2016 FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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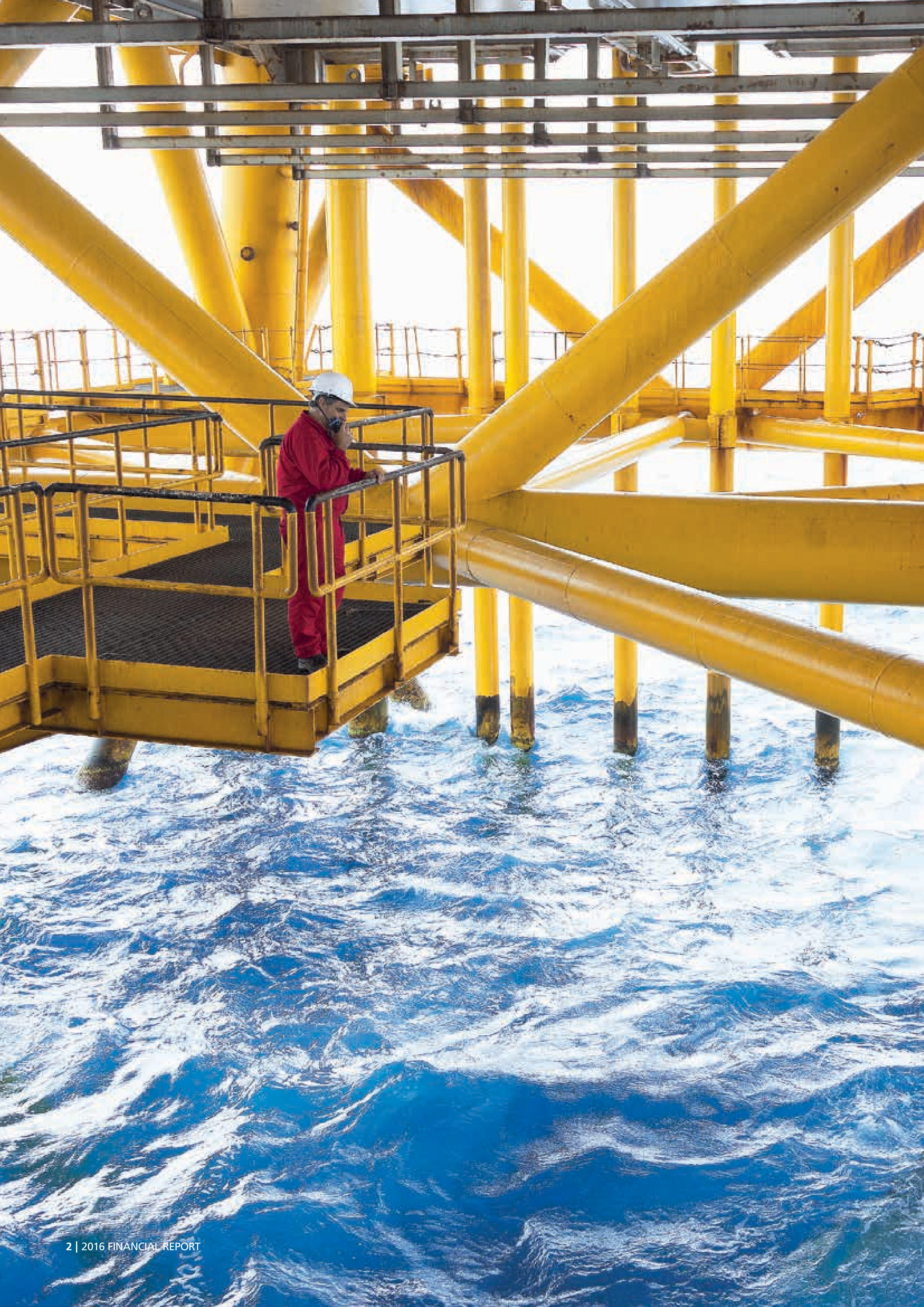
This document has been translated into English for the convenience of readers outside of Italy.
The original Italian document should be considered the authoritative version.

2016 FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016

INCOME STATEMENT

(in millions of euros)	See Note	2016		2015	
			of which related parties		of which related parties
Sales revenues	1	11,034	384	11,313	492
Other revenues and income	2	232	4	804	3
Total net revenues		**11,266**	**388**	**12,117**	**495**
Raw materials and services used (-)	3	(10,318)	(312)	(10,624)	(374)
Labor costs (-)	4	(295)		(232)	
EBITDA	5	**653**		**1,261**	
Net change in fair value of commodity derivatives	6	(166)		161	
Depreciation, amortization and writedowns (-)	7	(734)		(2,194)	
Other income (expense), net	8	(13)		(23)	
EBIT		**(260)**		**(795)**	
Net financial income (expense)	9	(94)	9	(29)	78
Income from (Expense on) equity investments	10	7	1	(38)	(40)
Profit (Loss) before taxes		**(347)**		**(862)**	
Income taxes	11	(25)		(97)	
Profit (Loss) from continuing operations		**(372)**		**(959)**	
Profit (Loss) from discontinued operations		-		-	
Profit (Loss)		**(372)**		**(959)**	
Broken down as follows:					
Minority interest in profit (loss)		17		21	
Group interest in profit (loss)		**(389)**		**(980)**	
Earnings (Loss) per share (in euros)	12				
Basic earnings (loss) per common share		(0.0749)		(0.1902)	
Basic earnings per savings share		0.0500		0.0500	
Diluted earnings (loss) per common share		(0.0749)		(0.1902)	
Diluted earnings per savings share		0.0500		0.0500	

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT

(in millions of euros)	See Note	2016	2015
Profit (Loss)		**(372)**	**(959)**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	24	**620**	**(219)**
- Gains (Losses) arising during the year		906	(313)
- Income taxes		(286)	94
B) Change in reserve for available-for-sale investments	24	**-**	**-**
- Gains (Losses) arising during the year not realized		-	-
- Income taxes		-	-
C) Differences on the translation of assets in foreign currencies		**24**	**4**
- Gains (Losses) arising during the year not realized		25	10
- Income taxes		(1)	(6)
D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
E) Actuarial gains (losses) (*)		**(2)**	**3**
- Actuarial gains (losses)		(2)	3
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**642**	**(212)**
Total comprehensive profit (loss)		**270**	**(1,171)**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		17	21
Group interest in comprehensive profit (loss)		**253**	**(1,192)**

(*) Items not reclassifiable in Income Statement.

BALANCE SHEET

(in millions of euros)	See Note	12.31.2016	of which related parties	12.31.2015	of which related parties
ASSETS					
Property, plant and equipment	13	3,937		3,678	
Investment property	14	5		6	
Goodwill	15	2,357		2,355	
Hydrocarbon concessions	16	396		480	
Other intangible assets	17	128		118	
Investments in associates	18	104	104	67	67
Available-for-sale investments	18	158		167	
Other financial assets	19	94	77	31	4
Deferred-tax assets	20	498		702	
Other assets	21	310		280	
Total non-current assets		**7,987**		**7,884**	
Inventories		180		253	
Trade receivables		1,830	34	2,367	50
Current-tax assets		8		20	
Other receivables		1,437	89	1,654	28
Current financial assets		22	5	113	83
Cash and cash equivalents		206	74	279	-
Total current assets	22	**3,683**		**4,686**	
Assets held for sale	23	**-**		**212**	
Eliminations of assets from and to discontinued operations		**-**		**-**	
Total assets		**11,670**		**12,782**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,292	
Reserves and retained earnings (loss carryforward)		988		1,790	
Reserve for other components of comprehensive income		(21)		(663)	
Group interest in profit (loss)		(389)		(980)	
Total shareholders' equity attributable to Parent Company shareholders		**5,955**		**5,439**	
Shareholders' equity attributable to minority shareholders		310		437	
Total shareholders' equity	24	**6,265**		**5,876**	
Provision for employee severance indemnities and provisions for pensions	25	44		31	
Provision for deferred taxes	26	52		32	
Provisions for risks and charges	27	1,142		1,123	
Bonds	28	-		599	
Long-term financial debt and other financial liabilities	29	215	70	640	467
Other liabilities	30	74		315	
Total non-current liabilities		**1,527**		**2,740**	
Bonds		615		28	
Short-term financial debt		460	279	306	170
Trade payables		1,607	49	1,623	51
Current taxes payable		7		25	
Other liabilities		1,189	74	2,177	202
Total current liabilities	31	**3,878**		**4,159**	
Liabilities held for sale	32	**-**		**7**	
Eliminations of liabilities from and to discontinued operations		**-**		**-**	
Total liabilities and shareholders' equity		**11,670**		**12,782**	

CASH FLOW STATEMENT

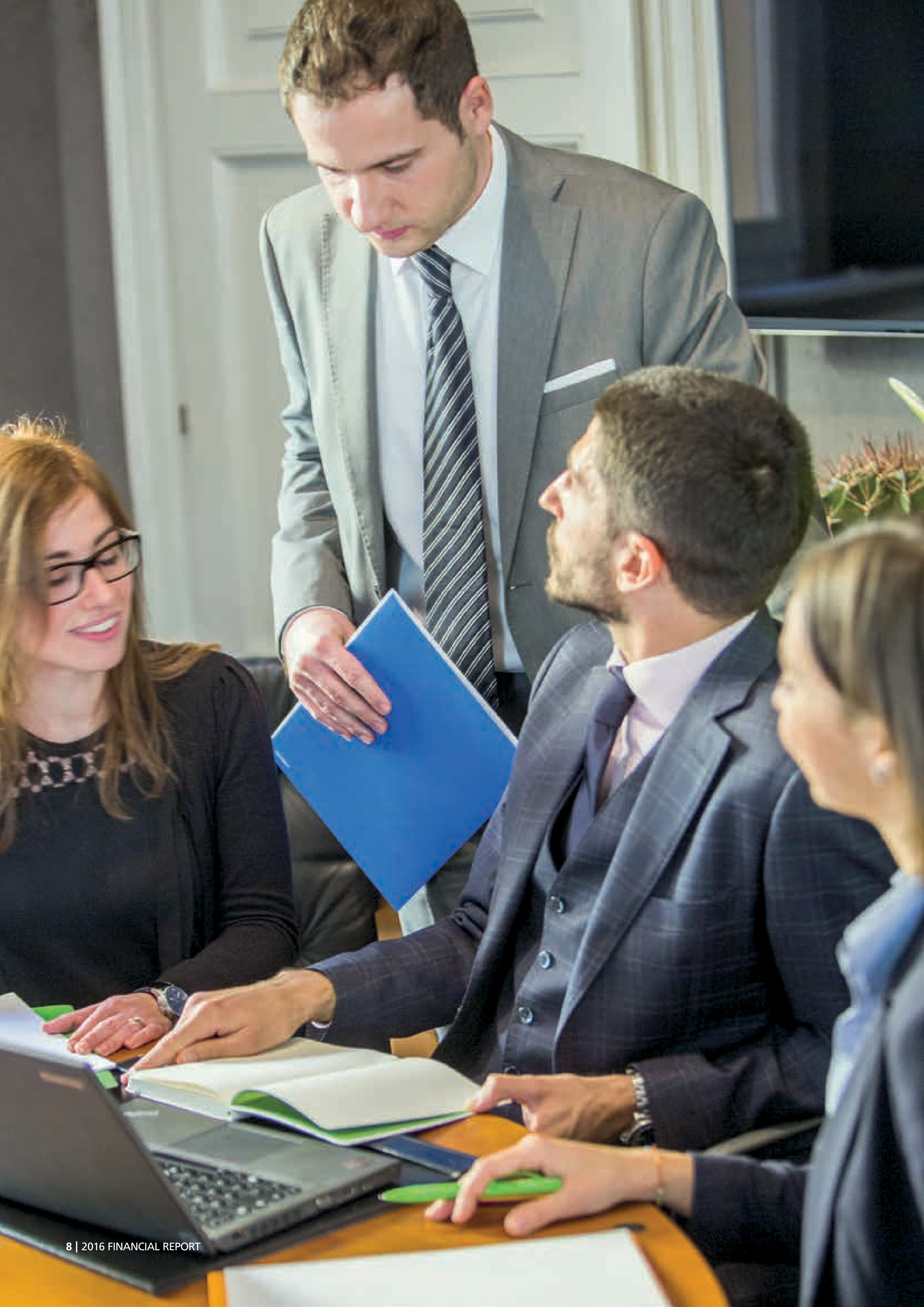
The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in 2016. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

(in millions of euros)	See Note	2016		2015	
			of which related parties		of which related parties
Profit (Loss) before taxes		**(347)**		**(862)**	
Depreciation, amortization and writedowns	7	734		2,194	
Net additions to provisions for risks		(29)		23	
Interest in the result of companies valued by the equity method (-)		(1)	(1)	40	40
Dividends received from companies valued by the equity method		7	7	6	6
(Gains) Losses on the sale of non-current assets		(56)		4	
Change in the provision for employee severance indemnities and provisions for pensions	25	(3)		(2)	
Change in fair value recorded in EBIT		173		(142)	
Change in operating working capital		649	14	19	(1)
Change in non-operating working capital		(177)	(13)	40	119
Change in other operating assets and liabilities		15		63	
Net financial (income) expense	9	94	(9)	29	(78)
Net financial income (expense) paid		(55)	11	(45)	73
Net income taxes paid		(196)	(176)	(120)	
A. Cash flow from continuing operations		**808**		**1,247**	
Additions to intangibles and property, plant and equipment (-)	13-17	(405)		(528)	
Additions to non-current financial assets (-)		(25)		(6)	(6)
Net price paid on business combinations		(6)		(7)	
Cash and cash equivalents from contribution in kind		52		-	
Proceeds from the sale of intangibles and property, plant and equipment		57		-	
Proceeds from the sale of non-current financial assets		4		-	
Repayment of capital contribution by non-current financial assets		6		6	
Change in other current financial assets		17	3	19	2
B. Cash used in investing activities from continuing operations		**(300)**		**(516)**	
Receipt of new medium-term and long-term loans	28, 29, 31	152	150	470	470
Redemption of medium-term and long-term loans (-)	28, 29, 31	(590)	(570)	(1,319)	(800)
Other net change in financial debt		(66)	17	51	
Dividends and reserves paid to controlling companies or minority shareholders (-)		(77)	(4)	(93)	
C. Cash used in financing activities from continuing operations		**(581)**		**(891)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the year from continuing operations (A+B+C+D)		**(73)**		**(160)**	
F. Net cash flow for the year from discontinued operations		**-**		**-**	
G. Net cash flow for the year (continuing and discontinued operations) (E+F)		**(73)**		**(160)**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**279**		**473**	
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**-**	
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (G+H+I)		**206**	**74**	**313**	
M. Cash and cash equivalents at the end of the year from discontinued operations		**-**		**-**	
N. Reclassification to Assets held for sale		**-**		**(34)**	
O. Cash and cash equivalents at the end of the year from continuing operations (L-M+N)		**206**	**74**	**279**	**-**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of euros)

