of comprehensive income:			
(2)	***A) Change in the cash flow hedge reserve***	***24***	***99***	***(4)***
1	- Gains (Losses) from valuations for the period		140	(6)
(3)	- Income taxes (-)		(41)	2
(5)	***B) Change in reserves for available-for-sale investments***	***24***	***-***	***(5)***
(5)	- Unrealized gains (losses) on securities or equity investments		-	(5)
-	- Income taxes (-)		-	-
(1)	***C) Actuarial gains (losses (*)***		***-***	***(1)***
(1)	- Actuarial gains (losses)		-	(1)
(8)	**Total other components of comprehensive income net of taxes (A+B+C)**		**99**	**(10)**
70	**Total comprehensive profit (loss)**		**114**	**92**

(*) Items that cannot be reclassified to the income statement.

Balance Sheet

6/30/13	(in millions of euros)	See Note	6/30/14	12/31/13
	ASSETS			
2.692	Property, plant and equipment	*13*	2.540	2.626
9	Investment property	*14*	6	6
2.408	Goodwill	*15*	2.408	2.408
131	Hydrocarbon concessions	*16*	117	123
12	Other intangible assets	*17*	7	7
1.295	Investments in associates	*18*	1.338	1.384
183	Available-for-sale investments	*18*	180	183
7	Other financial assets	*19*	11	11
-	Deferred-tax assets	*20*	-	-
487	Other assets	*21*	168	176
7.224	**Total non-current assets**		**6.775**	**6.924**
192	Inventories		271	347
1.261	Trade receivables		676	1.122
10	Current tax assets		15	15
336	Other receivables		706	497
2.838	Current financial assets		2.746	2.705
390	Cash and cash equivalents		463	319
5.027	**Total current assets**	*22*	**4.877**	**5.005**
-	**Assets held for sale**	*23*	**-**	**-**
12.251	**Total assets**		**11.652**	**11.929**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
5.292	Share capital		5.292	5.292
128	Statutory reserve		132	128
509	Other reserves and retained earnings		520	509
(10)	Reserves for other components of comprehensive income		91	(8)
102	Profit (Loss) for the period		15	78
6.021	**Total shareholders' equity**	*24*	**6.050**	**5.999**
25	Provision for employee severance indemnities and provisions for pensions	*25*	23	24
16	Provision for deferred taxes	*26*	56	13
769	Provision for risks and charges	*27*	748	754
1.797	Bonds	*28*	598	1.098
1.251	Long-term financial debt and other financial liabilities	*29*	995	950
23	Other liabilities	*30*	-	-
3.881	**Total non-current liabilities**		**2.420**	**2.839**
100	Bonds		1.291	772
899	Short-term financial debt		747	949
977	Trade payables		818	978
12	Current taxes payable		-	-
361	Other liabilities		326	392
2.349	**Total current liabilities**	*31*	**3.182**	**3.091**
-	**Liabilities held for sale**	*32*	**-**	**-**
12.251	**Total liabilities and shareholders' equity**		**11.652**	**11.929**

Statement of Cash Flows

The schedule that follows analyzes the **cash flows** as they apply to short-term liquid assets (i.e., due within 3 months), which amounted to 463 million euros, in the first half of 2014, compared with 390 million euros in the same period last year.

2013 full year (*)		(in millions of euros)	See Note	First half 2014	First half 2013 (*)
13		**Profit (Loss) before taxes of Edison Spa**		**(8)**	**140**
220		Amortization, depreciation and writedowns	7	106	108
(17)		Net additions to provisions for risks		(14)	25
(23)		(Gains) Losses on the sale of non-current assets		(6)	-
61		(Revaluations) Writedowns of non-current financial assets	9	59	26
-		Change in the provision for employee severance indemnities and provisions for pensions	25	1	(1)
(17)		Change in fair value recognized in EBIT		(150)	(23)
(6)		Change in operating working capital		362	10
(265)		Dividends received from subsidiaries, affiliated companies and other companies	9	(178)	(122)
273		Dividends collected (included previous years' dividends)		171	112
45		Net financial (income) expense	8	34	13
82		Financial income collected		21	26
(111)		Financial (expense) paid		(50)	(46)
(20)		Income taxes paid		-	-
(137)		Change in other operating assets and liabilities		68	(402)
98	**A.**	**Cash from (used in) operating activities of continuing operations**		**416**	**(134)**
(90)		Additions to intangibles and property, plant and equipment (-)	13-17	(60)	(45)
(125)		Additions to non-current financial assets (-)		(3)	-
5		Proceeds from the sale of intangibles and property, plant and equipment		-	-
-		Proceeds from the sale of non-current financial assets (*)		31	-
7		Capital distributions from non-current equity investments		3	2
(21)		Change in other current assets		(42)	(155)
(224)	**B.**	**Cash from (used in) investing activities**		**(71)**	**(198)**
1.800		Proceeds from new medium-term and long-term loans	29,30,32	-	1.543
(2.068)		Redemptions of medium-term and long-term loans (-)	29,30,32	(5)	(1.508)
-		Capital contributions provided by controlling companies or minority shareholders		-	-
(16)		Dividends paid to controlling companies or minority shareholders (-)		(63)	(17)
96		Changes in short-term financial debt		(133)	71
(188)	**C.**	**Cash from (used in) financing activities**		**(201)**	**89**
(314)	**D.**	**Net change in cash and cash equivalents (A+B+C)**		**144**	**(243)**
633	**E.**	**Cash and cash equivalents at the beginning of the period**		**319**	**633**
-	**F.**	**Net cash and cash equivalents from discontinued operations**		**-**	**-**
319	**G.**	**Cash and cash equivalents at the end of the period (D+E+F)**		**463**	**390**
319	**H.**	**Total cash and cash equivalents at the end of the period (G)**		**463**	**390**
-	**I.**	**(-) Cash and cash equivalents from discontinued operations**		**-**	**-**
319	**L.**	**Cash and cash equivalents from continuing operations (H-I)**		**463**	**390**

(*) They have been revised in order to make them comparable including dividends received and collected

Statement of Changes in Shareholders' Equity

(in millions of euros)	Share capital	Statutory reserve	Other reserves and retained earnings	Reserve for other components of comprehensive income: Cash flow hedge reserve	Reserve for other components of comprehensive income: Reserve for available-for-sale investments	Reserve for other components of comprehensive income: Actuarial gains (losses)	Profit (Loss) for the period	Total share-holders' equity
Balance at December 31, 2012	**5.292**	**125**	**473**	**(5)**	**5**	**-**	**56**	**5.946**
Appropriation of the 2012 profit	-	3	36	-	-	-	(39)	**-**
Actuarial gains (losses)	-	-	-	-	-	-	-	**-**
Dividend distribution	-	-	-	-	-	-	(17)	**(17)**
Total comprehensive profit (loss) for the first half of 2013	**-**	**-**	**-**	**(4)**	**(5)**	**(1)**	**102**	**92**
including: Change in comprehensive income for the period	-	-	-	(4)	(5)	(1)	-	**(10)**
Profit (Loss) for the first half of 2013	-	-	-	-	-	-	102	**102**
Balance at June 30, 2013	**5.292**	**128**	**509**	**(9)**	**-**	**(1)**	**102**	**6.021**
Total comprehensive profit (loss) for the second half of 2013	**-**	**-**	**-**	**1**	**-**	**1**	**(24)**	**(22)**
including: Change in comprehensive income for the period	-	-	-	1	-	1	-	**2**
Profit (Loss) for the second half of 2013	-	-	-	-	-	-	(24)	**(24)**
Balance at December 31, 2013	**5.292**	**128**	**509**	**(8)**	**-**	**-**	**78**	**5.999**
Appropriation of the 2013 profit	-	4	11	-	-	-	(15)	**-**
Actuarial gains (losses)	-	-	-	-	-	-	-	**-**
Dividend distribution	-	-	-	-	-	-	(63)	**(63)**
Total comprehensive profit (loss) for the first half of 2014	**-**	**-**	**-**	**99**	**-**	**-**	**15**	**114**
including: Change in comprehensive income for the period	-	-	-	99	-	-	-	**99**
Profit (Loss) for the first half of 2014	-	-	-	-	-	-	15	**15**
Balance at June 30, 2014	**5.292**	**132**	**520**	**91**	**-**	**-**	**15**	**6.050**

NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY, AT JUNE 30, 2014

Content and Presentation

Declaration of Conformity and Accounting Policies

The condensed semiannual financial statements of Edison Spa, the Group's Parent Company, at June 30, 2014, were prepared pursuant to Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998, as amended, and, as interim financial statements, are consistent with the provisions of IAS 34 Interim Financial Reporting. These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), based on the text published in the *Official Journal of the European Union (O.J.E.U.).*

Methods Applied to the Preparation of the Condensed Semiannual Financial Statements

Please note that the accounting principles are consistent with those used for the Separate Financial Statements at December 31, 2013 and that the following amendments and interpretations are applicable as of January 1, 2014:

- **IFRS 10 "Consolidated Financial Statements"**: The new standard partially replaces IAS 27 and the interpretation SIC 12, providing a new unified definition of control. An investor company has control over another company when it has concurrently the power to direct the investee company's relevant decisions, it is exposed to its future performance and can use its use its power to influence the performance of the investee company. This standard is applicable in the separate financial statements only insofar as definitions are concerned.
- **IFRS 11 "Joint Arrangements"**: It replaces the IAS 31 "Interests in Joint Ventures" and it is applicable to all the companies that are parties to agreements through which two or more parties that share control through unanimous consent, have the power to direct the relevant decisions and govern the exposure to future performances. Two types of agreements are identified:
  - **Joint operation**: a party to the agreement accounts for its share of assets, liabilities and revenues and costs in its separate financial statements.
  - **Joint venture**: the contractual agreement is managed by means of a company and a party to the agreement has only a right to the net cash flows resulting from the business activity. The interest in the joint venture is valued at cost, in accordance with IAS 27, as explained below. This standard is applicable to joint ventures in the financial statements only insofar as definitions are concerned.