			Reserve for other components of comprehensive income								
	Share capital	Reserves and retained earnings (loss carry-forward)	Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)	Group interest in profit (loss)	**Total shareholders' equity attributable to Parent Company shareholders**	Shareholders' equity attributable to minority shareholders	**Total shareholders' Equity**
Balance at December 31, 2014	**5,292**	**1,746**	**(458)**	**-**	**11**	**-**	**(4)**	**40**	**6,627**	**510**	**7,137**
Appropriation of the previous year's profit (loss)	-	40	-	-	-	-	-	(40)	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(93)	(93)
Other changes	-	4	-	-	-	-	-	-	4	(1)	3
Total comprehensive profit (loss)	**-**	**-**	**(219)**	**-**	**4**	**-**	**3**	**(980)**	**(1,192)**	**21**	**(1,171)**
of which:											
- Change in comprehensive income	-	-	(219)	-	4	-	3	-	(212)	-	(212)
- Profit (Loss) for 2015	-	-	-	-	-	-	-	(980)	(980)	21	(959)
Balance at December 31, 2015	**5,292**	**1,790**	**(677)**	**-**	**15**	**-**	**(1)**	**(980)**	**5,439**	**437**	**5,876**
Appropriation of the previous year's profit (loss)	-	(980)	-	-	-	-	-	980	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(77)	(77)
Increase of share capital and reserves	85	162	-	-	-	-	-	-	247	-	247
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	(67)	(67)
Other changes	-	16	-	-	-	-	-	-	16	-	16
Total comprehensive profit (loss)	**-**	**-**	**620**	**-**	**24**	**-**	**(2)**	**(389)**	**253**	**17**	**270**
of which:											
- Change in comprehensive income	-	-	620	-	24	-	(2)	-	642	-	642
- Profit (Loss) for 2016	-	-	-	-	-	-	-	(389)	(389)	17	(372)
Balance at December 31, 2016	**5,377**	**988**	**(57)**	**-**	**39**	**-**	**(3)**	**(389)**	**5,955**	**310**	**6,265**



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

CONTENT AND PRESENTATION

The Consolidated Financial Statements of the Edison Group at December 31, 2016 comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.).

Methods applied to the Preparation of the Financial Statements

The accounting principles applied are consistent with those used for the Consolidated Financial Statements at December 31, 2015.

It is worth of mentioning that Edison, from January 1, 2016, applied a different accounting option regarding some derivative contracts of commodities and foreign exchanges, to which was applied the Fair Value Hedge relationship, this taking into account the indexing formulas and the inherent risk factors. To this purpose some Cash Flow Hedge relationship were revoked and the related fair value, recognized at the date when the hedging relationship was revoked, was retained in the "Reserve for other components of comprehensive cash flow hedge result" and will be recognized in profit or loss concurrently with the economic effects produced by the hedged item.

Two new accounting principles applicable on or before January 1, 2018 were published in 2016:

- IFRS 15 "Revenues from contracts with customers": the purpose of IFRS 15 is to improve revenues recognition methods by introducing a new accounting model that calls for: (i) identifying a contract with a customer; ii) identifying the obligations entailed by the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the individual contractual obligations; (v) recognizing the revenues when each individual contractual obligation is satisfied. The adoption of this principle could modify the revenue amount; its potential impact is currently being determined.
- IFRS 9 "Financial instruments", for which first-time adoption modalities are still being defined. The new IFRS 9 standard calls for a single model to classify and measure financial instruments. Within the model, financial assets are classified into three categories (amortized cost, fair value in "Reserve for other components of comprehensive income" and fair value in the income statement) depending on the entity's business model (because of this dependency link, reclassifications between categories are forbidden, except when the business model itself is changed). A new model to determine the writedowns on receivables and liabilities so-called expected losses has been introduced and the default risk associated with the counterparty is evaluated ex-*ante*. With regard to equity investments, the exemption from the requirement to apply fair value to measure investments that are not publicly traded has been eliminated. Hedge accounting rules have also been changed.

The Board of Directors, meeting on February 13, 2017, authorized the publication of these Consolidated Financial Statements, which were audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

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

Significant assumptions in determining control in accordance with IFRS 12

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

- a company in the hydroelectric area Dolomiti Edison Energy (owned at 49%). The purpose of this company and the manner in which it was established ensure that the voting rights are not the dominant factor in determining control, as they mainly concern current activities of a residual nature. Significant activities are governed through contractual agreements. These agreements expose Edison to a majority of the variable returns and give it the power to influence the returns through the management of significant activities (more specifically, the management, withdrawal at predetermined prices and dispatching of electric power).

- in the renewable energy area, the company E2i Energie Speciali Srl (E2i), owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl. In this entity, a portion of the relevant activities is managed through contracts executed in 2014, mainly off-take and development (handled by Edison) and O&M (activity assigned to EDF EN Services Italia Srl), and the residual variability is mainly related to investment decisions on repowering and development projects. Furthermore thank to the governance established, which provides *inter alia* for the right to exercise a call option in the event of a deadlock, the voting rights are not the dominant factor in determining control. Therefore Edison controls the entity as it has the power to manage the residual variability with regard to investment decisions on repowering and development projects, because it has the power, within certain thresholds and with an unlevered IRR that may not be lower than the one defined by shareholders from time to time, to unilaterally carry out repowering and development projects through decisions made by the Chairman, whom Edison appoints (special right of Edison under the Bylaws). On the other hand, no such rights are provided to the other investor. The effective exercise of this power is verified from time to time.
  IFRS 10 specifies that in determining control attention should be paid to the purpose and objectives of the investee, the risks that are transmitted to the parties involved and the level of involvement that the party exercising control had in defining the structure of the investee. In this regard, Edison's full involvement demonstrated from the start its power to significantly affect and influence the relevant activities; moreover Edison, thanks to the signing of the offtake contract, continues to manage the energy produced by the plants operated by E2i; specifically, the delivery of the electric power at predetermined prices and its dispatching are handled by Edison under a contract for its own benefit. Thus Edison has exposure to variable returns and has the ability to affect those returns through its powers under the Bylaws. Edison is indeed relevant with regard to any decisions and no majority on significant matters can exist without Edison. Moreover, the adoption of any significant resolution by the Shareholders' Meeting regarding changes in the governance system, as reflected in the Bylaws and the existing contracts, and its implementation requires a qualified majority and, in the event of a deadlock, Edison can exercise a call option; these rights provided under the Bylaws can be deemed to be substantive and, consequently, relevant in determining control over E2i.

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats utilized have the following characteristics:

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

SCOPE OF CONSOLIDATION

The consolidated financial statements include the financial statements of Edison Spa and those of companies over which Edison exercises control, either directly or indirectly. Edison controls an investee company when, in the exercise of its power over the investee, it is exposed and is entitled to the investee's variable returns, due to its involvement in the investee's management, and at the same time it has the power to influence those variable returns. The exercise of power over the investee stems from the existence of rights that give Edison the current ability to manage the investee's significant activities for its own benefit.
Regarding the criteria and methods of consolidation, consistent with those used for the Consolidated Financial Statements at December 31, 2015, please refer to the following Section "Criteria and Methods of Consolidation".

Changes in the Scope of Consolidation compared with December 31, 2015 - Acquisition and Disposal of Assets

Electric Power Operations

- On March 22, 2016, the Extraordinary Shareholders' Meeting of Edison Spa approved the conveyance to Edison Spa by Transalpina di Energia Spa, its controlling shareholder, of its 100% stake equity in Fenice Qualità per l'Ambiente Spa (an EDF Group company specialized in energy and environmental services), effective from April 1, 2016. As of that date, the Fenice Group is consolidated line by line into the Edison Group.
- On May 31, 2016, with effect from June 1, 2016, Edison and Alperia completed the transaction to swap Edison's stakes in Hydros (40%) and Sel Edison (42%) (already treated as Disposal Group at December 31, 2015) with Alperia's equity stake in Cellina Energy, a company which owns the Cellina hydroelectric hub in the Friuli Venezia Giulia region; Cellina Energy is consolidated line by line as of June 1, 2016.
- On May 25, 2016 Edison acquired from IDREG Piemonte Spa in bankruptcy business operations mainly consisting of small-size hydroelectric power plants. These business operations were acquired in their factual and legal status, without any guarantees by the bankrupt estate. It also worth of mentioning that the inherited liabilities related to the bankruptcy continue to be borne by the bankrupt.
- Merger by incorporation into Edison Spa of Shen Spa, already held at 100%, effective vis-à-vis third parties as of March 1, 2016; this transaction had not impact on the Group.
- On August 1, 2016 the transfer of the equity interest held in Termica Milazzo, previously consolidated line by line, was completed.
- The company Eolo Energia was established in September 2016. This company, which is owned by E2i Energie Speciali and Edison Partecipazioni Energie Rinnovabili, is consolidated line by line. In October the company promoted a Public Tender Offer for the acquisition of 100% of Alerion Clean Power.
- With regard to the Fenice Group, please note the following developments: in September 2016, disposal of the entire equity investment held in Fenice Rus Llc to Dalkia (company of EDF group), which was consolidated line by line; in October 2016, establishment of EDF Fenice Maroc, consolidated line by line; in November 2016, acquisition of Pavoni Rossano Srl and Ecologica Marche Srl, consolidated line by line

Hydrocarbons Operations

- Edison Egypt-Energy Services J.S.C., a company located in Egypt and operating in Exploration & Production sector, was established in November 2016. This company is consolidated line by line.

Information pursuant to IFRS 3 revised

The year 2016 was characterized by some business combinations mainly related to:

- Fenice Qualità per l'Ambiente Spa and its subsidiaries;
- Cellina Energy Spa;
- Branch of business IDREG Piemonte.

These transactions are reflected in the consolidated financial statements in accordance with IFRS 3 revised "Business Combinations," recognizing the acquired assets, liabilities and contingent liabilities at fair value at the acquisition date. A brief description of the abovementioned transactions is provided below.

1) Contribution in kind of Fenice Qualità per l'Ambiente Spa

Edison, following a resolution adopted by the Extraordinary Shareholders' Meeting on March 22, 2016, approved the in-kind share capital increase reserved to the parent company Transalpina di Energia, for 247 million euros (of which 85 million euros in the form of capital increase and 162 million euros in the form of additional paid-in capital), which was carried out through the conveyance of an equity stake equal to the 100% of the share capital of Fenice Qualità per l'Ambiente Spa. Fenice's conveyance value was determined by an independent appraiser, while Edison's fair value was determined with the support of an independent appraiser. Moreover, because Transalpina di Energia is Edison's parent company, the transfer of Fenice's assets constitutes a Less Relevant related-party transaction, a favorable opinion by the Committee of Independent Directors, rendered based on a fairness opinion provided by an independent appraiser, was requested and obtained.

Fenice is an EDF Group company specialized in energy and environmental services which operates in Italy and, through some subsidiaries, in Poland, Spain and Russia.

The transaction was effective as of April 1, 2016 and the Fenice Group was consolidated line by line into the Edison Group as of that date.

From an industrial standpoint, the acquisition of Fenice will allow Edison to achieve a more prominent position in the energy efficiency sector in Italy. Specifically, this transaction, by leveraging the value of Edison's brand and customer portfolio and, while capitalizing on Fenice's standing and competencies in its market segment, will enable the Edison Group to develop and strengthen its position in the market for energy services and, at the same time, broaden the range of services it can offer to medium and small-size companies, service businesses and public administrations. All of the above in keeping with the Group's development plan.

The values of Purchase Price Allocation were the following:

(in millions of euros)	Fair Value of acquired assets and liabilities
Non-current assets	
Property, plant and equipment	377
Intangible assets	9
Deferred-tax asset	61
Current assets	
Inventories	9
Trade receivables	73
Other receivables	24
Cash and cash equivalents	52
Total assets	**605**
Non-current liabilities	
Provision for deferred taxes	1
Provision for risk and charges	39
Provision for employee severance indemnities and provision for pensions	12
Long-term financial debt	11
Current liabilities	
Trade payables	78
Short-term financial debt	185
Other liabilities	32
Total liabilities	**358**
Fair Value of net acquired assets	**247**
- % attributable to Edison (100%)	247
Total contribution value	**247**

The Purchase Price Allocation was separately revised by Deloitte & Touche Spa.
The contribution of Fenice group at income statement level from April 1, 2016 to December 31, 2016 was the following:

Income Statement

(in millions of euros)	2016
Sales revenues	280
EBITDA	60
Depreciation, amortization and writedowns	(41)
EBIT	19
Net financial income (expense)	(2)
Income taxes	(8)
Profit (Loss)	9

It is also worth of mentioning that in September the company Fenice transferred the 100% of its equity stake in the company Fenice Russia to Dalkia (an EDF Group company) for about 24 million euros. This transaction had no significant economic impact in Edison group, instead resulted in a benefit of 36 million euros in the net financial debt.

2) Hydroelectric Activities Reorganization - Cellina Energy Spa Acquisition

On May 31, 2016, effective as of June 1, 2016, further to an earlier agreement executed by Edison and SEL (now Alperia) on December 29, 2015, Edison and Alperia completed a transaction to swap Edison's investments in Hydros and Sel Edison with Alperia's stake in Cellina Energy, the company that owns the Cellina hydroelectric hub in the Friuli Venezia Giulia region. With this agreement, Edison acquired 100% of Cellina Energy, which it consolidates line by line as of June 1, 2016, selling in exchange its equity in Hydros (40%) and Sel Edison (42%). The hydroelectric hub on the Cellina River, whose concessions will expire in 2029, includes 23 facilities, counting both large and small water diversion systems, for a total installed capacity of about 90 MW.
With this transaction, Edison strengthened its position in the hydroelectric business, which is a key sector for the Group development strategy, and extended the average life of its hydroelectric portfolio, thereby reducing its concession renewal risks.
Overall, the transaction produced a net positive economic effect of 33 million euro, reflected in EBITDA, counting both the gain on the sale of the equity stakes held in Hydros and Sel Edison, executed for a consideration of about 195 million of euros, and of the results of the valuation of Cellina Energy in accordance with IFRS 3 revised. The fair value measurement of assets, liabilities and contingent liabilities of Cellina Energy is shown in the following table:

(in millions of euros)	Fair Value of acquired assets and liabilities
Non-current assets	
Property, plant and equipment	154
Current assets	
Trade receivables	3
Other receivables	1
Cash and cash equivalents	35
Total assets	**193**
Non-current liabilities	
Provision for deferred taxes	16
Provision for risk and charges	5
Current liabilities	
Trade payables	1
Other liabilities	-
Total liabilities	**22**
Fair Value of net acquired assets	**171**
- % attributable to Edison (100%)	171
Total acquisition cost	**198**

These amounts should be viewed at the moment as temporary.
It is worth of mentioning that Edison withholds 25 million euros related to guarantees.

The contribution of Cellina Energy at income statement level from June 1, 2016 to December 31, 2016 was the following:

Income Statement

(in millions of euros)	2016
EBITDA	4
Depreciation, amortization and writedowns	(6)
EBIT/Profit (loss) before taxes	(2)
Income taxes	2
Profit (loss)	-

3) Acquisition of the branch of business IDREG Piemonte

In May 2016, Edison completed, at a cost of 34 million euros (plus 2 million euros in registration fees), the acquisition of business operations consisting of some mini-hydro power plants from IDREG Piemonte in bankruptcy.
The carrying value was the following:

(in millions of euros)	Fair Value of acquired assets and liabilities
Non-current assets	
Property, plant and equipment	34
Fair Value of net acquired assets	**34**
- % attributable to Edison (100%)	34
Acquisition cost	**34**

USE OF ESTIMATED VALUES

The paragraph below is related to the use of estimated values; instead, regarding the other valuation criteria, consistent with those used for the Consolidated Financial Statements at December 31, 2015, please refer to the following Section "Valuation Criteria".

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.
The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the financial statements. The evaluations related to the impairment test have been drawn up on the basis of an updated scenario as described in further detail afterwards.
The use of estimates is particularly significant for the following items:

- Amortization and depreciation (assets with a finite useful life) of property, plant and equipment and intangible assets and impairment tests. For the impairment test please refer to the paragraph titled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17). The valuation of decommissioning provision is affected by assumptions concerning cost, inflation rate and discount rate, as well as assumptions regarding the timing of payments; at each balance sheet date the estimates are reviewed to verify whether the amounts recognized are the best estimates of the costs that the Group may incur and, if significant discrepancies are detected, the amounts are revised.
- Valuation of derivatives and financial instruments in general, with regard to which please refer to the criteria explained in "Financial instruments" (please see the following Section "Valuation Criteria") and in the paragraph entitled "Analysis of Forward Transactions and Derivatives", included in the "Group Financial Risks Management" Section of this Report, which should also be consulted for more information about the methods applied to measure fair value and manage inherent risks in connection with energy commodities, foreign exchange rates and interest rates.
- Measurement of certain sales revenues, the provisions for risks and charges, the allowances for doubtful accounts and other provisions for writedowns, employee benefits and income taxes. These measurements, which represent best estimates based on available information, reflect the Group's assumptions supplemented, where appropriate, by past experience with similar transactions and appraisals by independent experts.

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		**Edison Group**	
(in millions of euros)	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Sales Revenues	**5,682**	**6,529**	**6,031**	**5,512**	**51**	**49**	**(730)**	**(777)**	**11,034**	**11,313**
- Third parties sales revenues	5,643	6,514	5,385	4,793	6	6	-	-	11,034	11,313
- Intra-Group sales revenues	39	15	646	719	45	43	(730)	(777)	-	-
EBITDA	**386**	**360**	**361**	**995**	**(94)**	**(94)**	**-**	**-**	**653**	**1,261**
as a % of sales revenues	6.8%	5.5%	6.0%	18.1%	n.m.	n.m.			5.9%	11.1%
Net change in Fair Value of Commodity derivatives	11	(16)	(177)	177	-	-	-	-	(166)	161
Depreciation, amortization and writedowns	(213)	(1,321)	(513)	(866)	(8)	(7)	-	-	(734)	(2,194)
Othet income (expense), net	-	-	-	-	(13)	(23)	-	-	(13)	(23)
EBIT	**184**	**(977)**	**(329)**	**306**	**(115)**	**(124)**	**-**	**-**	**(260)**	**(795)**
as a % of sales revenues	3.2%	(15.0%)	(5.5%)	5.6%	n.m.	n.m.			(2.4%)	(7.0%)
Net financial income (expense)									(94)	(29)
Interest in result of companies valued by equity method									1	(40)
Income taxes									(25)	(97)
Profit (Loss) from continuing operations									**(372)**	**(959)**
Profit (Loss) from discontinued operations									**-**	**-**
Minority interest in profit (loss)									**17**	**21**
Group interest in profit (loss)									**(389)**	**(980)**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		**Edison Group**	
(in millions of euros)	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015
Total current and non-current assets	6,243	5,672	5,242	6,861	3,970	3,445	(3,785)	(3,408)	11,670	12,570
Assets held for sale	-	212	-	-	-	-	-	-	-	212
Total assets	**6,243**	**5,884**	**5,242**	**6,861**	**3,970**	**3,445**	**(3,785)**	**(3,408)**	**11,670**	**12,782**
Total current and non-current liabilities	1,851	1,586	3,879	5,056	2,346	2,699	(2,671)	(2,442)	5,405	6,899
Liabilities held for sale	-	7	-	-	-	-	-	-	-	7
Total liabilities	**1,851**	**1,593**	**3,879**	**5,056**	**2,346**	**2,699**	**(2,671)**	**(2,442)**	**5,405**	**6,906**
Net Financial Debt									**1,062**	**1,147**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		**Edison Group**	
(in millions of euros)	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Capital expenditures	98	42	204	287	3	3	-	-	305	332
Investments in exploration	-	-	68	139	-	-	-	-	68	139
Investments in intangibles	9	1	20	53	3	3	-	-	32	57
Total capital investments	**107**	**43**	**292**	**479**	**6**	**6**	**-**	**-**	**405**	**528**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		**Edison Group**	
	12.31.2016 (*)	12.31.2015 (**)	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015	**12.31.2016**	12.31.2015 (**)
Number of employees	2,949	1,030	1,379	1,414	621	622	-	-	**4,949**	**3,066**

(*) Includes 2,045 employees referred to Fenice Group.
(**) Includes 76 employees of companies classified as Assets held for sale and sold on May 31, 2016.

The Group does not view **geographic area** segment information as meaningful. At December 31, 2016 the net non-current assets of its foreign operations, referred to the Hydrocarbons Operations, totaled 1,078 million euros and accounted for about 14.7% of net invested capital. Specifically abroad it worth of mentioning the Exploration & Production activities located in Egypt.
The contribution of the Exploration & Production business, while significant, continues to be penalized by the trend in the reference scenario, both at the EBITDA level and at the EBIT level, which was also adversely affected by the recognition of the writedowns required by the impairment test (254 million euros).

(in millions of euros)	2016	2015	Change	% change
Sales revenues	**399**	**504**	**(105)**	**(20.8%)**
EBITDA reported	**195**	**243**	**(48)**	**(19.8%)**
as % of sales revenues	48.9%	48.2%		
EBIT	**(299)**	**(600)**	**301**	**n.m.**
as % of sales revenues	n.m.	n.m.		

Major customers as defined by IFRS 8

The Group's sales are generally not concentrated. In the Electric Power Operations there is one major customer with sales revenues totaling about 1,240 million euros in the year, equal to 21,8% of the total sales revenues of the Electric Power Operations and to 11.2% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

In the 2016, in unfavorable scenario and in a general economic condition in slight recovery, the national demand for electricity decreased compared with the 2015 (-2.1%); the reduced availability of water resources in the period compared with the 2015 resulted in a reduction of hydroelectric generation, partially offset by higher production by thermoelectric sources. Italian consumption of natural gas increased by 5.2% compared with the 2015, mainly due to higher thermoelectric consumption.

In this scenario, Group **EBITDA** were positive by 653 million euros (1,261 million euros in the 2015), more specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations**, amounting to 242 million euros, which included the contribution of Fenice group from April 1, 2016 (60 million euros) and the non-recurring positive results generated by the transactions of hydroelectric activities reorganization, decreased compared with the previous year (276 million euros) including the contribution of Hydros, as a consequence of the reduction in generation margins, in particular in thermoelectric sector, of the reduction in hydroelectric generation due to a reduced availability of water resources during the period and of the decrease in sales price.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 505 million euros, against the 1,079 million euros in 2015 which included a significant one-off component related to previously years as result of successful conclusion of the arbitration with Eni for the contract to import natural gas from Libya. The performance for the year benefited from the improved margin realized by the activities engaged in the procurement and sale of natural gas, thanks to the successful conclusion of the mentioned arbitration with Eni and to the new agreements occurred in the period. The contribution of Exploration & Production activities, although significant, continue to be penalized as a result of the persisting negative scenario of the oil market; moreover in the year some facilities were sold with a positive effect of about 22 million euros.

The **Group's interest in the net result** was negative by 389 million euros (negative by 980 million euros in 2015). In addition to the industrial margin dynamics discussed above, the main factors affecting the result for the year included:

- lower writedowns due to impairment test: 256 million euros in 2016 (1,534 million euros in 2015);
- a net negative change in the fair value of derivatives amounting to 166 million euros (positive by 161 million euros in 2015);
- net financial expenses of 94 million euros, compared to net financial expenses of 29 million euros recorded in the 2015 which benefited from extraordinary positive effect on exchange rates.

Moreover it should be noted that income taxes in the previous year were affected by the negative one-off effects related to tax regulations for a total amount of 85 million euros, caused by the recalculation of net deferred taxes due to the repeal of Robin Hood Tax and due to the 2016 Stability Law which lowered the corporate income tax (IRES) rate to 24% starting from January 1, 2017.

1. Adjusted EBITDA reflect 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 (-144 million euros in 2016, -84 million euros in 2015). This reclassification is being made to provide an operational presentation of the industrial results. The Adjusted EBITDA amount was not audited.

1. Sales Revenues - 11,034 million euros

(in millions of euros)	2016	2015	Change	% change
Electric power	4,374	4,988	(614)	(12.3%)
Natural gas	4,176	4,200	(24)	(0.6%)
Steam	55	62	(7)	(11.3%)
Oil	137	193	(56)	(29.0%)
Green certificates	83	140	(57)	(40.7%)
Other sales revenues	15	17	(2)	(11.8%)
Sub-total	**8,840**	**9,600**	**(760)**	**(7.9%)**
Transmission revenues	940	1,356	(416)	(30.7%)
Realized commodity derivatives	866	195	671	n.m.
Margin on trading activities	3	4	(1)	(25.0%)
Storage services	84	90	(6)	(6.7%)
Revenues from services provided	11	11	-	-
Other revenues from sundry services	290	57	233	n.m.
Total for the Group	**11,034**	**11,313**	**(279)**	**(2.5%)**

Breakdown by Business Segment

	2016	2015	Change	% change
Electric Power Operations	5,682	6,529	(847)	(13.0%)
Hydrocarbons Operations	6,031	5,512	519	9.4%
Corporate and Other Segments	51	49	2	4.1%
Eliminations	(730)	(777)	47	(6.0%)
Total for the Group	**11,034**	**11,313**	**(279)**	**(2.5%)**

Sales revenues are booked for the most part in the Italian market.
The sales revenues of the **Electric Power Operations**, which from April 1, 2016 include the contribution of Fenice Group (280 million euros), decreased by 13.0% compared with the previous year, mainly due to a decline in average sales prices driven by the benchmark scenario and to a decrease in sales to end customers.
The sales revenues of the **Hydrocarbons Operations**, which were up by 9.4% compared with the 2015, reflect an increase in sales volumes that offset the reduction of sales prices.
The income from **Realized commodity derivatives**, 866 million euros, which should be analyzed together with the corresponding item included in **Raw materials and services used** (1,276 million euros), primarily reflects the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas and in the sale of gas.
The **Other revenues from sundry services** include the energy services of Fenice group (220 million of euros).

Margin on Trading Activities

(in millions of euros)	2016	2015	Change	% change
Margin on physical contracts included in trading portfolios				
Sales revenues	2,270	3,093	(823)	(26.6%)
Raw materials and services used	(2,261)	(3,064)	803	(26.2%)
Total included in sales revenues	**9**	**29**	**(20)**	**(69.0%)**
Margin on financial contracts included in trading portfolios				
Sales revenues	81	76	5	6.6%
Raw materials and services used	(87)	(101)	14	(13.9%)
Total included in sales revenues	**(6)**	**(25)**	**19**	**(76.0%)**
Total margin on trading activities	**3**	**4**	**(1)**	**(25.0%)**

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

2. Other Revenues and Income - 232 million euros

(in millions of euros)	2016	2015	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	24	30	(6)	(20.0%)
Net reversals in earnings of provisions for risks on receivables and other risks	46	8	38	n.m.
Gains on disposals	58	1	57	n.m.
Out of period and sundry items	104	765	(661)	(86.4%)
Total for the Group	**232**	**804**	**(572)**	**(71.1%)**

The item **Out of period and sundry items** in 2015 included the one-off benefits due to the successful conclusion of the arbitration for the contract to import natural gas from Libya.

3. Raw Materials and Services Used - 10,318 million euros

(in millions of euros)	2016	2015	Change	% change
Natural gas	3,327	3,733	(406)	(10.9%)
Electric power	2,968	3,471	(503)	(14.5%)
CO_2 emissions rights	43	23	20	87.0%
Utilities and other materials	98	78	20	25.6%
Sub-total	**6,436**	**7,305**	**(869)**	**(11.9%)**
Transmission of electric power and natural gas	1,722	2,071	(349)	(16.9%)
Maintenance	215	161	54	33.5%
Regasification fee	115	117	(2)	(1.7%)
Professional services	99	119	(20)	(16.8%)
Writedowns of trade and other receivables	44	82	(38)	(46.3%)
Realized commodity derivatives	1,276	253	1,023	n.m.
Additions to provisions for miscellaneous risks	57	62	(5)	(8.1%)
Change in inventories	22	138	(116)	(84.1%)
Use of property not owned	94	107	(13)	(12.1%)
Sundry items	238	209	29	13.9%
Total for the Group	**10,318**	**10,624**	**(306)**	**(2.9%)**

Breakdown by Business Segment

	2016	2015	Change	% change
Electric Power Operations	5,259	6,146	(887)	(14.4%)
Hydrocarbons Operations	5,697	5,168	529	10.2%
Corporate Activities and Other Segments	102	97	5	5.2%
Eliminations	(740)	(787)	47	(6.0%)
Total for the Group	**10,318**	**10,624**	**(306)**	**(2.9%)**

4. Labor Costs - 295 million euros

The increase of 63 million euros in labor costs compared with the previous year (232 million euros) reflects the consolidation of Fenice Group from April 1, 2016 (72 million euros). The tables that follow provide a breakdown of the Group's staff by business segment and show the changes that occurred in the different employee categories.