- **IAS 27 revised "Separated financial Statements"**: This standard was revised following the introduction of IFRS 10 and provides a comprehensive guide focused only on the preparation of separate financial statements.
- **IAS 28 revised "Investments in Associates and Joint Ventures"**: It reflects the changes in the classification of joint arrangement introduced by IFRS 11 and is applicable in the separate financial statements only insofar as definitions are concerned. Investments are valued at cost, in accordance with IAS 27.
- **IAS 32 revised "Financial Instruments: Presentation":** It introduces an application guide on the subject of offsetting agreements that clarifies the requirements that must be satisfied for offsetting financial assets and liabilities when netting agreements are executed.
- **IAS 36 revised "Impairment of Assets"**: This standard includes the requirements of IFRS 13, introducing the obligation to provide additional disclosures when a loss is recognized or derecognized and the recoverable amount of the assets or cash generating unit corresponds to its fair value net of costs to sell.
- **IAS 39 revised "Financial Instruments: Recognition and Measurement"**: These changes allow a continuation of hedge accounting of derivatives that are designated as such in the event that they are the subject of novation as a result of the enactment of legislation or regulations (i.e., EMIR). This principle is not applicable to Edison.

In addition, a new interpretation IFRIC 21 "Levies" will be applicable retrospectively starting in 2015. This new interpretation set forth the criteria applicable to determine when liabilities for levies should be recognized in the financial statements. These liabilities can be recognized either gradually or in a lump sum upon the occurrence of the obligating event. At this time, this interpretation has no impact on these financial statements.

The Board of Directors, meeting on **July 30, 2014,** authorized the publication of these Condensed Semiannual Financial Statements of the Group's Parent Company, which were the subject of a limited audit 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, the amounts in these Notes to the Condensed Semiannual Financial Statements are in millions of euros.

Use of Estimated Values

The preparation of the Condensed Semiannual Financial Statements of the Group's Parent Company required the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that may arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement.

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

- **Depreciation and amortization (for assets with a finite useful life) of property, plant and equipment and intangible assets and impairment test.** Information about the impairment test is provided in the Notes to the 2013 Separate Financial Statements in the section entitled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles."
- **Valuation of derivatives and financial instruments in general.** With regard to valuations please see the criteria listed in the section of the 2013 Separate Financial Statements entitled "Valuation Criteria – Financial Instruments" and the information provided in the section of this Report entitled "Financial Risk Management by the Group's Parent Company" about the methods applied to manage inherent risks in connection with energy commodities traded by the Company, 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.** In these cases, the estimates used are the best possible estimates, based on available information. These estimates are based on assumptions made by the Company, complemented, when possible, by past experience with comparable transactions and appraisals by independent experts.
- **Advances paid under long-term contracts to import natural gas (take-or-pay contracts).** These are amounts paid when the Company is unable to take delivery of the scheduled minimum annual quantities. These advance payments, which constitute deferred charges, are recognized as "Other Assets" pursuant to IAS 38. The recognized amount is maintained after ascertaining that: a) over the residual duration of the contract, the Company estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); and b) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to do so. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best price estimates available at the time of valuation, taking into account the market of destination. If applicable, these estimates may take into account, as a price adjustment, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

For a more detailed description of the main estimating processes applied, please consult the section of the separate financial statements at December 31, 2013 entitled "Valuation Criteria – Use of Estimated Values."

NOTES TO THE INCOME STATEMENT

Operating Performance in the First Half of 2014

Edison Spa reported a **net profit** of 15 million euros at June 30, 2014, compared with a net profit of 102 million euros in the first half of 2013.

This result reflects the impact of the ongoing negative trend of gradual contraction that has been affecting the Italian economy since 2008, depressing national consumption of electric power and natural gas. Consequently, the continuation of a situation in which weak demand is accompanies by an increase in power generating capacity and the available supply on gas generated increased competitive pressure on sales prices both of electric power and natural gas. As a result, in the first six months of 2014, **sales revenues** totaled 2,230 million euros, down 23.8% compared with the same period last year (2,925 million euros).

More specifically, for the **hydrocarbons operations** the contraction in revenues (-24.7%) is chiefly the result of a reduction in sales volumes and lower average sales prices for natural gas, while the shortfall reported by the **electric power operations** (-20.5%) reflects a decrease in production volumes, particularly in the thermoelectric area, caused in part by the sale of a power plant.

EBITDA were negative by 131 million euros (positive EBITDA of 161 million euros in the first half of 2013). Please note that the amount for the first half of 2013 includes the benefit generated by the price revisions of the long-term contract for the procurement of natural gas from Algeria and Qatar.

More in detail:

- The EBITDA of the **hydrocarbons operations** were negative by 98 million euros, as against positive EBITDA of 162 million euros in the first half of 2013, when they benefited from the revisions of the abovementioned long-term gas procurement contracts. The result for the first half of 2014 primarily reflects the impact on the ongoing compression of the margins generated by the activities that involve buying and selling natural gas. For this reason, Edison is engaged in completing the second cycle of renegotiations of its gas supply contracts, with the aim of restoring to a reasonable level of profitability its portfolio of multi-year gas procurement contracts. As for the Exploration & Production operations, crude oil production increased compared with the first half of 2013 thanks to the full availability of the output from the Rospo Mare field, where production had been interrupted at the end of January 2013.
- The EBITDA of the **electric power operations** were positive by 26 million euros (positive by 47 million euros in the first half of 2013). However, net production totaled 6.3 TWh, down from the level reported in the first half of 2013; more specifically, thermoelectric production decreased by 14%, due mainly to a contraction in national demand for electric power, while hydroelectric output grew by 15%, thanks an abundance of water resources, contributing,

together with the optimization of the management of the facilities portfolio, to the positive result reported.

EBIT were negative by 88 million euros (positive by 70 million euros in the first half of 2013). They reflect a positive impact of 149 million euros generated by the volatility in the net change in the fair value of commodity and foreign exchange derivatives (positive impact of 17 million euros in the first half of 2013) and charges totaling 106 million euros for depreciation, amortization and writedowns of non-current assets (108 million euros in the first half of 2013).

In addition to the industrial margin dynamics discussed above, the following factors affected this year's performance in comparison with the first half of 2013:

- **Net financial expense** of 38 million euros, up from 1 million euros in the first half of 2013, due mainly to the fair value measurement of bond issues and higher net foreign exchange losses on fuel procurement transactions.
- **Net income on equity investments,** which totaled 126 million euros (97 million euros in the first half of 2013) and consists mainly of dividends from investee companies (178 million euros compared with 122 million euros in the first half of 2013), net of 59 million euros in writedowns of equity investments recognized to adjust the corresponding carrying amounts.
- **Other expense, net,** of 9 million euros (26 million euros in the first half of 2013), consisting mainly of legal costs.
- **Income taxes,** positive by 23 million euros, (negative by 38 million euros in the first six months of 2013), which include the benefit resulting from the remuneration of the corporate income tax losses contributed to the national consolidated income tax return filed the controlling company Transalpina di Energia Spa.

1. Sales Revenues

Sales revenues totaled 2,230 million euros, or 24.1% less than in the same period last year (2,925 million euros). A breakdown of sales revenues, which were generated mainly in Italy, is provided below:

(in millions of euros)	**First half 2014**	First half 2013	Change	% change
Revenues from the sales of:				
- Natural gas	1.646	2.237	(591)	(26,4%)
- Electric power	408	520	(112)	(21,5%)
- Oil	69	50	19	38,0%
- Steam	22	35	(13)	(37,1%)
- Green certificates	59	60	(1)	(1,7%)
- Sundry items	-	2	(2)	(100,0%)
Revenues from the sale of products	**2.204**	**2.904**	**(700)**	**(24,1%)**
Revenues from services provided	21	15	6	40,0%
Power plant maintenance revenues	4	5	(1)	(20,0%)
Transmission revenues	1	1	-	n.m.
Revenues from the provision of services	**26**	**21**	**5**	**23,8%**
Total sales revenues	**2.230**	**2.925**	**(695)**	**(23,8%)**
breakdown by business segment:				
Hydrocarbons operations	1.725	2.290	(565)	(24,7%)
Electric power operations	497	625	(128)	(20,5%)
Corporate activities	8	10	(2)	(20,0%)
Total sales revenues	**2.230**	**2.925**	**(695)**	**(23,8%)**

An analysis by business segment is provided below:

- The **hydrocarbon operations** reported sales revenues of 1,725 million euros. The decrease of 24.7% compared with the first half of 2013 reflects the combined impact of lower average sales prices for natural gas in the benchmark scenario and a contraction in gas sales to thermoelectric users and residential customers.
- The sales revenues of the **electric power operations** decreased to 497 million euros, or 20% less than in the same period last year, due mainly to a decrease in production by thermoelectric power plant, offset only in part by a gain in hydroelectric output, made possible by the abundant water resources available during the reporting period.