(number of employees)	12.31.2016	12.31.2015	Change
Electric Power Operations (*)	2,949	1,030	1,919
Hydrocarbons Operations	1,379	1,414	(35)
Corporate Activities and Other Segments	621	622	(1)
Total for the Group	**4,949**	**3,066**	**1,883**

(*) At 12.31.2016 includes 2,045 employees of Fenice Group; at 12.31.2015 includes 76 employees of companies reclassified in Assets held for sale.

Changes by employee category

(number of employees)	12.31.2015	Added to payroll (*)	Removed from payroll	Changes of classification	12.31.2016	Average payroll
Executives	196	33	(15)	17	231	221
Office staff and Middle managers	2,336	967	(260)	20	3,063	2,880
Production staff	534	1,305	(147)	(37)	1,655	1,369
Total for the Group	**3,066**	**2,305**	**(422)**	**-**	**4,949**	**4,470**

(*) Includes the changes in scope of consolidation effects related to Fenice Group.

5. EBITDA - 653 million euros

(in millions of euros)	2016	as a % of sales revenues	2015	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	386	6.8%	360	5.5%
Hydrocarbons Operations	361	6.0%	995	18.1%
Corporate Activities and Other Segments	(94)	n.m.	(94)	n.m.
Total for the Group	**653**	**5.9%**	**1,261**	**11.1%**
Adjusted EBITDA				
Electric Power Operations	242	4.3%	276	4.2%
Hydrocarbons Operations	505	8.4%	1,079	19.6%
Corporate Activities and Other Segments	(94)	n.m.	(94)	n.m.
Total for the Group	**653**	**5.9%**	**1,261**	**11.1%**

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

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

- the adjusted EBITDA of the **Electric Power Operations**, although benefiting by the contribution of Fenice Group (60 million euros), reflect the contraction in generation margins and the effects due to the lower water availability recorded compared with the 2015;
- the adjusted EBITDA of the **Hydrocarbons Operations** is referred, in particular, to the activities engaged in the procurement and sale of natural gas which benefited from the positive conclusion of the arbitration with Eni (November 2015) for the contract to import natural gas from Libya and to the new agreements occurred in the period; the 2015 included following the successful conclusion of the mentioned arbitration a significant one-off effect related to previous years. The Exploration & Production activities, while benefiting from the positive result due to the sale of some facilities, were negatively affected by the reference scenario.

6. Net Change in Fair Value of Commodity Derivatives - (166) million euros

(in millions of euros)	2016	2015	Change	% change
Change in fair value in hedging the price risk on energy products:	**(40)**	**114**	**(154)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	30	(12)	42	n.m.
- definable as hedges pursuant to IAS 39 (FVH)	76	-	76	n.m.
- not definable as hedges pursuant to IAS 39	(146)	126	(272)	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**(12)**	**47**	**(59)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(8)	(15)	7	(46,7%)
- definable as hedges pursuant to IAS 39 (FVH)	42	-	42	n.m.
- not definable as hedges pursuant to IAS 39	(46)	62	(108)	n.m.
Change in fair value in physical contracts (FVH)	**(114)**	**-**	**(114)**	**n.m.**
Total for the Group	**(166)**	**161**	**(327)**	**n.m.**

(*) Referred to the ineffective portion.

This line item reflects the change in fair value for the period on commodity and foreign exchange derivatives executed as economic hedges of the Industrial Portfolio; it is worth mentioning that the Group, while applying hedge accounting where possible, manages the risk of energy commodities and related exchange rate also through forward transactions and derivative instruments not definable as hedges pursuant to IAS 39, the effects of which, therefore, are charged to the Income Statement. This item also includes the ineffective portion of changes in fair value of derivatives eligible to Cash Flow Hedges.
It is worth of mentioning that, in the 2016, some hedging relationships were revoked in order to implement prospectively new Fair Value Hedge hedging relationship.

7. Depreciation, Amortization and Writedowns - 734 million euros

(in millions of euros)	2016	2015	Change	% change
Depreciation and amortization of:	**478**	**660**	**(182)**	**(27.6%)**
- property, plant and equipment	348	428	(80)	(18.7%)
- exploration costs	68	139	(71)	(51.1%)
- hydrocarbon concessions	45	76	(31)	(40.8%)
- other intangible assets	17	17	-	-
Writedowns of:	**256**	**1,534**	**(1,278)**	**(83.3%)**
- property, plant and equipment	219	656	(437)	(66.6%)
- hydrocarbon concessions	37	219	(182)	(83.1%)
- other intangible assets	-	2	(2)	n.m.
- goodwill	-	657	(657)	n.m.
Total for the Group	**734**	**2,194**	**(1,460)**	**(66.5%)**

Breakdown by Business Segment

	2016	2015	Change	% change
Electric Power Operations:	**213**	**1,321**	**(1,108)**	**(83.9%)**
- depreciation and amortization	211	252	(41)	(16.3%)
- writedowns of property, plant and equipment	2	412	(410)	n.m.
- writedowns of goodwill	-	657	(657)	n.m.
Hydrocarbons Operations:	**513**	**866**	**(353)**	**(40.8%)**
- depreciation and amortization	259	401	(142)	(35.4%)
- writedowns of property, plant and equipment	217	244	(27)	(11.1%)
- writedowns of hydrocarbon concessions	37	219	(182)	(83.1%)
- writedowns of other intangible assets	-	2	(2)	n.m.
Corporate Activities and Other Segments:	**8**	**7**	**1**	**14.3%**
- depreciation and amortization	8	7	1	14.3%
Total for the Group	**734**	**2,194**	**(1,460)**	**(66.5%)**

The net decrease mainly reflects the lower writedowns due to impairment test and the lower depreciation and amortization 2016 as result of the writedowns performed in 2015.
The depreciation and amortization of the 2016 included the contribution of Fenice group (41 million euros, from April 1, 2016).
For the information concerning 2016 impairment test please refer to disclosures into Note 17.

8. Other Income (Expense), Net - (13) million euros

Net other expense reflects nonrecurring items that are not directly related to the current Group's industrial operations and they mainly include costs referred to legal disputes.
More detailed information is provided in Note 27 "Provision for Risk and Charges" and in the section entitled "Commitments, Risks and Contingent Assets".

9. Net Financial Income (Expense) - (94) million euros

(in millions of euros)	2016	2015	Change
Financial income			
Financial income from financial derivatives	19	27	(8)
Interest earned on bank and postal accounts	4	4	-
Interest earned on trade receivables	7	17	(10)
Other financial income	12	33	(21)
Total financial income	**42**	**81**	**(39)**
Financial expense			
Interest accrued on bond issues	(24)	(28)	4
Fair Value Hedge adjustment on bonds	14	12	2
Financial expense from financial derivatives	(18)	(23)	5
Interest accrued to banks	(2)	(5)	3
Fees	(17)	(22)	5
Financial expense on decommissioning projects and provisions for risks	(27)	(27)	-
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(34)	(48)	14
Other financial expense	(5)	(7)	2
Total financial expense	**(114)**	**(149)**	**35**
Net foreign exchange translation gains (losses)	**(22)**	**39**	**(61)**
Net financial income (expense) for the Group	**(94)**	**(29)**	**(65)**

The financial expense benefited by a lower level of indebtedness and by lower cost resulting from a different mix of financial resources; it should be noted that expense of 20 million euros (17 million euros in 2015) was recorded as breakage costs for the reimbursement in advance of the residual loan provided by EDF Investissements Groupe Sa.
Concerning the Net foreign exchange translation gains (losses) it is worth of mentioning that in the 2015 the trend of EUR/USD exchange rate recorded exceptionally positive results, in particular on derivative executed to hedge the foreign exchange risk associated with payment of invoices for fuel procurement activities; the 2016 is negatively affected by the devaluation of Egyptian pound for about 30 million euros.

10. Income from (Expense on) Equity Investments - 7 million euros

(in millions of euros)	2016	2015	Change
Income from Equity Investments			
Dividends	5	3	2
Revaluations of trading securities	-	1	(1)
Revaluations and valuations of investments by the equity method	6	13	(7)
Capital gain from investments disposal	1	-	1
Total income from equity investments	**12**	**17**	**(5)**
Expenses on Equity Investments			
Writedowns and valuations of investments by the equity method	(5)	(53)	48
Writedowns of available for sale investments	-	(2)	2
Total expenses on equity investments	**(5)**	**(55)**	**50**
Total Group income from (expenses on) equity investments	**7**	**(38)**	**45**

11. Income Taxes - 25 million euros

(in millions of euros)	2016	2015	Change
Current taxes	43	224	(181)
Net deferred-tax liabilities (assets)	(19)	(119)	100
Income taxes attributable to previous years and other taxes	1	(8)	9
Total for the Group	**25**	**97**	**(72)**

It is also worth of mentioning that, in 2015, deferred tax assets and liabilities included some nonrecurring negative effects (85 million euros) resulting from changes in the tax laws:

- a net negative effect of 68 million euros caused by the implementation of the Constitutional Court decision of February 11, 2015 that repealed the so-called Robin Hood Tax, the corporate income tax surcharge levied on companies in the oil and energy sector;
- a net negative effect of 17 million euros resulting from the enactment of the 2016 Stability Law, which reduced the corporate income tax from 27.5% to 24% as of January 1, 2017.

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

(in millions of euros)	2016		2015		Change
Profit (Loss) before taxes	**(347)**	**%**	**(862)**	**%**	
Tax calculated at domestic tax rate	(95)	27.5%	(237)	27.5%	142
Permanent differences	14	(4.0%)	9	(1.0%)	5
Foreign taxes	29	(8.4%)	11	(1.3%)	18
IRAP - regional taxes	15	(4.3%)	41	(4.8%)	(26)
Income taxes attributable to previous years	2	(0.6%)	(17)	2.0%	19
Tax asset not recognized	32	(9.2%)	-	-	32
Writedown of goodwill	-	-	181	(21.0%)	(181)
Writedown of Non Consolidated Equity Investments	-	-	14	(1.6%)	(14)
Changes to tax rates (elimination of Robin Hood Tax and reduction of IRES tax rate)	-	-	85	(9.9%)	(85)
Differences in tax rates and other differences	28	(8.1%)	10	(1.2%)	18
Income taxes	**25**	**(7.1%)**	**97**	**(11.2%)**	**(72)**

The table below provides a breakdown of **deferred-tax liabilities** and **deferred-tax assets** and shows the changes that occurred in 2016:

(in millions of euros)	12.31.2015	Additions	Utilizations	To sharehold. equity	Changes in scope of consolidation	Other changes/ Reclassificat./ Offsets	12.31.2016
Provision for deferred taxes:							
Valuation differences of property, plant and equipment and intangibles	61	-	(18)	-	17	8	68
Other	43	-	(7)	-	-	3	39
	104	**-**	**(25)**	**-**	**17**	**11**	**107**
Offsets	(72)	-	-	-	-	17	(55)
Provision for deferred taxes net of offsets	**32**	**-**	**(25)**	**-**	**17**	**28**	**52**
Deferred-tax assets:							
Tax loss carryforward	47	31	(19)	-	-	(5)	54
Taxed provisions for risks	81	5	(27)	-	6	18	83
Adoption of IAS 39 to value financial instruments with impact:						-	
- on the income statement	-	77	(48)	-	-	(29)	-
- on shareholders' equity	309	-	-	(286)	-	-	23
Valuation differences of property, plant and equipment and intangibles	303	48	(72)	-	48	29	356
Other	34	2	(3)	1	6	(3)	37
	774	**163**	**(169)**	**(285)**	**60**	**10**	**553**
Offsets	(72)	-	-	-	-	17	(55)
Deferred-tax assets net of offsets	**702**	**163**	**(169)**	**(285)**	**60**	**27**	**498**

12. Earnings (Loss) per Share

	2016		2015	
(in millions of euros)	Common shares	Savings shares (1)	Common shares	Savings shares (1)
Group interest in profit (loss)	(389)	(389)	(980)	(980)
Profit (Loss) attributable to the different classes of shares (A)	(394)	5	(985)	5
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,266,845,824	110,154,847	5,181,545,824	110,154,847
- diluted (C) (2)	5,266,845,824	110,154,847	5,181,545,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	(0.0749)	0.0500	(0.1902)	0.0500
- diluted (A/C) (2)	(0.0749)	0.0500	(0.1902)	0.0500

(1) 5% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).
(2) When the Group reports a loss, potential shares are deemed to have no dilutive effect.

NOTES TO THE BALANCE SHEET

ASSETS

13. Property, Plant and Equipment - 3,937 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases (*)	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2015 (A)	**384**	**2,740**	**54**	**4**	**3**	**7**	**486**	**3,678**
Changes in 2016:								
- Additions	4	75	2	-	-	1	223	305
- Additions (IFRS 3 revised)	64	369	96	-	-	2	34	565
- Disposals (-)	(1)	(4)	-	-	-	-	-	(5)
- Depreciation (-)	(15)	(315)	(14)	(1)	(1)	(2)	-	(348)
- Writedowns (-)	(2)	(206)	-	-	-	-	(11)	(219)
- Changes in scope of consolidation	(3)	(23)	-	-	-	-	-	(26)
- Other changes	3	142	-	-	1	(1)	(158)	(13)
Total changes (B)	**50**	**38**	**84**	**(1)**	**-**	**-**	**88**	**259**
Balance at 12.31.2016 (A+B)	**434**	**2,778**	**138**	**3**	**3**	**7**	**574**	**3,937**
Breakdown:								
- Historical cost	685	7,463	533	6	14	22	614	9,337
- Accumulated depreciation (-)	(184)	(3,291)	(395)	(3)	(11)	(15)	-	(3,899)
- Writedowns (-)	(67)	(1,394)	-	-	-	-	(40)	(1,501)
Net carrying amount	**434**	**2,778**	**138**	**3**	**3**	**7**	**574**	**3,937**

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

Breakdown of the additions by Business Segment

(in millions of euros)	2016	2015
Electric Power Operations	**98**	**43**
broken down as follows:		
- Thermoelectric area	13	28
- Hydroelectric area	19	13
- Renewable sources area	11	2
- Energy services area	55	-
Hydrocarbons Operations	**204**	**287**
broken down as follows:		
- Hydrocarbon fields in Italy	28	82
- Hydrocarbon fields outside Italy	169	186
- Transmission and storage infrastructures	7	19
Corporate Activities and Other Segments	**3**	**2**
Total for the Group	**305**	**332**

The main investments carried out by the **Electric Power Operations** included:

- replacement and maintenance of components at some thermoelectric and hydroelectric power plants;

- in the area of renewable sources, new construction and expansion projects for wind power facilities, further to the award to E2i, through the process of calls for tenders issued by the Electric Services Manager, of projects for the installation of new wind power capacity;
- activities related to energy services in particular in Fenice Group.