2. Other Revenues and Income

A breakdown of this item, which totaled 235 million euros (444 million euros in the first half of 2013) is provided below:

(in millions of euros)	**First half 2014**	**First half 2013**	Change	% change
Realized commodity derivatives	185	90	95	n.m.
Margin on financial trading activities	-	-	-	n.a.
Out-of-period income and sundry items	50	354	(304)	n.m.
Total other revenues and income	**235**	**444**	**(209)**	**n.m.**

Realized commodity derivatives, which should be viewed concurrently with the corresponding cost included in Raw materials and services used (up from 52 million euros to 116 million euros) and the net change in fair value of derivatives (commodities and foreign exchange) (increased from a positive 17 million euros in the first half of 2013 to a positive 150 million euros at June 30, 2014), reflects mainly the results of commodity and foreign exchange hedges executed to mitigate the risk of price fluctuations on natural gas purchases. This result reflects the effect of fluctuations in the commodity and foreign exchange markets during the reporting period, which included price increases in the oil market and a weakening of the U.S. dollar versus the euro. A comprehensive presentation of the effects of these transactions is provided in a separate disclosure in the section entitled "Financial Risk Management by the Group's Parent Company."

In the first half of 2013, **out-of-period income and sundry items** included the benefits generated by the revisions of long-term contract for the procurement of natural gas related to costs incurred in previous periods.

3. Raw Materials and Services Used

Raw materials and services used totaled 2,528 million euros, down compared with the same period last year (3,139 million euros). A breakdown is provided below:

(in millions of euros)	First half 2014	First half 2013	Change	% change
- Natural gas	1,800	2,403	(603)	(25.1%)
- Green certificates	23	28	(5)	(17.9%)
- Blast-furnace, recycled and coke-oven furnace gas	8	16	(8)	(50.0%)
- CO_2 emissions rights	10	8	2	25.0%
- Demineralized industrial water	1	1	-	n.m.
- Electric power	8	4	4	100.0%
- Oil and fuel	2	-	2	n.a.
- Utilities and other materials	20	46	(26)	(56.5%)
Total	**1,872**	**2,506**	**(634)**	**(25.3%)**
- Transmission of natural gas	205	238	(33)	(13.9%)
- Realized commodity derivatives	116	52	64	n.m.
- Regasification fee	56	53	3	5.7%
- Facilities maintenance	52	36	16	44.4%
- Professional services	25	26	(1)	(3.8%)
- Change in inventories	77	113	(36)	(31.9%)
- Additions to provisions for risks	6	5	1	20.0%
- Margin on financial trading activities*	-	1	(1)	n.a.
- Sundry charges	119	109	10	9.2%
Total materials and services used	**2,528**	**3,139**	**(611)**	**(19.5%)**
breakdown by business segment:				
Hydrocarbons operations	2,331	2,917	(586)	(20.1%)
Electric power operations	136	169	(33)	(19.5%)
Corporate activities	61	53	8	15.1%
Total	**2,528**	**3,139**	**(611)**	**(19.5%)**

The decrease in purchasing costs of **natural gas** compared with the first half of 2013, which should be analyzed in conjunction with the **change in inventories,** is due to a reduction in the quantities of purchased gas. This item also includes a charge of 32 million euros for the negative results from the effective portion of derivatives hedging foreign exchange risk on commodities (39 million euros in the first half of 2013).

The decrease in **green certificate** costs is due to increased production by the hydroelectric power plants.

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

The **regasification fee** (56 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification of liquefied gas originating from Qatar.

The **additions to provisions for risks,** amounting to 6 million euros, include provision for future charges in the industrial area.

Margin on Trading Activities

The table below shows the results from trading activities, which are included in other revenues and income and raw materials and services used and are generated, respectively, by trading in financial and physical energy commodity contracts held in the trading portfolios:

(in millions of euros)	Note	First half 2014	First half 2013	Change	% change
Margin on physical contracts included in trading portfolio					
Sales revenues		681	378	303	80,2%
Raw materials and services used		(681)	(379)	(302)	79,7%
Total included in raw materials and services used	3	**-**	**(1)**	**1**	**n.a.**
Margin on financial contracts included in trading portfolio					
Other revenues and income		1	2	(1)	(50,0%)
Raw materials and services used		(1)	(2)	1	(50,0%)
Total included in other revenues and income	2	**-**	**-**	**-**	**n.a.**
Total margin on trading activities		**-**	**(1)**	**1**	**n.a.**

A comprehensive presentation of the effects of these transactions is provided in a separate disclosure in the section entitled "Financial Risk Management by the Group's Parent Company."

4. Labor Costs

Labor costs decreased to 68 million euros, or 1 million euros less than in the first half of 2013. The table below shows the amount of labor costs, the number of employees at the end of the period and the average staff and provides a comparison with the data for the first half of 2013.

(in millions of euros)	First half 2014			First half 2013			Change					
	Labor costs	Number of employees at end of period	Average number of employees	Labor costs	Number of employees at end of period	Average number of employees	Labor costs	%	Number of employees at end of period	%	Average number of employees	%
Total	**68**	**1,505**	**1,532**	**69**	**1,574**	**1,581**	**(1)**	**(1.5%)**	**(69)**	**(4.6%)**	**(49)**	**(3.2%)**

5. EBITDA

Edison Spa reported negative **EBITDA** of 131 million euros, down from positive EBITDA of 161 million euros in the same period last year. In the first half of 2013, EBITDA benefited from the price revision of contracts for the supply of natural gas from Algeria and Qatar. A breakdown by type of business is provided below:

(in millions of euros)	First half 2014	as a % of sales revenues	First half 2013	as a % of sales revenues	% change
Hydrocarbons operations	(98)	n.m.	162	7.1%	n.m.
Electric power operations	26	5.2%	47	7.5%	n.m.
Corporate activities	(59)	n.m.	(48)	n.m.	22.9%
Total	**(131)**	**(5.9%)**	**161**	**5.5%**	**n.m.**

The performance of the different business segments is reviewed below:

- The EBITDA of the **hydrocarbons operations** were negative by 98 million euros, as against positive EBITDA of 162 million euros in the same period last year, when they included the one-off positive effect of the successful completion of the arbitration for the Algerian gas supply contract and the agreement reached regarding the contract to purchase gas from Qatar. The compression of the margins generated by buying and selling natural gas is the main reason for the negative result reported in the first six months of 2014.

  Volumes purchased decreased in the first half of 2014, due to a reduction both in imports and production, offset in part by spot purchases. The contraction in the quantities of gas sold is attributable mainly to lower production by thermoelectric power plants.

  The margins generated by the Exploration and Production activities remained positive, as against the same period of last year, aided in part by the full availability of oil production from the Rospo Mare field.

- The EBITDA of the **electric power operations** were positive by 26 million euros, down from 47 million euros in the same period last year. This result reflects the effect of a reduction in volumes, attributable in part to the sale of the Porcari thermoelectric power plant in February 2014.

  Net production of electric power totaled about 6.1 TWh, or 10.3% less than the 6.8 TWh generated in the first half of 2013, as the decrease in the output of thermoelectric power plants could be offset only in part by an increase in hydroelectric production, driven by the abundance water resources during the reporting period.

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

The positive balance of 150 million euros reflects a gain of 133 million euros compared with the first half of 2013 (positive balance of 17 million euros). A breakdown is provided below:

(in millions of euros)	**First half 2014**	**First half 2013**	Change	% change
Change in fair value in hedging the price risk on energy products:	**118**	**(2)**	**120**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	2	(1)	3	n.m.
- not definable as hedges pursuant to IAS 39	116	(1)	117	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**32**	**19**	**13**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(2)	-	(2)	n.m.
- not definable as hedges pursuant to IAS 39	34	19	15	n.m.
Total	**150**	**17**	**133**	**n.m.**

(*) Reflects the ineffective portion.