In the **Hydrocarbons Operations** 2016 investments mainly focused on the Exploration & Production area:

- in Italy, with the development of Clara NW and Ibleo projects;
- abroad, with the development of Reggane project in Algeria, and with the development of NAQ PIII Platform in Egypt.

For additional information about the amount recorded pursuant to IFRS 3 revised please refer to the paragraph "Information pursuant to IFRS 3 revised".

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

The item **changes in scope of consolidation** is referred to the disposals of the companies Fenice Rus Llc and Termica Milazzo.

The **writedowns** of 219 million euros (656 million euros in 2015), mainly reflect the effects of the impairment test. A more detailed analysis of depreciation and writedowns is provided in the "Depreciation, amortization and writedowns" note to the Income Statement and in the disclosure "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and equipment and Other Intangibles" (note 17).

Please note that assets valued at 34 million euros are encumbered as collateral for loans provided by financial institutions.

14. Investment Property - 5 million euros

The Group's investment property, which consists of land and buildings that are not used for production purposes, was 1 million less compared with December 31, 2015 (6 million euros), due to the disposal of minor buildings with not material effect at profit and loss level.

15. Goodwill - 2,357 million euros

The increase of 2 million euros is due to the acquisition of a company by Fenice group.

At December 31, 2016 the Goodwill is allocated for 1,654 million euros to the Electric Power Operations and for 703 million euros to the Hydrocarbon Operations.

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.

This item was tested for impairment as required by IAS 36, as described in the following disclosure (Note 17), without any evidence for impairment of value.

16. Hydrocarbon Concessions - 396 million euros

(in millions of euros)

Balance at 12.31.2015 (A)	**480**
Changes in 2016:	
- Amortization (-)	(45)
- Writedowns (-)	(37)
- Other changes	(2)
Total changes (B)	**(84)**
Balance at 12.31.2016 (A+B)	**396**
Breakdown:	
- Historical cost	1,489
- Accumulated amortization (-)	(714)
- Writedowns (-)	(379)
Net carrying amount	**396**

The hydrocarbon concessions decreased, compared with December 31, 2015, by 84 million euros mainly due to the amortization for the period (45 million euros) and the writedowns due to impairment test for 37 million euros. The Group holds 112 mineral rights in Italy and abroad (including 3 storage concessions).

Disclosure About the Group's Concessions

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

		Remaining life (years)	
	Number	from	to
Storage concessions	3	8	23
Hydroelectric concessions	51	2	31
Distribution concessions	62	2	10
Hydrocarbon concessions	109	(*) unit of production	

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

17. Other Intangible Assets - 128 million euros

(in millions of euros)	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2015 (A)	**96**	**-**	**17**	**5**	**118**
Changes in 2016:					
- Additions	8	68	17	7	100
- Additions (IFRS 3 revised)	-	-	10	-	10
- Disposals (-)	(5)	-	-	-	(5)
- Amortization (-)	(11)	(68)	(6)	-	(85)
- Changes in scope of consolidation	-	-	(10)	-	(10)
- Other changes	3	-	-	(3)	-
Total changes (B)	**(5)**	**-**	**11**	**4**	**10**
Balance at 12.31.2016 (A+B)	**91**	**-**	**28**	**9**	**128**
Breakdown:					
- Historical cost	275	826	43	9	1,153
- Amortization (-)	(181)	(826)	(12)	-	(1,019)
- Writedowns (-)	(3)	-	(3)	-	(6)
Net carrying amount	**91**	**-**	**28**	**9**	**128**

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

Exploration costs for the year, which were amortized in full when incurred, totaled 68 million euros (139 million euros in 2015) and refer mainly to exploration activities in Egypt and Norway.
The items **additions (IFRS 3 revised)** and **changes in scope of consolidation** are related to Fenice group.

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

In 2016, were recognized **total assets writedowns for 256 million euros**:

- 245 million euros as result of the impairment test performed in accordance with IAS 36 (243 million euros in the Hydrocarbons Operations and 2 million euros in the Electric Power Operations);
- 11 million euros as a result of evaluation of some assets in the Hydrocarbons Operations to be sold.

Consistent with past practice, the impairment test was applied separately to goodwill and to the CGUs of the assets. Specifically with regard to goodwill, keeping in mind the strategic and organizational decisions of the Edison Group, for testing purposes reference was made to two different groups of Cash Generating Units (CGUs) to which goodwill was allocated: the "Electric Power Operations" and the "Hydrocarbons Operations". The Group as a whole was then tested due to the presence of general expenses that were not allocated and could not be objectively related to the abovementioned CGUs.
Consistent with past practice, the test was carried out - with the support of an independent appraiser - based on the cash flows projected in the 2017 budget approved by the Board of Directors on December 6, 2016, on middle-term projections presented to the Board of Directors and on long-term forecasts developed by Edison's management.
These documents reflect the best estimates of top management with regard to the main assumptions concerning the Group's operating activities (macroeconomic and commodities price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results on February 13, 2017.

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

The recoverable value (understood as value in use) was determined on the base of:
- a medium-term plan's projection horizon of four years and long-term projections developed by management (2021-2024) to take into account the useful life utilized by the main assets, considering cash flows net of future developments (so-called inertial plan);
- an operating cash flow, duly normalized to reflect regular operating conditions and considering a nominal annual growth rate between 0% and 2% and a terminal value;
- simulations for different variables - such as the valuation assumptions for the capacity payment of the Electric Power Operations, the discount rate parameters, the growth rates and the non-discretional investments required to keep the Company operating at a normal level - and applying statistical simulation techniques (Montecarlo method).

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

Discount rates by Business Segment

	12.31.2016	12.31.2015	
		2016	after 2016
Electric Power Operations	6.0%	6.1%	6.2%
Hydrocarbons Operations	7.1%	7.9%	8.0%

Overall, it should be noted a decrease of discount rate mainly due to the decrease of risk-free base rate, which reflects the medium term quotation detectable from financial markets, and, for the Hydrocarbons Operations, a decrease of the systematic risk parameter of the comparables. The above discount rates were adjusted to take into account the country risk differentials, compared with Italy, specifically for the operations located in Egypt, Croatia and Great Britain. For the Regulated Gas Activities CGU, the regulated rates typical of this business were used.

Compared with the previous year, the impairment indicators related to the high volatility of the reference scenario (Brent prices, related commodities prices) and to the weak power Italian demand are confirmed.

In detail:

1) Hydrocarbons Operations:

a. Brent future prices, and the prices of the other commodities related to the Hydrocarbons Operations, in the short/medium term are supposed to be in line with end-2016 levels, while in the subsequent period, the forecasted growth are at lower level than in the reference scenario used in 2015 impairment test.
b. The update of the future production profiles and of the producible reserves has affected the recoverable value of some Abroad E&P CGUs.
c. The gas prices over the short/medium term is affected by expectations of low growth in international demand and an abundant supply on the European market, which resulted in a downward revision of the scenario utilized the previous year.

2) Electric Power Operations:

a. The Italian electric power market also continues to suffer from a situation of over capacity as well as an increasing contribution by renewables. The price quoted for electric power (PUN) over the short/medium term reflects the different price levels for fuel, which were down with an impact on production profiles.
b. In the long term, the price returns to a profitability level faster than supposed in the 2015 reference scenario.

The variables subject to greater volatility risk - the remuneration of the capacity payment, the parameters of WACC and the growth rates - were weighted with statistical simulation tools (Montecarlo method).

In accordance with the process described above, the independent appraiser determined the recoverable value interval for both business segments (first-level impairment) and, subsequently, for the entire Group (second-level impairment). Average recoverable value is higher than the carrying value so no writedown was recorded on the Goodwill.

The following figure shows the Goodwill allocation to the business segments:

Allocation of goodwill

(in millions of euros)	**12.31.2016**	12.31.2015
Electric Power Operations	1,654	1,652
Hydrocarbons Operations	703	703
Total	**2,357**	**2,355**

The increase of the Goodwill allocated to the Electric Power segment is related to an acquisition which interested Fenice group.

In order to determine if the value of its **property, plant and equipment and intangibles** had been impaired, Edison tested the property, plant and equipment and intangibles held by the Company's core businesses that could be identified as cash generating units. These assets are used for the production of electric power and hydrocarbons.
Consistent with the previous year's practice, the assets were aggregated in 13 CGUs, 7 belonging to the Electric Power Operations and 6 to the Hydrocarbons Operations; CGUs are defined by two factors relating on one side to the production source and the corresponding technology and from the other side to the current target market, also differentiating between reference countries.

As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on:

- the economic-financial plans for each CGU with time horizons that reflect the useful lives of its assets, which, until 2020, were those obtained from the Company's medium-term plan;
- the financial flows indicative of specific production profiles and prices and including eventual residual values;
- the post-tax cash flows for each CGU discounted using rates that were consistent with those applied when testing goodwill for impairment.

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

Main impairment indicators and witedowns for groups of CGUs

Business segment/CGU	Main impairment indicators	Writedowns (in millions of euros)
Hydrocarbons Operations		
- Abroad E&P CGUs	Scenario/Production profiles/Reserves	63
- Italian E&P CGUs	Scenario/Production profiles	180
Total for Hydrocarbons Operations		**243**
Electric Power Operations		
- Thermoelectric CGUs	Production profiles	2
Total for Electric Power Operations		**2**
Total Impairment test assets' writedown		**245**

18. Investments in Associates and Available-for-sale Investments - 262 million euros

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2015 (A)	**67**	**167**	**234**
Changes in 2016			
- Disposals (-)	-	(3)	(3)
- Changes in shareholders' equity reserves	-	(6)	(6)
- Additions	26	-	26
- Valuations at equity	1	-	1
- Dividends (-)	(3)	-	(3)
- Other changes (+/-)	13	-	13
Total changes (B)	**37**	**(9)**	**28**
Balance at 12.31.2016 (A+B)	**104**	**158**	**262**

The total includes 104 million euros in investments in unconsolidated subsidiaries, joint ventures and affiliated companies and 158 million euros in available-for-sale investments. The latter amount mainly includes investments in Terminale GNL Adriatico Srl (153 million euros).
Additions mainly refer to common shares of Alerion Clean Power, for 22.84% of its equity stakes, hold by Eolo Energia partly due to the Public Tender Offer launched, and partly due to purchases outside the Public Tender Offer. For detailed information about the transaction please refer to the disclosure provided in the Section "Key Events" of the Report on Operations and in the following Section "Significant Events Occurring after December 31, 2016".
Disposals are referred to the sale of RCS MediaGroup's shares with a positive economic effect of about one million euros. **Changes in shareholders' equity reserves** (negative for 6 million of euros) refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

19. Other Financial Assets - 94 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Escrow bank deposits	6	15	(9)
Sundry items	88	16	72
Total other financial assets	**94**	**31**	**63**

Other financial assets consist of financial receivable due in more than one year.
It is worth of mentioning that for 74 million euros are related to the noncurrent portion of the loans receivable from Elpedison Sa (formerly Elpedison Power Sa) which in September 2016 was renewed until September 2018. The interest payments due were made regularly; Edison constantly monitors the situation.

20. Deferred-tax Assets - 498 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Deferred-tax assets:			
Tax loss carryforward	54	33	21
Taxed provisions for risks	62	81	(19)
Adoption of IAS 39 to value financial instruments with impact:			
- on shareholders' equity	23	309	(286)
Valuation differences of property, plant and equipment and intangibles	351	279	72
Other	8	-	8
Deferred-tax assets	**498**	**702**	**(204)**

It is worth of mentioning that deferred-tax assets were recognized for 61 million euros as result of business combination occurred in 2016; a more detailed analysis of additions (IFRS 3 revised) is provided in the paragraph "Information pursuant to IFRS 3 revised".
Deferred-tax assets were valued based on assumptions that they would probably be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies.
For more details, see the information provided in Note 11 "Income Taxes".

21. Other Assets - 310 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Fair value on industrial portfolio (*)	201	225	(24)
Tax refunds receivable	91	36	55
Security deposits/others	18	19	(1)
Total Other assets	**310**	**280**	**30**

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

With regard to **Tax refunds receivable**, the increase (55 million euros) is related to the VAT application for reimbursement for the year 2015.

22. Current Assets - 3,683 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Inventories	180	253	(73)
Trade receivables	1,830	2,367	(537)
Current-tax assets	8	20	(12)
Other receivables	1,437	1,654	(217)
Current financial assets	22	113	(91)
Cash and cash equivalents	206	279	(73)
Total current assets	**3,683**	**4,686**	**(1,003)**

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Other	**Total at 12.31.2016**	Total at 12.31.2015	Change
Electric Power Operations	7	-	-	14	21	71	(50)
Hydrocarbons Operations	33	103	23	-	159	182	(23)
Total for the Group	**40**	**103**	**23**	**14**	**180**	**253**	**(73)**

The net decrease for the year refers mainly to inventory reduction of stored natural gas and to the decrease of green certificates related to the trading activity. The inventories included, for about 67 million euros, stored natural gas the use of which is restricted either as a strategic reserve or to secure performance under the balancing system.

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

(in millions of euros)	**12.31.2016**	12.31.2015	Change
Electric Power Operations	892	854	38
Hydrocarbons Operations	951	1,525	(574)
Corporate Activities and Other Segments and Eliminations	(13)	(12)	(1)
Total trade receivables	**1,830**	**2,367**	**(537)**
Of which Allowance for doubtful Accounts	**(251)**	**(327)**	**76**

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

(in millions of euros)	12.31.2015	Additions	Utilizations	**12.31.2016**
Allowance for doubtful accounts (*)	(327)	(47)	123	(251)

(*) Included default interests.

Additions to the allowance reflect the result of an assessment, performed consistent with the Group's policy, of the different status of receivables, taking into account each customer segment, the corresponding past-due receivables and the aging; utilizations were mainly recognized for receivables deemed uncollectible during the year.
It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse; for additional details please consult the disclosure in the section entitled "Group Financial Risk Management".

- **Current-tax assets** of 8 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa.
- A breakdown of **other receivables**, is provided in the table below:

(in millions of euros)	**12.31.2016**	12.31.2015	Change
Fair Value on industrial portfolio and trading activities (*)	758	1,140	(382)
Amounts owed by partners and associates in hydrocarbon exploration projects	47	75	(28)
Advances to suppliers	35	11	24
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	59	9	50
VAT credit	188	141	47
Sundry items	350	278	72
Total other receivables	**1,437**	**1,654**	**(217)**

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

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

(in millions of euros)	12.31.2016	12.31.2015	Change
Loans receivable	5	83	(78)
Derivatives	15	28	(13)
Equity investments held for trading	2	2	-
Total current financial assets	**22**	**113**	**(91)**

  The decrease of loans receivable is mainly related to the reclassification in the other non-current financial assets of the loans receivable from Elpedison Sa (formerly Elpedison Power Sa).
- **Cash and cash equivalents** of 206 million euros (279 million euros at December 31, 2015) consist of short-term deposits in bank and postal accounts and other short-term investments. This item also includes the current account established with EDF Sa with a positive balance for 73 million euros.