This line item reflects the change in fair value for the period of commodity and foreign exchange derivatives executed as economic hedges of the Industrial Portfolio, excluding those that are part of the Trading Activities

7. Depreciation, Amortization and Writedowns

(in millions of euros)	**First half 2014**	First half 2013	Change	% change
Depreciation of property, plant and equipment	98	95	3	3,2%
Depreciation of investment property	-	-	-	0,0%
Amortization of hydrocarbon concessions	6	6	-	0,0%
Amortization of other intangible assets	1	3	(2)	(66,7%)
Total amortization and depreciation	**105**	**104**	**1**	**1,0%**
Writedown of property, plant and equipment	1	-	1	0,0%
Writedown of intangibles	-	4	(4)	(100,0%)
Total writedowns	**1**	**4**	**(3)**	**(75,0%)**
Total	**106**	**108**	**(2)**	**(1,9%)**
Breakdown by business segment:				
Hydrocarbons operations	26	79	(53)	(67,1%)
Electric power operations	75	25	50	200,0%
Corporate activities	5	4	1	25,0%
Total	**106**	**108**	**(2)**	**(1,9%)**

A review by business segment is provided below:

- In the **electric power** segment, depreciation, amortization and writedowns increased to 75 million euros, or 50 million euros more than in the first half of 2013;
- In the **hydrocarbons** segment, depreciation, amortization and writedowns amounted to 26 million euros, for a decrease of 53 million euros compared with the same period last year. This decrease reflects a change in the extraction profiles of hydrocarbon deposits. The amortization of hydrocarbon concession costs amounted to 6 million euros.

8. Net Financial Income (Expense)

Net financial expense increased to 38 million euros, or 37 million euros more than in the first half of 2013 (1 million euros). Fair value adjustment on bond issues and higher net foreign exchange losses on fuel procurement transactions account for most of this increase.

A breakdown and a comparison with the first half of 2013 is provided below:

(in millions of euros)	First half 2014	First half 2013	Change
Financial income			
Financial income from Group companies	30	35	(5)
Financial income from financial derivatives	35	22	13
Other financial income	1	4	(3)
Total financial income	**66**	**61**	**5**
Financial expense			
Interest paid on bond issues	(35)	(35)	-
Fair value adjustment on bond issues	-	21	(21)
Financial expense from financial derivatives	(23)	(26)	3
Financial expense paid to EDF	(12)	(6)	(6)
Financial expense on decommissioning projects	(8)	(8)	-
Financial expense paid to Group companies	(9)	(6)	(3)
Bank fees	(3)	(3)	-
Interest paid to banks	(1)	(2)	1
Interest paid to other lenders	-	(5)	5
Other financial expense	(9)	(4)	(5)
Total financial expense	**(100)**	**(74)**	**(26)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains:	**20**	**77**	**(57)**
- amount with EDF	6	-	6
- amount with others	14	77	(63)
Foreign exchange translation losses:	**(24)**	**(65)**	**41**
- amount with EDF	(12)	-	(12)
- amount with others	(12)	(65)	53
Total foreign exchange translation gains (losses)	**(4)**	**12**	**(16)**
Total net financial income (expense)	**(38)**	**(1)**	**(37)**

Please note that:

- **other financial expense** includes 2 million euros in financial charges to update provisions for risks and 2 million euros for securitization transactions;
- **foreign exchange translation gains (losses)** includes the effect of derivative transactions executed to hedge foreign exchange risks on purchases of commodities, which generated a net loss of 3 million euros in the reporting period (net gain of 19 million euros in the first half of 2013).

9. Income from (Expense on) Equity Investments

Net income from equity investments increased to 126 million euros, up from 97 million euro in the same period last year, due mainly to dividends received from subsidiaries and affiliated companies. A breakdown is provided in the table below:

(in millions of euros)	**First half 2014**	**First half 2013**	Change
Income from equity investments			
Dividends	178	122	56
Revaluation of trading securities	1	1	-
Gain on divestment	6	-	6
Total income from equity investments	**185**	**123**	**62**
Expense on equity investments			
Writedowns of equity investments	(59)	(26)	(33)
Total expense on equity investments	**(59)**	**(26)**	**(33)**
Income from (Expense on) equity investments, net	**126**	**97**	**29**

More specifically:

- The largest **dividend** amounts were paid by Edison Trading (120 million euros), Edison Stoccaggio (17 million euros), Edison Energie Speciali (16 million euros) and Edison DG (5 million euros);
- The **gain on divestment** refers to the subsidiary D.S. Smith Paper Italia Srl to which the Porcari thermoelectric power plant was conveyed at the beginning of 2014. This disposal generated proceeds of about 31 million euros;
- **Writedowns** recognized to align the carrying amounts of investments to the corresponding shareholders' equity values in response to the presence of impairment indicators concerned mainly Edison Energia, Edison International Holding and Jesi Energia. Writedowns also included a charge of less than 1 million euros to align the carrying amount of the investment in RCS Mediagroup with its current stock market price.

10. Other Income (Expense), Net

Net other expense totaled 9 million euros, for a decrease of 17 million euros compared with net expense of 26 million euros the first half of 2013. These charges reflect nonrecurring items that are not directly related to the Company's core industrial businesses. Legal costs regarding the former Montedison Group account for most of these charges.

11. Income Taxes

Income taxes were positive by 23 million euros compared with a negative balance of 38 million euros in the first half of 2013.

(in millions of euros)	**First half 2014**	**First half 2013**	Change
Current taxes	(23)	34	(57)
Net deferred-tax liabilities (assets)	-	4	(4)
Total	**(23)**	**38**	**(61)**

Current taxes reflect the benefit resulting from the use of the corporate income tax losses contributed by the Company to the national consolidate income tax return filed by its controlling company Transalpina di Energia Spa.

12. Profit (Loss) from Discontinued Operations

This item had a zero balance at June 30, 2014.

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

Property, plant and equipment, which consist of the Company's production assets, totaled 2,540 million euros, or 86 million euros less than at December 31, 2013, due mainly to depreciation expense, which exceeded additions. The table below provides a breakdown of this item and shows the changes that occurred in the first half of 2014:

(in millions of euros)	Land and buildings	Plant and machinery	Manufacturing and distribution equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/13 (A)	**385**	**2.140**	**2**	**3**	**96**	**2.626**
Changes in the first half of 2014:						
- Additions	-	23	-	-	35	58
- Disposals (-)	-	(1)	-	-	-	(1)
- Conveyances (-)	(2)	(42)		(1)	-	(45)
- Depreciation (-)	(6)	(91)	-	-	-	(97)
- Writedowns (-)	(1)	-	-	-	-	(1)
- Other changes	-	5	-	-	(5)	-
Total changes (B)	**(9)**	**(106)**	**-**	**(1)**	**30**	**(86)**
Balance at 6/30/14 (A+B)	**376**	**2.034**	**2**	**2**	**126**	**2.540**

The total asset amount includes 126 million euros for **construction in progress and advances,** attributable almost exclusively to the **hydrocarbons operations,** used mainly for the development of onshore and offshore oil and gas fields in Italy.

The main changes that occurred in the first half of 2014 are reviewed below:

- **Additions** of 58 million euros include the following:
    - 8 million euros for the **electric power operations,** mainly to replace equipment components at some hydroelectric and thermoelectric power plants;
    - 50 million euros for the **hydrocarbons operations**, invested to develop the Fauzia field and the Clara platform.
- **Conveyances**, recognized at the corresponding carrying amounts, totaled 45 million euros in the first half of 2014 and included the following:
    - 26 million euros for the Porcari thermoelectric power plant, conveyed to the subsidiary DS Smith Paper Italia Srl, later sold as described in the following Note 18 "Investments in Associates and Available-for-sale Investments";

- 19 million euros in exploration and production assets conveyed to the Edison Idrocarburi Sicilia subsidiary.

➢ **Depreciation** increased to 97 million euros, up 2 million euros compared with 95 million euros in the first six months of 2013; more detailed information is provided in Note 7 "Depreciation, Amortization and Writedowns."

As for **assets held under finance leases,** which are recognized by the method of IAS 17 Revised, the remaining financial debt is 21 million euros, including 18 million euros which is the subject of the comments provided in Note 29 "Long-term Debt and Other Financial Liabilities" and 3 million euros discussed in Note 31 "Current Liabilities – Short-term Financial debt."

No amount of financial expense was capitalized in property, plant and equipment in the reporting period, consistent with the requirements of IAS 32 Revised.

Please note that some Company equipment is encumbered as collateral for the amount of 48 million euros, mainly as a result of liens placed in connection with financing facilities received, as explained in the Note on "Commitments and Contingent Risks."

14. Investment Property

The Company's investment property, which consists of land and buildings that are not used for production purposes, was valued at 6 million euros, unchanged from December 31, 2013.

15. Goodwill

Goodwill totaled 2,408 million euros, unchanged compared with December 31, 2013. The residual value of goodwill is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments but must be tested for impairment at least once a year. The method applied to determine the value of goodwill is consistent with the criteria for allocation by business segment, which are set forth in the definition of cash generating units provided in the Notes to the Consolidated Financial Statements.

16. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which included 45 hydrocarbon production leases in Italy, were valued at 117 million euros, or 6 million euros less than at December 31, 2013, due mainly to the amortization for the period.

17. Other Intangible Assets

The main components of the balance of 7 million euros include patents, licenses and similar rights.

During the first six months of 2014, no costs were capitalized for successful explorations projects leading to development activities.