23. Assets held for sale

The item has zero balance (212 million euros at December 31, 2015); the decrease is due to the sale of the companies Hydros (which has been valued by the equity method from January 1, 2016) and Sel Edison on May 31, 2016.

LIABILITIES AND SHAREHOLDERS' EQUITY

24. Shareholders' Equity Attributable to Parent Company Shareholders - 5,955 million euros and Shareholders' Equity Attributable to Minority Shareholders - 310 million euros

The shareholders' equity attributable to Parent Company shareholders was 516 million euros more than at December 31, 2015 (5,439 million euros). This gain mainly reflects the in-kind capital increase reserved for the Parent Company Transalpina di Energia Spa for 247 million euros, including 85 million euros as share capital increase and 162 million euros as additional paid-in capital, the loss for the period (389 million euros) and the positive changes in the Cash Flow Hedge reserves (620 million euros).

The shareholders' equity attributable to minority shareholders was 127 million euros less than at December 31, 2015 (437 million euros); the net decrease mainly reflects the profit for the period (17 million euros), the reserves and dividends' distribution to minority shareholders (77 million euros) and the effect related to the disposal of Hydros and Termica Milazzo (67 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	5,266,845,824	5,267
Savings shares	110,154,847	110
Total	**5,377,000,671**	**5,377**

Shareholder's Equity per share Attributable to Parent Company Shareholders	**12.31.2016**	12.31.2015
Shareholder's Equity Attributable to Parent Company Shareholders (in millions of euros)	5,955	5,439
Shareholder's Equity per share Attributable to Parent Company Shareholders (in euros)	1.107	1.028

(*) At December 31, 2015 the numer of shares was 5,291,700,671 (n. 5,181,545,824 common shares; n. 110,154,847 savings shares).

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

Cash Flow Hedge Reserve

(in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2015	**(986)**	**309**	**(677)**
Changes in the period	906	(286)	620
Reserve at December 31, 2016	**(80)**	**23**	**(57)**

It is worth mentioning that in December 2015 forward prices for hydrocarbons dropped sharply, falling to new lows and, consequently, significantly below the contract prices, stipulated when hedges were activated, mainly to mitigate the risk of fluctuation in the cost of natural gas and in gas sales. At the end of 2015, this development had generate a highly negative prospective fair value that, insofar as the effective part of the cash flow hedges was concerned, was reflected in this reserve because it had been recognized directly in equity as required by IAS 39.

As for the changes that occurred in 2016, they are mainly attributable to the following factors:

- the scheduled expiration of a portion of the derivatives outstanding at December 31, 2015, which resulted in the reversal of the corresponding reserve and the recognition of the result in profit or loss, concurrently with the realization of the hedged commodity;

- a lower volume of cash flow hedges, due in part to the activation of new fair value hedges, the effects of which are recognized directly in profit or loss, and in part to a decrease in hedging requirements resulting from the agreements stipulated during the year with regard to some long-term contracts for the procurement of natural gas;
- the stabilizing of forward prices at levels in line with contract prices.

For additional information, see the Section entitled "Group Financial Risk Management."

25. Provision for Employee Severance Indemnities and Provisions for Pensions - 44 million euros

(in millions of euros)	Total
Balance at 12.31.2015 (A)	**31**
Changes in 2016:	
- Financial expense	1
- Actuarial (gains) losses (+/-)	2
- Utilizations (-)	(3)
- Additions (IFRS 3 revised)	12
- Others (+/-)	1
Total changes (B)	**13**
Total at 12.31.2016 (A+B)	**44**

The amount reflects the accrued severance indemnities and other benefits owed to employees at the end of year. The item additions (IFRS 3 revised) is related to Fenice group.

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

- Technical annual discount rate 1.90% (2.40% in 2015);
- Annual inflation rate 1.00% (0.60% in 2015).

26. Provision for Deferred Taxes - 52 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Deferred-tax liabilities:			
Valuation differences of property, plant and equipment and intangibles	68	61	7
Other deferred-tax liabilities	39	43	(4)
Total (A)	**107**	**104**	**3**
Deferred-tax assets usable for offset purposes:			
Taxed provisions for risks	20	-	20
Tax-loss carryforward	-	14	(14)
Valuation differences of property, plant and equipment and intangibles	6	24	(18)
Other deferred-tax assets	29	34	(5)
Total (B)	**55**	**72**	**(17)**
Total provision for deferred taxes (A-B)	**52**	**32**	**20**

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

It is worth of mentioning that provision for deferred taxes were recognized for 17 million euros as result of business combination occurred in 2016; a more detailed analysis of additions (IFRS 3 revised) is provided in the paragraph "Information pursuant to IFRS 3 revised".

For additional details, please refer to Note 11 "Income Taxes" and Note 20 "Deferred-tax Assets".

27. Provisions for Risks and Charges - 1,142 million euros

(in millions of euros)	12.31.2015	Additions	Utilizations	IFRS 3 revised	Other	12.31.2016
Risks for disputes, litigation and contracts	129	3	(1)	-	-	131
Charges for contractual guarantees on sale of equity investments	75	-	-	-	4	79
Environmental risks	69	1	(14)	-	-	56
Other risks and charges	10	-	-	-	-	10
Disputed tax items	55	26	(3)	-	-	78
Total for legal and tax disputes	**338**	**30**	**(18)**	**-**	**4**	**354**
Provisions for decommissioning and remediation of industrial sites	688	23	(19)	-	(25)	667
Provision for CO_2 emission rights	-	-	-	-	-	-
Other risks and charges	97	33	(51)	44	(2)	121
Total for the Group	**1,123**	**86**	**(88)**	**44**	**(23)**	**1,142**

The **Provisions for legal and tax disputes**, 354 million euros, recorded a net increase of 16 million euros mainly due to due risks related to non-core business activities.
More detailed information about the issues that resulted in the current composition of these provisions is provided in the paragraph entitled "Risks and contingent liabilities associated with legal and tax disputes".
The **Provisions for decommissioning and remediation of industrial sites**, 667 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities; in the period the net decrease (21 million euros) reflects, inter alia, the conversion effect linked to financial statements in currencies other than the euro.
A more detailed analysis of additions (IFRS 3 revised) is provided in the paragraph "Information pursuant to IFRS 3 revised".

28. Bonds

This item has zero balance (599 million euros at December 31, 2015), the decrease is due to the reclassification into **Current liabilities** of an Edison Spa bond issue (face value of 600 million euros and maturity date at November 10, 2017).

29. Long-term Financial Debt and Other Financial Liabilities - 215 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Due to banks	141	165	(24)
Due to other lenders	74	475	(401)
Total for the Group	**215**	**640**	**(425)**

The amount **due to other lenders** includes, for 70 million euros, the utilization of the medium-long term credit line (total face value of 200 million euros), provided by EDF Sa to Edison Spa in December 2015 in connection with investment projects and related to a credit line provided by the EIB to EDF Sa. Additional details are disclosed in the paragraph "Liquidity risk" in the Section "Group Financial Risk Management".
The decrease compared with December 31, 2015 reflects the reimbursement in advance, in May 2016, of the loan provided by EDF Investissements Groupe Sa to Edison Spa in 2013 (with an original face value of 800 million euros and a seven-year maturity, already reimbursed in advance for 400 million euros in December 2015).

30. Other Liabilities - 74 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Fair Value on industrial portfolio (*)	74	314	(240)
Other liabilities	-	1	(1)
Total other liabilities	**74**	**315**	**(241)**

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

31. Current Liabilities - 3,878 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Bonds	615	28	587
Short-term financial debt	460	306	154
Trade payables	1,607	1,623	(16)
Current taxes payable	7	25	(18)
Other liabilities	1,189	2,177	(988)
Total current liabilities	**3,878**	**4,159**	**(281)**

More specifically:

- **Bonds**, amounting to 615 million euros, include the reclassification from **Bonds** of an Edison Spa bond issue (face value of 600 million euros and maturity date at November 10, 2017) and the total accrued interest at December 31, 2016; the table below shows the total amount outstanding at December 31, 2016 and the term of the bond issue.

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Current portion	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	615	643

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

- **Short-term financial debt** includes:

(in millions of euros)	12.31.2016	12.31.2015	Change
Debt due to banks	62	45	17
Debt due to EDF companies	151	59	92
Debt due to unconsolidated Edison Group companies	16	16	-
Debt due to other lenders	231	186	45
Total Short-term financial debt	**460**	**306**	**154**

It is worth of mentioning that the long term loan provided by EDF Investissements Groupe Sa to Fenice, at the acquisition date with a notional amount for 170 million euros, was reimbursed by Fenice at its originally maturity date in the month of June 2016.

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

(in millions of euros)	12.31.2016	12.31.2015	Change
Electric Power Operations	922	846	76
Hydrocarbons Operations	673	742	(69)
Corporate Activities and Other Segments and Eliminations	12	35	(23)
Total trade payables	**1,607**	**1,623**	**(16)**

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

- **Current taxes payable** of 7 million euros represent the income taxes liability which are paid directly by the companies upon which they are levied.

- A breakdown of **other liabilities** is as follows:

(in millions of euros)	12.31.2016	12.31.2015	Change
Fair Value on industrial portfolio and trading activities (*)	730	1,623	(893)
Amount owed to the controlling company in connection with the filing of a consolidated tax return	68	196	(128)
Amounts owed to joint holders of permits for hydrocarbon exploration	88	131	(43)
Payables owed to Tax Administration (other than current tax payables)	52	8	44
Amount owed to employees	32	29	3
Payables owed to social security institutions	22	21	1
Sundry items	197	169	28
Total other liabilities	**1,189**	**2,177**	**(988)**

(*) A comprehensive review is provided in the Section "Group Financial Risk Management".

32. Liabilities held for sale

The item has zero balance (7 million euros at December 31, 2015); the decrease is due to Hydros, which was consolidated line by line until December 31, 2015 and it has been valued by the equity method from January 1, 2016 and then sold on May 31, 2016.

NET FINANCIAL DEBT

At December 31, 2016, net financial debt totaled 1,062 million euros, or 85 million euros less than the 1,147 million euros owed at December 31, 2015.
Consistent with the practice followed at the end of 2015, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See note	12.31.2016	12.31.2015	Change
Bonds - non-current portion	28	-	599	(599)
Non-current bank loans	29	141	165	(24)
Amounts due to other lenders - non-current portion	29	74	475	(401)
Non current net financial debt		**215**	**1,239**	**(1,024)**
Bonds - current portion	31	615	28	587
Short-term financial debt	31	460	306	154
Current financial assets	22	(22)	(113)	91
Cash and cash equivalents	22	(206)	(279)	73
Current net financial debt		**847**	**(58)**	**905**
Financial debt held for sale		-	-	-
Financial asset held for sale		-	(34)	34
Net financial debt		**1,062**	**1,147**	**(85)**

The decrease of **Amounts due to other lenders - non-current portion** is related to the reimbursement in advance of the loan provided by EDF Investissements Groupe Sa carried out in May 2016.
The **Short-term financial debt** includes loans provided by EDF Sa for a total amount of nominal 150 million euros, the current account with Transalpina di Energia for 112 million euros (short term deposit for 95 million euros at December 31, 2015) and debt owed to unconsolidated Edison Group companies for 16 million euros.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

COMMITMENTS - 1,625 million euros

(in millions of euros)	12.31.2016	12.31.2015	Change
Guarantees provided	1,432	1,173	259
Collateral provided	75	65	10
Other commitments and risks	118	124	(6)
Total for the Group	**1,625**	**1,362**	**263**

Guarantees provided (1,432 million euros) were determined based on the undiscounted amount of contingent commitments on the balance sheet date. They consist mainly of guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They include 54 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for the offsetting of VAT credits and those provided in connection with the intra-Group assignment of tax credits. Moreover are included commitments for about 66 million euros related to the Public Tender Offer on the Alerion Clean Power Spa shares, promoted by Eolo Energia; this commitment expired in January 2017 due to the conclusion of the Public Tender Offer.
Collateral provided (75 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 (34 million euros).
Other commitments and risks (118 million euros) reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (66 million euros).
With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that no commitments were recorded at December 31, 2016 as the previous year.

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.

Unrecognized Commitments and Risks

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

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. The duration of these contracts ranges between 3 and 18 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	13,6	46,8	107,0	**167,4**

The economic data are based on prospective pricing formulas.

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

2) With regard to the investment in Terminale GNL Adriatico Srl, a natural gas regasification company in which Edison Spa holds an interest of about 7.3% interest, the agreement between shareholders include the right for the other shareholders to buy the 7.3% interest held by Edison, should Edison cancel the supply contract

with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised.
Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for a residual period of 18 years, for an annual regasification fee estimated at about 100 million euros.