Impairment test applied to the Assets in accordance with IAS 36

In the first half of 2014, as already described in the correspondent paragraph of the Condensed Consolidated Semiannual Financial Statements, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected, as required by IAS 36.

Insofar as goodwill is concerned, an analysis of the economic and scenario variables failed to produce, also with regard to the 2014 budget, specific triggers pointing to the need for an impairment test at the semiannual level.

In this regard, no impairment indicators were detected during the reporting period.

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

The balance of 1,518 million euros includes the following items:

- **Investments in associates** of 1,338 million euros, which includes 1,267 million euros in investments in subsidiaries and 71 million euros in investments in affiliated companies and joint ventures;
- **Available-for-sale investments** valued at 180 million euros, including 169 million euros for a 7.297% interest in Terminale GNL Adriatico Srl, the company that owns the offshore regasification terminal near Porto Viro (RO).

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

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12/31/13 (A)	**1.384**	**183**	**1.567**
Changes in the first half of 2014:			
- Disposals (-)	(25)	-	(25)
- Changes in share capital and reserves	3	-	3
- Distribution of share capital and reserve	-	(2)	(2)
- Coverage of losses	-	-	-
- Reval. (+)/Writedowns (-) recog. in P&L	(59)	(1)	(60)
- Other changes (-)	35	-	35
Total changes (B)	**(46)**	**(3)**	**(49)**
Balance at 6/30/14 (A+B)	**1.338**	**180**	**1.518**

The main changes are reviewed below:

- **Disposals** refers to the sale of the subsidiary DS Smith Paper Italia Srl, to which the Porcari thermoelectric power plant was conveyed at the beginning of the year, and which was later sold for a consideration of 31 million euros.
- The entire amount of **distribution of share capital and reserves** refers to share capital distributions carried out by Terminale GNL Adriatico Srl.

- **Writedowns recognized in profit or loss** reflects for the most part adjustments made to the carrying values of some equity investments, as explained in Note 9 "Income from (Expense on) Equity Investments."
- **Other changes** refers mainly to conveyances, at book value, of assets to subsidiaries.

19. Other Financial Assets

The net carrying amount of 11 million euros, virtually unchanged compared with December 31, 2013, represents loans receivable due in more than one year.

20. Deferred-tax Assets

Since deferred-tax assets met the requirements of IAS 12, an amount of 65 million euros was offset against the provision for deferred taxes, as commented in the corresponding Note.

21. Other Assets

Other assets, which totaled 168 million euros, or 9 million euros less than at December 31, 2013 (177 million euros), include the following:

- 156 million euros (166 million euros at the end of 2013) in advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses. However, these volumes can be made up over the remaining term of the contracts. The decrease reflects the use of the make-up capacity option in connection with take-or-pay clauses.
- 8 million euros, in line with December 31, 2013, for income tax refunds receivable and accrued interest at June 30, 2014.
- the remaining 4 million euros for sundry receivables, consisting mainly of security deposits.

22. Current Assets

(in millions of euros)	**6/30/14**	12/31/13	Change
Inventories	271	347	(76)
Trade receivables	676	1.122	(446)
Current tax assets	15	15	-
Other receivables	706	497	209
Current financial assets	2.746	2.705	41
Cash and cash equivalents	463	319	144
Total current assets	**4.877**	**5.005**	**(128)**

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

- **Inventories,** which when necessary are aligned to their estimated realizable value, totaled 271 million euros, down compared with December 31, 2013, due primarily to a change in the inventory of stored natural gas. Inventories consist mainly of stored hydrocarbon products, valued at 252 million euros (330 million euros at December 31, 2013) and supplies and equipment used to maintain and operate the Company's production facilities totaling 19 million euros. Inventories also include, for 94 million euros, restricted quantities of stored natural gas earmarked for use as a strategic reserve and to secure the balancing system.
- **Trade receivables** totaled 676 million euros. A breakdown by business segment is provided below:

(in millions of euros)	**6/30/14**	12/31/13	Change
Hydrocarbons operations	505	876	(371)
Electric power operations	171	246	(75)
Total trade receivables	**676**	**1,122**	**(446)**
Broken down as follows:			
- amount owed by outside customers	*399*	*616*	*(217)*
- amount owed by subsidiaries and affiliated companies	*277*	*506*	*(229)*
Total trade receivables	**676**	**1,122**	**(446)**
Allowance for doubtful accounts	**(31)**	**(24)**	**(7)**

The decrease in trade receivables compared with December 31, 2013 reflects primarily the price and volume dynamics discussed in the Note to "Sales revenues" and the optimization of collection time.

They originate mainly from contracts to supply electric power, steam and natural gas and reflect, for 72 million euros, the fair value of physical contracts for energy commodities included in the trading portfolios (13 million euros at December 31, 2013), attributable exclusively to the hydrocarbons operations. This amount should be analyzed concurrently with the corresponding payable included in **Trade payables** (73 million euros at June 30, 2014, 12 million euros at December 31, 2013).

The allowance for doubtful accounts, amounting to 31 million euros, derives from an assessment of the various credit statuses carried out in accordance with the relevant Edison Group policy and taking into account the customer segment and the corresponding past due amounts and account aging.

The largest **trade receivables owed by subsidiaries and affiliated companies** are those payable by Edison Energia for 161 million euros, Edison Trading for 82 million euros and Edison Stoccaggio for 26 million euros.

Please note that Edison Spa carries out on a regular basis transactions irrevocably assigning receivables without recourse, both on a revolving monthly and quarterly basis and on a spot basis, in implementation of a policy aimed at controlling and minimizing credit risk with such transactions. At June 30, 2014, the total value of the assigned receivables amounted to 855 million euros (1,029 million euros at June 30, 2013) and there were no assigned receivables entailing the risk of recourse.

Trade receivables are shown net of an allowance for doubtful accounts of 31 million euros. The table below shows the changes occurred:

(in millions euros)	Balance at 12.31.2013	Utilizations	Additions	**Balance at 6.30.2014**
	24	(2)	9	31
Totale	**24**	**(2)**	**9**	**31**

- **Current-tax assets** totaled 15 million euros. This amount includes 11 million euros receivable from the revenue administration for the Robin Hood corporate income tax surcharge and 4 million euros receivable from the revenue administration for regional tax (IRAP) accrued in previous years.

- **Other receivables** totaled 706 million euros, net of an allowance for doubtful accounts of 19 million euros, and mainly are related to those of the former Montedison Group. The increase of 209 million euros compared with December 31, 2013 reflects primarily the effect of derivative-related receivables. A breakdown is provided below:

(in millions of euros)	**6/30/14**	12/31/13	Change
Receivables arising from the valuation of derivatives	448	249	199
Amounts owed by WGRM for consolidated tax return	98	72	26
Amounts owed by partners and associates in hydrocarbon exploration projects	32	23	9
Dividends receivable from subsidiaries and affiliated companies	20	10	10
Technical, administrative and financial services to Group companies	18	46	(28)
Hydroelectric concession fees	8	1	7
VAT receivable in pool with subsidiaries	6	19	(13)
Insurance premiums	5	3	2
Advances to suppliers	3	7	(4)
VAT receivable from revenue administration	-	17	(17)
Sundry items	68	50	18
Total	**706**	**497**	**209**
Allowance for doubtful accounts	**(19)**	**(16)**	**(3)**

The decrease shown for **receivables arising from the valuation of derivatives** is due mainly to the positive trend reflected in the net change in the fair value of commodity and foreign exchange derivatives. Miscellaneous receivables owed by Group companies consist mainly of receivables for services provided, dividends receivable and receivables under the VAT pool.

- A breakdown of **current financial assets,** which increased compared with December 31, 2013 to a total of 2,746 million euros, is as follows:

(in millions of euros)	6/30/14	12/31/13	Change
Loans receivable	2,665	2,639	26
Derivatives	73	59	14
Equity investments held for trading	8	7	1
Total current financial assets	**2,746**	**2,705**	**41**

More in details:

- **Loans receivable** reflect financial transactions with subsidiaries. They represent the balances in the corresponding intercompany current accounts and loans provided to the abovementioned companies. The largest positions are owed by Edison International Spa (1,378 million euros), Edison Energia Spa (640 million euros), Edison Energie Speciali (267 million euros), Edison Stoccaggio (230 million euros), Infrastrutture Trasporto Gas (84 million euros) and Edison DG (33 million euros).
- The entire amount shown for **derivatives** refers to the fair value of outstanding derivatives that hedge the risk of fluctuations in interest rates and foreign exchange parities.

- **Cash and cash equivalents,** which totaled 463 million euros, consist of short-term deposits in bank and postal accounts and other readily available assets. The balance includes 409 million euros in cash available in a current account with EDF Sa.

23. Assets Held for Sale

This account had a zero balance.

Liabilities and Shareholders' Equity

24. Shareholders' Equity

Edison's shareholders' equity increased to 6,050 million euros, or 51 million euros more than at December 31, 2013, when it totaled 5,999 million euros.

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

- 15 million euros for the profit for the period;
- 99 million euros for the positive change in the cash flow hedge reserve;
- 63 million euros for dividends distributed on the common shares held by the Parent Company Transalpina di Energia (57 million euros) and on the savings shares (6 million euros).

The main component of **Other reserves** is a reserve of 382 million euros deriving from the adjustment to fair value as the deemed cost of property, plant and equipment upon transition to the IFRSs.

The share capital of Edison Spa consists of shares with a par value of 1 euro each, regular ranking for dividends. A breakdown is as follows:

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

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

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2013	(8)	-	(8)
- Change in the first half of 2014	140	(41)	99
Reserve at June 30, 2014	**132**	**(41)**	**91**

Reserve for actuarial gains and losses

(in millions of euros)	Reserve
Reserve at December 31, 2013	1
- Change in the first half of 2014	-
Reserve at June 30, 2014	**1**

25. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which amounted to 23 million euros, reflects the accrued severance indemnities and other benefits owed to employees at the end of the reporting period. Actuarial gains and losses, the net amount of which was less than 1 million euros at June 30, 2014, are recognized directly in equity. A valuation in accordance with IAS 19 was performed only for the liability corresponding to the Provision for employee severance indemnities that is still held by the Company.

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

- Technical annual discount rate	3.50% (3.50% in December 2013)
- Annual inflation rate	2.00% (2.00% in December 2013)

The table below shows the changes that occurred in the first half of 2014:

(in millions of euros)	
Balance at 12/31/13 (A)	**24**
Changes in the first half of 2014:	
- Utilizations (-)	(1)
- (Gains) Losses on discounting to present value (+/-)	-
- Financial expense (+)	1
- Utilizations (-) / Other (+/-)	(1)
Total changes (B)	**(1)**
Balance at 6/30/14 (A+B)	**23**

26. Provision for Deferred Taxes

The balance of 56 million euros (13 million euros at December 31, 2013) reflects mainly the deferred-tax liability from the use during transition to the IFRSs of fair value as the deemed cost of property, plant and equipment. The following table shows a breakdown of this provision by type of underlying temporary difference, keeping in mind that, since it met the requirements of IAS 12, this item was offset against available deferred-tax assets.

(in millions of euros)	**6/30/14**	12/31/13	Change
Deferred-tax liabilities usable for offset purposes:			
- Differences in the valuation of property, plant and equipment	54	57	(3)
- Adoption of standard on finance leases (IAS 17)	25	26	(1)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	41	-	41
- Other deferred taxes	1	1	-
Total deferred-tax liabilities (A)	**121**	**84**	**37**
Deferred-tax assets:			
- Tax assets for tax losses	22	22	-
- Taxed provisions for risks	42	45	(3)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	-	-	-
- Other prepaid taxes	1	4	(3)
Total deferred-tax assets (B)	**65**	**71**	**(6)**
Total provision for deferred taxes (A-B)	**56**	**13**	**43**

27. Provisions for Risks and Charges

The provisions for risks and charges, recognized to cover contingent liabilities, totaled 748 million euros for a decrease of 6 million euros compared with December 31, 2013 (754 million euros).

The changes for the period are listed in the table that follows:

(in millions of euros)	12/31/13	Additions	Utilizations	Other changes	6/30/14
- Risks for disputes, litigation and contracts	137	2	-	-	139
- Charges for contractual guarantees on sale of equity investments	75	-	-	-	75
- Environmental risks	57	-	(1)	-	56
- Other judicial risks	13	-	-	-	13
- Disputed tax items	38	5	-	-	43
Total for judicial and tax-related disputes	**320**	**7**	**(1)**	**-**	**326**
- Provisions for site decommissioning and remediation	377	9	(3)		383
- Risks on equity investments	1	-	-	(1)	-
- Provision for CO_2 emissions rights and Green Certificates	16	-	(16)	-	-
- Other risks and charges	40	-	(1)	-	39
Total	**754**	**16**	**(21)**	**(1)**	**748**

Changes to the **provisions for judicial and tax-related disputes,** which totaled 326 million euros, include additions of about 5 million euros recognized to increase coverage for some disputes

The **provisions for site decommissioning and remediation,** amounting to 383 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Company expects to incur for industrial sites and mineral extraction facilities. These provisions shows a net increase of 6 million euros mainly as a result of additions related to the discounting process.

The **provisions for other risks and charges,** amounting to 39 million euros, include 30 million euros for potential future charges in the thermoelectric area. In addition, 1 million euros was drawn from these reserves to cover costs attributable to the thermoelectric activities.

More detailed information about the entries that resulted in the current composition of these provisions is provided in the section of the Notes to the Condensed Consolidated Semiannual Financial Statements entitled "Risks and Contingent Liabilities Arising from Judicial and Tax-related Disputes."

28. Bonds

The balance of 598 million euros (1,098 million euros at December 31, 2013) represents the non-current portion of bonds issues. The decrease compared with December 31, 2013 is due to the reclassification into **current liabilities** of bonds maturing on March 17, 2015.

The table below shows the balance outstanding at June 30, 2014 and indicates the fair value of each bond issue (in millions of euros):

Market where traded	Cur-rency	Face value outstand-ing	Coupon	Rate	Maturity	Carrying value			Fair value
						Non-current portion	Current portion	Total	
Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	7/22/14	-	731	731	730
Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	3/17/15	-	507	507	515
Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11/10/17	598	53	651	674
		1,800				**598**	**1,291**	**1,889**	**1,919**

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

29. Long-term Financial Debt and Other Financial Liabilities

A breakdown of long-term financial debt, amounting to 995 million euros, is provided below:

(in millions of euros)	**6/30/14**	12/31/13	Change
Due to banks	181	137	44
Due to other lenders including:			
- EDF Investissement Groupe Sa	796	795	1
- other lenders	18	18	-
Total	**995**	**950**	**45**

In April 2013, the Company signed agreements for two facilities from EDF to refinance a syndicated, standby credit line of 1,500 million euros. The facility provided by EDF Investissements Groupe Sa, for a face amount of 800 million euros a duration of seven years, was secured on competitive terms, in line with those available in the market to a company with a credit rating like that of Edison Spa.

The amount due to **other lenders** refers to a finance lease for the Leonis ship belonging to the hydrocarbons operations.

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

30. Other Liabilities

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

31. Current Liabilities

Current liabilities totaled 3,182 million euros. A breakdown is as follows:

(in millions of euros)	**6/30/14**	12/31/13	Change
Bonds	1.291	772	519
Short-term financial debt	747	949	(202)
Trade payables	818	978	(160)
Current taxes payable	-	-	-
Other liabilities	326	392	(66)
Total current liabilities	**3.182**	**3.091**	**91**

More specifically:

- **Bonds** totaling 1,291 million euros**,** include, in addition to the bonds due within one year (see Note 28. Bonds), the amount corresponding to the accrued interest at June 30, 2014. The change compared with December 31, 2013 reflects the reclassification from **non-current liabilities** of the bonds maturing on March 17, 2015.
- **Short-term financial debt** amounted to 747 million euros. The table below shows a breakdown of this account and the changes compared with December 31, 2013:

(in millions of euros)	**6/30/14**	12/31/13	Change
Due to subsidiaries and affiliated companies	696	778	(82)
Due to banks	21	104	(83)
Due to factor companies	12	46	(34)
Interest rate and foreign exchange derivatives	7	12	(5)
Finance leases	3	3	-
Due to the controlling company EDF Sa	4	4	-
Other	4	2	2
Total	**747**	**949**	**(204)**

The amount **due to subsidiaries and affiliated companies** includes 574 million euros owed to Edison Trading, 27 million euros due to Termica Milazzo, 22 million euros payable to Edison International Holding, 16 million euros owed to Edison Idrocarburi and 12 million euros due to Termica Cologno;

- **Trade payables** totaled 818 million euros. A breakdown by business segment is provided below:

(in millions of euros)	**6/30/14**	12/31/13	Change
Hydrocarbons operations	680	867	(187)
Electric power operations	118	70	48
Corporate activities	20	41	(21)
Total	**818**	**978**	**(160)**

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. This item also includes 73 million euros for the fair value of physical energy commodity contracts included in the trading portfolios (12 million euros at December 31, 2013).

- A breakdown of **other liabilities,** which at 326 million euros were lower by 66 million euros compared with December 31, 2013, is provided below:

(in millions of euros)	**6/30/14**	12/31/13	Change
Valuation of derivative	159	252	(93)
Amounts owed to partners and associates in hydrocarbon exploration projects	72	41	31
Consulting and other services	25	19	6
Due to employees	18	23	(5)
Payables for VAT in pool with subsidiaries	16	2	14
Due to pension and social security institutions	15	18	(3)
Royalties payables	10	19	(9)
Other income and excise taxes	2	3	(1)
VAT payable	2	-	2
Customer advances	1	7	(6)
Sundry items	6	8	(2)
Total current liabilities	**326**	**392**	**(66)**

32. Liabilities Held for Sale

This account had a zero balance.

NET FINANCIAL DEBT

At June 30, 2014, net financial debt totaled 422 million euros, or 324 million euros less than the 746 million euros owed at December 31, 2013.