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

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

RISKS AND CONTINGENT LIABILITIES ASSOCIATED WITH LEGAL AND TAX DISPUTES

A review, based on information currently available, of the developments affecting the main legal and tax disputes that occurred in 2016 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, with a further differentiation between:

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

Probable liabilities associated with legal disputes

Date started/ Jurisdiction	Description of dispute	Status of proceedings
A) Liabilities for which a provision for disputes, litigation and contracts risks was recognized in the balance sheet:		
EDISON SPA		
Collapse of the Stava Dam		
October 25, 2000 Court of Milan/Milan Court of Appeals/Court of Cassation	The last civil dispute that is still pending with regard to the events that occurred in Val di Stava in 1985, when the levies of two mining mud holding ponds, operated by a Montedison-owned company were breeched causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision.	An appeal against the Court of Cassation has been filed.
Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont Edison is a party to these proceedings as universal successor to Montedison Spa		
Porto Marghera - Civil lawsuits		
October 25, 2000 Court of Venice/ Venice Court of Appeals	These lawsuits represent the tail end of the so-called "Marghera Maxi-trial," which, as it is well known, involved alleged occurrences of i) manslaughter for exposure to monovinyl chloride and ii) environmental disaster due to pollution for which some former Montedison executives and employees were allegedly responsible. These are lawsuits filed by the counsel of some plaintiffs in the proceedings (heirs to the estates of former employees, environmental associations and local governmental entities, such as the Municipality and Province of Venice and the Veneto Region) seeking payment for the legal expenses they incurred.	The lawsuits are pending at various stages before the lower or appellate court.
Mantua - Criminal Proceedings		
October 25, 2000 Court of Mantua/Brescia Court of Appeals/ Court of Cassation	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison group and later by companies of the Eni group. The facts subject of the pending trial concern determining the fortuity for a series of death caused by cancer identified by the Public Prosecutor and concerning employees of the facility. After a first ruling set by the lower court of Mantua, under which 10 of the 12 defendants were convicted and found guilty of manslaughter in the death of 11 people, the Court of Appeal of Brescia on February 5th 2016 confirmed 9 convictions, largely reducing the punishments. However, also the Court of Appeal dismissed a charge, aggravated by the disaster, of "removal or negligent omission of protections against occupational accidents".	The proceedings are now pending against the Court of Cassation.
Mantua - Administrative proceedings		
2012 - 2016 Lombardy Regional Administrative Court - Brescia Section	All of the injunctions issued pursuant to Article 244 of Legislative Decree No. 152/2006 (so-called "Environmental Code") and notified to Edison between 2012 and 2015 by the Province of Mantua concerning the remediation of various areas inside and outside the petrochemical facility formerly operated in Mantua by Montedison and currently operated by the Eni Group (areas called "Versalis, former chlorine sodium production facility", "Mercury mud landfill area L", "Intake canal for the Versalis plant and the Formigosa fornix", "Basso Mincio", "Sisma Canal", "N", "B+I" and "R1") were challenged by the Company and the respective proceeding are pending at the lower level before the Regional Administrative Court of Lombardy - Brescia Section.	For all pending proceedings the Court has yet to schedule a hearing for oral arguments.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Brindisi - Administrative proceedings		
February 25, 2013 Apulia Regional Administrative Court - Lecce Section	These proceedings concern the industrial park of the Port of Brindisi, where the Montedison Group operated petrochemical facilities for over 60 years. On February 25, 2013, the Province of Brindisi notified to Edison, Eni, Syndial and Versalis an injunction pursuant to Article 244, Section 2, of Legislative Decree No. 152/2006 (so-called "Environmental Code") concerning an alleged landfill adjacent to the Brindisi petrochemical plant. The Company challenged this injunction and, after its plea was denied by the lower court, is waiting for a pronouncement at the appellate level by the Council of State.	Waiting for a hearing for oral arguments to be scheduled.
Crotone - Criminal Proceedings		
2005 Court of Crotone	The proceedings concerned are three. The first concerns the alleged occupational diseases that would have been determined by exposure to asbestos of workers of the chemical facility operated in Crotone by Montecatini Spa (Montedison Group), for events occurring until 1989. The trial is in the final phase. The second is related to a dispute of poisoning of the groundwater and, consequently, of the water intended for feed and the pre-trial hearing is in progress. Also the third is related to occupational disease and the pre-trial hearing is in progress.	As per the description of the dispute.
Belvedere di Spinello - Civil Proceeding		
October 31, 1986 Court of Catanzaro/Catanzaro Court of Appeals	This proceeding concerning the Belvedere di Spinello mining concession, derives from rock salt mining activities carried out at this location by Montedipe Spa for over 20 years. The proceeding has to do with compensation for the damages suffered by two provincial administrations due to the destruction of a provincial road caused by the collapse of the mine in 1984. This proceeding is pending at the appellate level and the Court requested a technical expert's report.	The filing of the expert's report is expected.
Claims for Damages Caused by Exposure to Asbestos		
	In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison Spa (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.	
OTHERS GROUP COMPANIES		
Pizzo Sella Real Estate Development and Seizure of Assets in Sicily		
	The negative assessment action filed by Finimeg (now Nuova Cisa), formerly the parent company of Poggio Mondello, asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Court of Cassation in December 2001 be ruled unenforceable (the seizure also covers other real estate assets owned by Poggio Mondello) continued with no significant new developments. Likewise, in the appeal concerning the same issues that was filed against the decision handed down by the Court of Palermo finding that the court before which the action was filed lacked jurisdiction (the criminal court being the proper court of venue) and denying the claims for damages filed by Finimeg (now Nuova Cisa) against the City of Palermo. There were no developments worthy of mention.	
Main disputes of Fenice		
Late communication of the contamination - Waste-to-Energy plant of Melfi (ITM Melfi): environmental disaster - criminal proceedings		
February 3, 2009, Court of Melfi then Court of Potenza	Proceedings for the alleged offence of environmental disaster following an event of contamination of the soil/subsoil caused by an accidental leakage from a tank that was reported late. The Basilicata Regional Administration (seeking compensation of 1 million euros for damage to its image and to the environment), Legambiente Basilicata Onlus (which did not quantify the damage, leaving it up to the judge to decide the damage to the environment) and the Province of Potenza (asking for damages of 10 million euros) joined the proceedings as civil parties seeking damages.	Lower court. The proceedings are in the oral arguments phase.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Late communication of the contamination - Waste-to-Energy plant of Melfi (ITM Melfi): fine for the delay - civil proceedings		
May 31, 2010 Court of Potenza	The Provincial Administration notifies a Payment Order-Injunction for about 1 million euros for violation of Article 304, Section 2, of Legislative Decree No. 152/06 because Fenice failed to report the contamination within the statutory deadline, specifically having reported the contamination with a delay of 1,039 days from the date when the CSC was exceeded. The computation of the fine starts from the date when Legislative Decree No. 152/06 was enacted (i.e., from April 29, 2006 until March 03, 2009). With regard to this violation, Fenice was offered the possibility of paying a reduced fine of about 1 million euros (minimum decreed); this sum could rise to the maximum decreed amount of 3 million euros because Fenice opposed it and countersued. On May 6, 2013 the Court of Melfi, by accepting the application for interim relief proposed by the company, suspended the executive effect of the injunction order.	Lower court. The proceedings were adjourned to April 18, 2018 to hear oral arguments.
Internal Users Networks (RIU): appeal against the Electric, Gas and Hydroelectric Energy Authority (AEEGSI) for voiding of AEEGSI Resolution No. 539/2015 of November 12, 2015. "Rules governing connection, metering, transmission, distribution, dispatching and sales services for Closed Distribution Services" - administrative proceedings		
January 11, 2016, Lombardy Regional administrative Court	Challenge filed against an AEEGSI Resolution jointly with the customers to whom Fenice provides its services, as the customers are the Operators of the RIUs and thus the direct targets of the Resolution. Specifically, according to this Resolution, private networks are equivalent to (public) distribution networks and, consequently, the Operator of an RIU is likened to an electric power distributor as of October 1, 2017 (original deadline January 1, 2017, later extended to October 1, 2017 by a subsequent Resolution dated December 2016) with very costly economic and organizational effects for the Operator. Furthermore, the Resolution requires, also as of October 1, 2017, the payment of dispatching charges (now approximately 15 €/MWh) on the electric power consumed within the RIU (originally, it was paid only on the energy drawn from the grid). The company believes that the risk is low, also considering that, in any event, the dispatching charges would be payable by the Operators, who are Fenice's Customers, and not by Fenice.	Lower court. Merit hearing on November 17, 2016: waiting for a decision to be handed down.
Fenice - FCA Unità Plastica Melfi contract		
March 24, 2016 Document of the GSE of cancelling the CAR acknowledgement for the years 2012, 2013 and 2014	The GSE communicating the cancellation of the CAR reimbursement for the productions in the accounting years 2012, 2013 and 2014 due to a failure to comply with the Ministry Decree of September 5, 2011. A consequence of the cancellation of the CAR reimbursement is the return of the White Certificates and the loss of the SEU status with consequent payment of the dispatching charges (an estimate amount of 3,9 million euros). Fenice believes that the cancellation of the CAR reimbursement was caused by the FCA's failure to approve the investments necessary to meet "CAR Requirement" for at least 50% of the electric power produced. Fenice and FCA should reach an agreement for sharing dispatching charges.	Waiting to receive a communication that the SEU status was denied, which will result in the obligation to pay dispatching charges.

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

EDISON SPA

Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa
Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Ausimont - Bussi sul Tirino - Administrative proceedings		
June 2011 Latium Regional Administrative Court - Rome Section and Abruzzo Regional administrative Court - Pescara Section	This dispute concerns the activities to ensure site safety and remediation that Solvay Solexis (now Solvay Specialty Polymers) and Solvay Chimica Bussi were required to implement at areas inside the Bussi sul Tirino chemical plant, operated, until 2002 by Ausimont Spa, a Montedison Group company that was sold to the Solvay Group. Edison was sued by the companies of the Solvay Group as counter-interested party and as former parent of Ausimont. These proceedings are still pending before the Council of State, after the Regional Administrative Court of Latium, by a decision handed down in March 2011, found that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints.	As per the description of the disputes.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
Ausimont - Bussi sul Tirino - Criminal proceedings		
2008 Court of Pescara/Chieti Court of Assizes/Court of Cassation/Court of Assizes of Appeals of L'Aquila	The events concerning the alleged negligent poisoning of water intended for human consumption and environmental disaster, for which three former managers and employees of the Montedison Group and others are allegedly responsible, is currently pending before the Court of Cassation. As mentioned in the notes to the previous financial statements, in December 2014, the Chieti Court of Assizes acquitted all defendants. This decision was then appealed directly to the Court of Cassation both by the Public Prosecutor and the counsels for the defendants, for different profiles. However, in March 2016, the Court denied the appeals converting them into appeals to the appellate court, sending the record of the proceedings back to the Court of Assizes of Appeals of L'Aquila. Oral arguments began in December 2016 and a decision is expected in February 2017. **** However, it is important to keep in mind that Edison, further to the decision by all defendant to opt for summary judgment proceedings, was excluded ex lege from this trial in which it was being sued as the civilly liable party. Edison is thus faced with the following alternative scenarios: i) if the decision acquitting the three former Montedison employees were to become final, the decision would have a direct effect on the civil law plaintiffs, excluding any right to receive compensation for damages from Edison, the civil law respondent; ii) on the other hand, if upon a reversal of the recent acquittal decision, the courts were to hand down a final guilty verdict against the three defendants, former employees of the Montedison Group, the decision would have a direct effect only on the defendants, but not with regard to Edison Spa. Any interested party would then have to pursue new proceedings before a civil court to determine the liability of Edison Spa for the actions of its former employees.	As per the description of the disputes.
Ausimont - Spinetta Marengo - Administrative proceedings		
February 2012 Piedmont Regional Administrative Court	The case concerns activities that Solvay Specialty Polymers was ordered to carry out, under various titles, to ensure safety and environmental remediation of areas inside the Spinetta Marengo (AL) chemical plant. This plant was operated until 2002 by Ausimont Spa, a Montedison Group company sold to the Solvay Group in May 2002. Edison joined these proceedings exclusively to protect its rights and legitimate interests in connection with the challenges filed against the administrative actions of the relevant Services Conference by Solvay Specialty Polymers, which specifically contested the failure to identify Edison as a respondent or correspondent in the proceedings.	As per the description of the proceedings.
Ausimont - Spinetta Marengo - Criminal proceedings		
October 2009 Alessandria Court of Assizes	Also with regard to the former Ausimont industrial site of Spinetta Marengo, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes. Edison is being sued by certain parties as the civilly liable party. On December 14, 2015, the Court of Assizes convicted four of the eight defendants of the crime of negligent environmental disaster and ordered them, jointly with Solvay Specialty Polymers, to pay civil damages to the civil plaintiffs who joined the proceedings. This decision has been appealed to the Turin Court of Assizes of Appeals of Turin and a hearing for oral arguments has not yet been scheduled.	As per the description of the dispute.
Ausimont - Solvay Arbitration		
May 2012 ICC - Geneva	These arbitration proceedings were initiated in 2012 by Solvay Sa and Solvay Specialty Polymers Italy Spa against Edison, for alleged violations of certain representations and warrantees in the environmental area concerning the industrial sites of Bussi sul Tirino and Spinetta Marengo included in the deed of sale of Agorà Spa (parent company of Ausimont Spa) executed on the one hand by Montedison Spa and Longside International Sa and on the other hand by Solvay Solexis Spa (now Solvay Specialty Polymers) in December 2001. Further to the publication of the rationale for the lower court's decision in the criminal proceedings pending for the Bussi sul Tirino and Spinetta Marengo sites, the parties agreed to continue the proceedings and discuss the merit of the respective claims.	As per the description of the dispute.

Date started/ Jurisdiction	Description of dispute	Status of proceedings
C) Liabilities for which a provision for environmental risks was recognized in the balance sheet:		
EDISON SPA		
Montedison - Former-Montedison area called "Old Officine del Gas" in Milan - Bovisa		
June 2013 Court of Milan	On May 5, 2016, the parties, without prejudice to the criticism formulated during the course of the judgment, reached a settlement for an overall amount of about 5 million euros.	Concluded.
Montedison - Melegnano industrial facility - Chimica Saronio - Administrative proceedings		
December 18, 2007 Lombardy Regional Administrative Court - Milan and Council of State	These disputes are part of a broader context of administrative proceedings and litigation between Edison and the municipalities of Melegnano and Cerro al Lambro, concerning the alleged consequence of chemical processes that Industrie Chimiche Saronio Spa ("Saronio") carried out in Cerro al Lambro until the early 1940s and in Melegnano until the early 1960s. The opposing parties claim that, through a series of company transfers, Edison is the responsible party for Saronio and, consequently, should now answer for alleged environmental issues in the Saronio area, allegedly caused by Saronio's activity. The various injunctions for activities to ensure the safety and remediation of the two sites issued by the municipalities were challenged by Edison and this dispute, after a comprehensive preliminary phase, is currently pending before the Council of State after the Lombardy Regional Administrative Court, in 2009, while not holding Edison in any way responsible for the pollution ordered Edison to proceed with activities to ensure the safety of the aquifer (i.e., through the construction of a hydraulic barrier).	Waiting for an oral argument hearing to be scheduled.
Bussi sul Tirino National Interest Site - "former Montedison Srl area" and Bolognano site		
2011 and 2015 Abruzzo Regional administrative Court - Pescara Section	**"Former Montedison Srl area"**: the site in question is the so-called "Tre Monti" area, currently owned by Edison Spa (formerly Montedison Srl, merged into Edison as of July 1, 2012), which is adjoining the Bussi sul Tirino industrial site currently owned by the Solvay Group and where in the 1970s waste, including industrial waste, was dumped. This site, seized under a court order since 2007, is currently managed by the Ministry of the Environment and the Protection of the Territory and the Sea, which in 2016 replaced the Delegated Commissioner appointed by the Office of the Prime Minister in 2007. Please note that Edison has already provided economic support for activities to ensure the area's safety between 2010 and 2011. However, in November 2012, subsequent to a request for additional activities issued by the abovementioned Commissioner when a soil characterization had not yet been performed, Edison appealed to the Abruzzo Regional administrative Court – Pescara challenging the legitimacy of the Commissioner's actions. **Bolognano site**: with regard to the Bussi sul Tirino National Interest Site, on September 24, 2015, the Pescara Provincial Administration served Edison Spa with a remediation and environmental restoration injunction pursuant to Article 244 of Legislative Decree No. 152/2006 concerning the "former Montecatini" site in Piano d'Orta, located in the municipality of Bolognano (PE), where Montecatini operated a chemical plant in the 1960s. Edison filed a challenge with the Regional Administrative Court of Abruzzo - Pescara Section contesting the legality of this order.	Waiting for an oral argument hearing to be scheduled in both proceedings.
OTHERS GROUP COMPANIES		
Fenice		
Melfi Site - Remediation procedure for a soil/subsoil contamination event - administrative proceedings		
March 12, 2009 contamination report	On 3/12/2009 Fenice reported the presence of contamination of the soil/subsoil caused by an accidental leak, as required by Article 242, Section 1, of Legislative Decree No. 152/2006 and simultaneously carried out an Emergency Safety Implementation Plan (MISE). This leads to a remediation process' start-up in which the company proposed a remediation project structured in successive stages. The drawing up the remediation project on site is under development, with laboratory controls, field pilot projects and drawing up the operational remediation project.	As per the description of the dispute.