Consistent with the practice followed at December 3, 2013, the table below provides a simplified breakdown of the Company's net financial debt:

(in millions of euros)	See note	**6/30/14**	12/31/13	Change
Bonds – non-current portion	28	598	1,098	(500)
Non-current bank loans	29	181	137	44
Amounts due to other lenders – non-current portion	29	814	814	-
Total net long-term financial debt		**1,593**	**2,049**	**(456)**
Bonds – current portion	31	1,291	772	519
Current loans payable	31	747	949	(202)
Current financial assets	22	(2,746)	(2,705)	(41)
Cash and cash equivalents	22	(463)	(319)	(144)
Total net short-term financial debt		**(1,171)**	**(1,303)**	**132**
Total net financial debt		**422**	**746**	**(324)**

More specifically, the decrease in net financial debt was chiefly the result of a positive change in operating working capital (362 million euros), due to the collection of trade receivables and dividends from subsidiaries and affiliated companies (171 million euros), which more than offset the outlays for capital expenditures (60 million euros) and net financial expense (38 million euros).

Net financial debt includes 391 million euros from net financial transactions with EDF and EDF Group companies, broken down as follows:

- 796 million euros included in amounts due to other lenders, non-current portion, unchanged compared with December 31, 2013;
- 4 million euros in current loans payable, unchanged compared with December 31, 2013;
- 409 million euros in cash and cash equivalents, up from 215 million euros at December 31, 2013.

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

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments

(in millions of euros)	**6/30/14**	12/31/13	Change
Guarantees provided	1,179	1,265	(86)
Collateral provided	73	76	(3)
Other commitments and risks	95	103	(8)
Total for Edison Spa	**1,347**	**1,444**	**(97)**

The balance of 1,179 million euros in **guarantees provided** is determined based on the undiscounted amount of the contingent commitments on the date of the financial statements.
Guarantees provided included the following:

- 78 million euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits.
- Guarantees provided by the Group's Parent Company on its own behalf and on behalf of subsidiaries and affiliated companies to secure the performance of contractual obligations account for most of the balance.

Collateral provided, which represents the value on the reporting date of the assets or rights provided as collateral, totaled 73 million euros, or 3 million euros less than at December 31, 2013 (76 million euros). This item consists mainly of mortgagers and encumbrances placed on a thermoelectric facility to secure bank financing facilities (48 million euros).

Other commitments and risks, which totaled 95 million euros, reflects primarily commitments undertaken to complete investment projects in progress.
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 modifying the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26,400,000 euros (computed based on a maximum theoretical price of 15 euros per ton). These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.

In addition please note that Edison granted:

- To Cartiere Burgo Spa a call option on 51% of the Gever Spa shares it holds. This option is exercisable when the existing contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the pro rata interest of Edison Spa in the company's shareholders' equity (i.e., 15 million euros);
- To Petrobras an option to buy at a given price its investment in Ibiritermo. The option is exercisable in 2022 a specific price.

Unrecognized Commitments and Risks

Significant commitments and risks not included in the amounts listed above are reviewed more in detail below:

1) In the **hydrocarbon area,** the Company is a party to long-term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total supply of 11.7 billion cubic meters a year for the year 2014. These contracts have terms ranging from 6 to 21 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

	U.M.	within 1 year	between 2 and 5 years	after 5 years	Total
Natural gas (*)	Billion m^3	11.1	52.4	133.3	196.8

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

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

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

Pursuant to the regasification contract, Edison will benefit from access to 80% of the terminal's regasification capacity for 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.

FINANCIAL RISK MANAGEMENT

As required by IFRS 7, the paragraphs that follow provide information about the nature of risks concerning Edison Spa, the Group's Parent Company. Information about the policies and procedures adopted to manage these risks and the methods applied to measure at fair value the derivatives held by Edison Spa is provided in the Consolidated Semiannual Report.

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

Edison Spa is affected by the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, coal, petroleum products and environmental securities) because they have an impact on the revenues and costs of its production and buying and selling activities. These fluctuations affect the Company both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, Edison Spa is also exposed to the resulting exchange rate risk.

Insofar as the derivatives held by the Group's Parent Company that were outstanding at June 30, 2014 are concerned, the maximum negative variance in the fair value of financial instruments expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at June 30, 2014, is 258.2 million euros (161 million euros at June 30, 2013), as shown in the table below:

Profit at Risk (PaR) *(in millions of euros)*	**First half 2013**		First half 2012	
	Level of probability	Expected negative variance in fair value	Level of probability	Expected negative variance in fair value
Totale	**97.5%**	**258.2**	**97.5%**	**161.0**

Please note that the corresponding amount at December 31, 2013 was 256 million euros.

In other words, compared with the fair value determined for the contracts outstanding at June 30, 2014, the probability of a negative variance greater than 258.2 million euros by the end of 2014 is limited to 2.5% of the scenarios.

The higher amount, compared with the level measured at June 30, 2013, is the result of a greater net volume of financial contracts executed to hedge forward sales for 2014, 2015 and 2016, mainly related to hydrocarbon operations.

Consistent with the risk mandates defined in the Group Energy Risk Policies and the Company Risk Committees, the Edison Energia Spa and Edison Trading Spa subsidiaries executed intercompany financial hedges with Edison Spa, the Group's Parent Company, with the aim of mitigating the exposure of their margins to fluctuations in prices of energy commodities.

Edison Spa engages in this activity in derivatives by virtues of the coordination and control function that it performs for at risk positions within the Group's entire industrial portfolio.

Approved activities that are part of the core businesses of Edison Spa include physical and financial commodity trading (natural gas), which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Industrial Portfolio.

Trading Portfolio are monitored based on strict risk ceilings, based on the allocation of an Economic Capital limit, measured in terms of Value at Risk (VaR, or Value at Risk, is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval), and a stop loss limit. More specifically, the daily Value-at-Risk limit with a 95% probability on the Trading Portfolios on the date of the semiannual report is 0.5 million euros. This limit was used by up to 60% at June 30, 2014. The Economic Capital of the Trading Portfolios represents the total risk capital available to support the market risks entailed by trading activities and takes into account both the risk capital associated with the VaR and the risk capital estimated by means of stress tests for possible illiquid positions. The Economic Capital limit for the Trading Portfolios of Edison Spa is 7.8 million euros. This limit was used by up to 62% at June 30, 2014.

2. Foreign Exchange Risk

The foreign exchange risk arises from the activities of Edison Spa that are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contract components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates, with an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk).

3. Interest Rate Risk

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

Gross Financial Debt	6/30/14			12/31/13		
Fixed and variable rate mix (in millions of euros)	without derivatives	with deriva-tives	% with deriv.	without derivatives	with deriva-tives	% with deriv.
- fixed rate portion (included structure with CAP)	2.621	2.021	56%	2.621	2.021	54%
- variable rate portion	1.010	1.610	44%	1.149	1.749	46%
Total gross financial debt (*)	**3.631**	**3.631**	**100%**	**3.770**	**3.770**	**100%**

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

As the table shows, Edison did not execute significant economic transactions in the first half of 2014 and did not change its interest rate risk management strategy, maintaining the structure's fixed-rate and variable-rate allocation virtually unchanged.

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

Sensitivity analysis (in millions of euros)	First half 2014 Impact on financial expense (P&L)			6/30/14 Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	38	34	30	-	-	-

Sensitivity analysis (in millions of euros)	First half 2013 Impact on financial expense (P&L)			12/31/13 Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	26	24	21	-	-	-

4. Credit Risk

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

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

The Company is a party to agreements involving the assignment without recourse of trade receivables on a monthly revolving basis. In the first half of 2014, Edison executed transactions of this type for a total of 885 million euros. At June 30, 2014, there were no assigned receivables that were still exposed to the risk of recourse.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating. At June 30, 2014, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table below shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables.

(in millions of euros)	**6/30/14**	12/31/13
Gross trade receivables	707	1.146
Allowance for doubtful accounts (-)	(31)	(24)
Trade receivables	**676**	**1.122**
Guarantees held (*)	179	186
Past due receivables:		
- up to 6 months	29	18
- from 6 to 12 months	8	6
- more than 12 months	30	31

(*) Including guarantees covering receivables outstanding at June 30, 2014 totaling 23 million euros.

5. Liquidity Risk

The liquidity risk is the risk that Edison Spa may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario, showing nominal future cash flows required for liabilities that include, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives.

Worst case scenario (in millions of euros)	6/30/14			12/31/13		
	1 to 3 months	More than 3 months and up to 1 year	More than 1 year	1 to 3 months	More than 3 months and up to 1 year	More than 1 year
Bonds	730	540	670	16	753	1.955
Financial debt and other financial liabilities	12	19	1.086	46	76	82
Trade payables	33	762	23	949	29	-
Total	**775**	**1.321**	**1.779**	**1.011**	**858**	**2.037**
Guarantees provided to third parties, subsidiaries and affiliates(*)	**411**	**557**	**379**	**440**	**375**	**631**

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

As for the financial debt maturing within three months, amounting to 742 million euros, the main item is a bond issue with a face value of 700 million euros paid on July 22, 2014 and for the financial debt maturing within one year, amounting to 559 million euros, the main item is a bond issue with a face value of 500 million euros, maturing on March 17, 2015. The main components of the financial debt maturing after one year (amounting to 1,756 million euros) include a bond issue with a face value of 600 million euros, maturing on November 10, 2017, the facility provided by EDF Investissements Groupe Sa for a face value of 800 million euros, expiring on April 9, 2020, and the amounts drawn (totaling 137 million euros at June 30, 2014) from the medium/long-term direct line provided by the European Investment Bank (EIB) to finance gas storage projects.

The projected cash flow dynamics do not indicate the need for a new refinancing plan to meet cash needs in the coming months. Indeed, also thanks to the refinancing plan implemented last year, at this point, Edison's short-term cash flow flexibility appears to be more than adequate. The revolving credit lines, for a total face value of 1,100 million euros, including a two-year facility provided by EDF Sa (for an amount of 600 million euros, expiring on April 9, 2015) and the revolving credit facility provided by a group of banks on a Club Deal (for an amount of 500 million euros, expiring on January 7, 2015), were available for their full amount at June 30, 2014. In addition, the amount up to 199 million euros is potentially available on the centralized cash management account established in September 2012 with EDF. At June 30, 2014 this account is unused with a positive balance for about 409 million euros.

However, Edison is considering whether to refinance its short-term financial borrowing, maturing in the first quarter of 2015, in a market context characterized by an ample liquidity and favorable economic conditions.

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).

The following three bond issues floated by Edison Spa (Euro Medium Term Notes) with a total face value of 1,800 million euros were outstanding at June 30, 2014:

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face Value (milion euros)	Coupon	Current Rate
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	7/22/14	700	Fixed annual	4.250%
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	3/17/15	500	Fixed annual	3.250%
EMTN 2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11/10/17	600	Fixed annual	3.875%

The Company's outstanding debt obligations include non-syndicated facilities with a total face value of 1,592 million euros, 600 million euros of which were available at June 30, 2014, and the abovementioned revolving credit line of 500 million euros provided by a pool of banks, which was unused at June 30, 2014.

With reference to the outstanding transactions, the related agreements and the financial covenants no events occurred since December 31, 2013. For further information, please consult the 2013 Separate Financial Statements.

At this time, the Company is not aware of the existence of any default situation or situation involving a failure to comply with financial covenants.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

As required by the applicable policies adopted by the Group, transactions with related parties affecting the income statement, balance sheet and cash flow that were outstanding at June 30, 2014 are listed below, consistent with the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms in line with standard market practices.

More detailed information is provided in the section of the Notes to the Condensed Consolidated Semiannual Financial Statements entitled "Intercompany and Related-party Transactions."

Transactions executed with related parties are listed in the table below:

(in millions of euros)	***Related parties pursuant to IAS 24***				**Total fin. stat. line item**	**% impact**
	with Edison Group companies	*with the controlling company*	*with EDF Group companies*	**Total related parties**		
Balance sheet transactions						
Investments in associates	1.338	-	-	1.338	1.338	100,0%
Trade receivables	277	-	14	291	676	43,0%
Other receivables	44	98	6	148	706	21,0%
Current financial assets	2.665	-	-	2.665	2.746	97,1%
Cash and cash equivalents	-	408	-	408	463	88,1%
Payables and other financial liabilities	-	-	796	796	995	80,0%
Short-term financial debt	696	-	4	700	747	93,7%
Trade payables	5	-	23	28	818	3,4%
Other payables	5	-	1	6	326	1,8%
Income statement transactions						
Sales revenues	1.028	-	25	1.053	2.230	47,2%
Other revenues and income	23	-	3	26	235	11,1%
Raw materials and services used	(38)	(7)	(8)	(53)	(2.528)	2,1%
Financial income	30	-	-	30	66	45,5%
Financial expense	(9)	(1)	(11)	(21)	(100)	21,0%
Foreign exchange gains (losses)	-	(7)	-	(7)	(4)	n.s.
Income from equity investments	174	-	-	174	185	94,1%
Expense on equity investments	(58)	-	-	(58)	(59)	98,3%

Please note that Edison Spa and its main subsidiaries opted to join the consolidated corporate income tax (IRES) return filed by Transalpina di Energia Spa (the former WGRM4), as the parent company.

OTHER INFORMATION

Nonrecurring Events and Material Transactions

There were no nonrecurring events and material transactions requiring disclosure pursuant to Consob Communication No. DEM/6064293 of July 28, 2006 in the first half of 2014.

Transactions Resulting from Atypical and/or Unusual Activities

In the first half of 2014, Edison did not execute atypical and/or unusual transactions, as defined in CONSOB Communication No. DEM/6064293 of July 28, 2006.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2014

No significant events requiring disclosure occurred since June 30, 2014.

Milan, July 30, 2014

The Board of Directors
by Bruno Lescoeur
Chief Executive Officer

Certification of the Condensed Semiannual Financial Statements Pursuant to Article 81-*ter* of Consob Regulation No. 11971 of May 14, 1999, as Amended

1. We, the undersigned Bruno Lescoeur, in my capacity as “Chief Executive Officer,” and Didier Calvez and Roberto Buccelli, in our capacity as “Dirigenti Preposti alla redazione dei documenti contabili societari,” employees of Edison SpA, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Condensed Semiannual Financial Statements for the period from January 1, 2014 to June 30, 2014:

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

2. We further certify that:

2.1. the Condensed Semiannual Financial Report (condensed consolidated semiannual financial statements and condensed semiannual financial statements of Edison Spa):

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 books of accounts and other accounting records;
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 Interim Report on Operations includes a reliable analysis of significant developments that occurred during the first half of the year and of their impact on the Condensed Semiannual Financial Statements, together with a description of the main risks and contingencies for the remaining six months of the year. The Interim Report on Operations also provides a reliable analysis of transactions with related parties.

Milano, July 30, 2014

Bruno Lescoeur
Chief Executive Officer

Roberto Buccelli
Didier Calvez
Dirigenti Preposti alla redazione
dei documenti contabili societari

REPORTS
OF THE INDEPENDENT
AUDITORS

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AUDITORS' REVIEW REPORT
ON THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014

To the Shareholders of
EDISON S.p.A.

1. We have reviewed the condensed consolidated semiannual financial statements, consisting of the income statement, the other components of the comprehensive income statement, the balance sheet, the statement of cash flow and the statement of changes in consolidated Shareholder's equity and related explanatory notes of Edison S.p.A. and subsidiaries (the "Edison Group") as of June 30, 2014. These condensed consolidated semiannual financial statements, prepared in accordance with the International Financial Reporting Standards applicable to the interim financial reporting (IAS 34) as adopted by the European Union are the responsibility of the Edison S.p.A.'s Directors. Our responsibility is to issue this report based on our review.

2. We conducted our review in accordance with the standards recommended by CONSOB with Resolution n. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the condensed consolidated semiannual financial statements, assessing whether accounting policies have been consistently applied and making inquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedure of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike an audit report on the year-end financial statements, we do not express an audit opinion on the condensed consolidated semiannual financial statements.

   The condensed consolidated semiannual financial statements present for comparative purposes the financial data of the prior year consolidated financial statements and condensed consolidated semiannual financial statements and the balance sheet as of January 1, 2013. These comparative financial data derive from the consolidated financial statements as of December 31, 2013, as of June 30, 2013 and as of December 31, 2012, on which we issued our auditors' reports dated February 13, 2014, July 29, 2013 and February 14, 2013. As explained in the notes, the Directors have adjusted certain comparative financial data with the purpose of applying IFRS 11. These modifications to the comparative financial data and the related disclosures have been examined by us for the purpose of the limited review of the condensed consolidated semiannual financial statements as of June 30, 2014.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated semiannual financial statements of the Edison Group as of June 30, 2014 are not prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 30, 2014

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

Deloitte.

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AUDITORS' REVIEW REPORT
ON THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 30, 2014

To the Shareholders of
EDISON S.p.A.

1. We have reviewed the condensed semiannual financial statements, consisting of the income statement, the other components of the comprehensive income statement, the balance sheet, the statement of cash flow and the statement of changes in Shareholder's equity and related explanatory notes of Edison S.p.A. (the "Company") as of June 30, 2014. These condensed semiannual financial statements, prepared in accordance with the International Financial Reporting Standards applicable to the interim financial reporting (IAS 34) as adopted by the European Union are the responsibility of the Edison S.p.A.'s Directors. Our responsibility is to issue this report based on our review.

2. We conducted our review in accordance with the standards recommended by CONSOB with Resolution n. 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the condensed semiannual financial statements, assessing whether accounting policies have been consistently applied and making inquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedure of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike an audit report on the year-end financial statements, we do not express an audit opinion on the condensed semiannual financial statements.

   With respect to the separate financial statements of the prior year and the condensed semiannual financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on February 13, 2014 and on July 29, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed semiannual financial statements of the Edison S.p.A. as of June 30, 2014 are not prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 30, 2014

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