Date started/ Jurisdiction	Description of dispute	Status of proceedings

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

EDISON SPA

Dispute between Axpo Italia and Edison - Supply contract for natural gas

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

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Contingent Liabilities Associated with Legal Disputes

Enviromental Legislation

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

EDISON SPA

ACEA - Unfair competition complaint in connection with the acquisition of Edipower Spa

August 7, 2006 Court of Rome	This litigation stems from a complaint filed by ACEA Spa against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, for an alleged act of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, caused by the violation of the 30% ceiling on the ownership of Edipower Spa by government-owned companies, as set forth in the Prime Minister Decree dated November 8, 2000. This violation allegedly occurred when EdF and AEM acquired joint control of Edison in 2005. ACEA considered such modification of the control structure of Edison and, consequently Edipower, injurious to itself and asked that AEM (now A2A) and EdF be ordered to pay damages. In addition, ACEA asked the Court to take the actions necessary to void the consequences of the acquisition. Regarding this last request by ACEA, it must be noted that effective May 24, 2012, Edison sold the interest it held in Edipower to Delmi Spa. Insofar as Edison is concerned, the lower court proceedings ended with a decision in which Edison was found to have no standing as a defendant.	By a brief filed on September 29, 2014, ACEA appealed the Court of Rome's decision and, on December 15, 2016, the Rome Court of Appeals denied ACEA appeal.

Montedison - Civil proceedings concerning alleged damages deriving from the operation of industrial activities at the Malcontenta site

August 7, 2006 Court of Venice/Venice Court of Appeals	This lawsuit, from which comes the dispute arising by 3V CPM Chimica, is related to industrial activities carried out by the Montedison Group at the Porto Marghera petrochemical facility and, specifically, the alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park. By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison. On April 14, 2015, this decision was upheld by the Venice Court of Appeals.	As per the description of the dispute.
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Date started/ Jurisdiction	Description of dispute	Status of proceedings
Acquisition of Rizzoli Editore		
September 25, 2009 Court of Milan/Milan Court of Appeals	This dispute originates from a lawsuit filed by Angelo Rizzoli against Edison (as assign for Iniziativa Meta Spa), RCS MediaGroup, Mittel, Giovanni Arvedi and Intesa San Paolo (as assign for Banco Ambrosiano) in connection with the purchase in 1984, by the abovementioned parties, of a controlling interest in Rizzoli Editore (owner of the Corriere della Sera newspaper). The purpose of the lawsuit was to obtain that the contracts that resulted in the abovementioned purchase be found to be and declared null and void and that the defendants be ordered to make restitution by paying the financial equivalent of the rights and equity interests subject of the abovementioned contracts. By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims, ordering the plaintiff to pay the litigation costs and the compensation damage for vexatious litigation (quantified at about 1.3 million euros). The proceeding is pending before the Milan Court of Appeals.	As per the description of the dispute.
Montecatini Spa - Montefibre Spa - Verbania - criminal proceedings		
2002 - 2015 Court of Verbania/Turin Court of Appeals	All these trials concern the alleged responsibility of former Directors and executives of the Montedison Group for the crimes of involuntary manslaughter and involuntary personal injuries in the violation of the occupational accident prevention regulations, caused in connection with the death or illness of employees of Montefibre Spa at the old plant Montefibre of Pallanza (VB) plant allegedly caused by exposure to asbestos. Edison Spa is exclusively involved in its capacity as the former parent company (until 1989) of Montefibre. A first trial, initiated in 2002, concluded in 2012 with the acquittal of the defendants, confirmed by Court of Cassation. In a second trial, started in 2007 after the acquittal of first instance of the defendants, the decision was reformed on appeal; challenging this decision an appeal was filed with the Court of Cassation. For the third proceeding, started in 2015, oral arguments are in progress.	As per the description of the dispute.
"Vega" Offshore Hydrocarbon Field - "Vega Oil" floating storage unit		
August 2007 Court of Modica/Court of Ragusa	With judgment of May 6, 2016 the Court of Ragusa acknowledged the expiry of the time barring limit for all the counts to the benefit of all the defendants	Concluded.
Ausimont's participation in a cartel in the peroxides and perborates market - Claim for damages		
April 2010 Court of Düsseldorf - Court of Justice of the European Union	In April 2010, Edison was served with notices setting forth four amending briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Düsseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006. Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. However, the proceedings are still in the preliminary phase. This is because, in 2013, the judge in the proceedings decided to submit some pretrial questions to the Court of Justice of the European Union, which handed down Decision No. C-352/13 on May 21, 2015.	The merit proceedings are continuing with the exchange of briefs between the parties, waiting for the judge to decide if the lawsuit should proceed pending a decision.

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Disputes disclosed merely for information purposes

Carlo Tassara Spa - Civil lawsuit regarding the restructuring of Edison Group		
March 2015 Court of Milan	On March 18, 2015, Carlo Tassara Spa served EDF Sa, A2A Spa and Edison Spa with a summons seeking compensation for alleged damages that it suffered due to the restructuring of the stock ownership of the Edison Group in 2012, carried out with an all-inclusive Tender Offer launched by Transalpina di Energia (100% EDF) for Edison and Edison's concurrent sale to Delmi of 50% of the Edipower shares. This civil lawsuit is specifically directed against A2A and EDF. Edison is summoned in the proceedings only so that, should it deem it appropriate, it may take part in the proceedings to protect its interest. In this capacity, Edison is not the target of any claim filed by Tassara. The Company joined these proceedings within the statutory deadline to contest Tassara's claims. On November 3, 2016, within the framework of the proceedings, the Court of Milan handed down a decision dismissing the preliminary and prejudicial exceptions filed by the defendants and adjourned the proceedings for a merit hearing.	At the hearing of the December 20, 2016, the Court gave the parties the for filing briefs pursuant to Article 186, Section Six, of the Code of Civil Procedure.

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Date started/ Assessing office	Description of dispute	Status of proceedings
	Probable Liabilities Associated with Tax Disputes	
EDISON SPA		
Income Tax Assessments for 1995, 1996 and 1997 (merged Edison Spa)		
Assessments notified in 2001 and 2002 by the Milan Revenues Agency (former Milan Income Tax Office)	Further to the decisions handed down by the Court of Cassation in 2016, the disputes were sent back to the Regional Tax Commission to reexamine the issue of the admissibility for tax purposes of the advances on capital contributions provided by the merged Edison Spa for the benefit of some foreign subsidiaries. Over the years, a provision for risks has been established to cover the costs that could derive from this dispute and will be updated based on the progress of the proceedings.	Dispute sent back to the Regional Tax Commission.
Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)		
Assessments notified in 1997-1998 by the former Ravenna Income Tax Office	These disputes concern the reported income for 1991 and 1992 and, specifically, the disallowance of the tax effect of transactions involving the beneficial ownership of shares carried out by Calcestruzzi Spa (Edison Spa current assign), with regard to which a charge of "misuse of a legal right" was invoked in the proceedings. In 2012, the Company filed a new challenge with the Court of Cassation, asking it to review the decisions handed down by the Regional Tax Commission, to which the proceedings had been returned before the Supreme Court. A date for a new hearing has not yet been set. In 2012, the tax obligation having become enforceable, the Company paid the taxes, penalties and interest owed pursuant to the decision by the Regional Commission. The payment made was fully funded by a provision for risks established for this purpose, instead the residual provision is attributable to minor tax recoveries, subject of an incidental challenge by the Revenue Administration.	The dispute is pending before the Supreme Court.
IRES and IRAP Assessments - 2005-2009 Tax Years		
Assessments notified in 2011 - 2014 by the Revenue Agency - Lombardy Regional Office	Further to the findings of the general audit completed in 2011 by the Revenue Police concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2009, the Company received IRES and IRAP notices of assessment for the years 2005-2008, which were voided in the course of the proceedings in connection with the settlements for the part regarding back-listed costs. Currently, the assessments for the years 2005 to 2007 are being appealed before the Court of Cassation by the Agency with regard to tax recoveries, voided in the merit venues, of costs found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period. The assessment for the 2008 year is currently pending before the Regional Commission, also further to an appeal filed by the Revenue Agency, while the assessment for 2009 was settled through a negotiated settlement. The VAT assessment for 2006 is currently pending before the Supreme Court of Cassation further to a challenge filed by the Company. The amount owed in terms of additional tax, penalties and interest in accordance with the Regional Commission decision was paid in September 2014 while the proceedings are in progress. Any charges that may be potentially incurred from these disputes are covered by a special provision for risks.	Assessments pending before Court of Cassation and the Regional Tax Commission.
Disputed municipal property taxes (ICI and IMU) and assessed property values of hydroelectric and thermoelectric power plants		
Various assessments to revise the assessed property values notified over the years by the Territorial Agency, offices with territorial jurisdiction. Assessments for local property taxes (ICI and IMU) notified over the years by various municipalities where power plants or parts of them are located	The Company is a party to disputes concerning assessments for municipal property taxes (originally ICI and later IMU) issued by some municipalities where its power plants or parts of them are located. The outcomes of these disputes have not been uniform. Over the years, whenever possible, the Company settled amicably or preemptively, pending or potential disputes. The provision for risks, which is updated on a regular basis, takes into account the possible costs that may arise from these disputes or incurred for negotiated settlements with municipalities for local taxes. The Company is also a party to disputes related to the decision by the Revenue Agency (formerly the Territorial Agency) to contest the assessed property values for industrial facilities recorded in the property registers. Also in this case, the outcomes of these disputes have not been uniform and whenever possible, agreements were achieved with the administration authority to define amicable the new assessed property values. It is worth mentioning that the 2016 Stability Law provided, for industrial facilities classified in the D Category of the property register, a change in the elements that are relevant for the purpose of determining the assessed value. Consequently, in 2016, the Company updated the assessed property values, excluding from the value that is relevant for assessment purposes the portion of the facilities functional to the specific production process (so-called "bolted down"), resulting in a reduction of the expense starting from 2016.	Assessments pending, at various levels of the judicial process, before the merit and relevant courts.

Date started/ Assessing office	Description of dispute	Status of proceedings
Disputed Municipal Property Taxes (ICI) on Offshore Hydrocarbon Production Platforms		
Various assessments for local taxes (ICI and IMU) from various municipalities, from 2005 to the present	In recent years, Edison Spa was served with notices of assessment for property taxes (ICI and later IMU) by which some municipal administrations on the Adriatic coast (Termoli, Porto Sant'Elpidio, Torino di Sangro, Scicli, Vasto and Civitanova Marche) demanded payment of municipal property taxes they claim are owed on some hydrocarbon production platforms located in the Adriatic Sea and the Strait of Sicily. After developments that were substantially favorable for the Company in the merit hearings up to 2015, in February 2016 the Court of Cassation, in the Eni/Municipality of Pineto dispute ruled that offshore platforms within the territorial waters were subject to local taxes based on their book value, whether or not they are listed in the Property Register. In June 2016, the Ministry of Finance issued an official pronouncement stating that the levying of local taxes on the platforms was illegitimate, emphasizing the need for a two-fold expressed legislative action both to define the territorial jurisdiction and the criteria for Property Register listing and to extensively amend the IMU statute. However, in September 2016, the Court of Cassation handed down its decisions regarding two appeals filed by Edison Spa and the Municipality of Termoli for two different ICI disputes concerning Rospo Mare, which produced opposite outcomes in the appellate phase. The Court of Cassation, citing in part the arguments of the February decision voided both decisions sending the disputes back to the Regional Commission, asking it to determine the assessed value based on financial statement data and, in one dispute, verify whether the Municipality of Termoli does in fact have territorial jurisdiction. The Company recognized a conservative provision for risks and will resume pursuit of these disputes within the required deadline. However, it is important to emphasize the lack of a clear legislation in this area also with regard to determining the assessed property values. Any adjustment to the provision for risks will be dictated by the evolution of the situation.	Assessments pending, at various levels of the judicial process, before the merit and relevant courts.

OTHERS GROUP COMPANIES

Date started/ Assessing office	Description of dispute	Status of proceedings
Edison Trading Spa - IRES and IRAP Assessments for 2005		
Assessments notified in 2010 and 2011 by the Lombardy Regional Office - Revenue Agency	The IRES (Level I) and IRAP assessments for 2005, concerned mainly expenses found to be "not attributable" to the year in which they were recognized and deducted, were challenged before the Regional Offices without favorable outcomes, the Company appealed to the Court of Cassation within the allowed deadline. The Level II IRES, demanding payment for an increased IRES liability, were voided in a decision by the Provincial and Regional Tax Commission and actually pending before the Court of Cassation further to an appeal filed by the Revenue Agency. The notice of imposition of penalties related to the IRES assessment was also the subject of a challenge. In this case as well, the Revenue Agency is appealing to the Supreme Court of Cassation, subsequently to favorable outcome for the various jurisdictional levels. A provision that takes into account the costs deriving from this dispute was recognized and partly utilized in 2016 to pay minor amounts in the course of the proceedings.	Pending before the Court of Cassation.

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Contingent liabilities associated with tax disputes

EDISON SPA

Date started/ Assessing office	Description of dispute	Status of proceedings
IRPEG and IRAP assessments for 2002		
Assessments notified in 2005 by the Revenue Agency of Milan 1	The dispute concerns the IRPEG and IRAP assessments for 2002 by which the reported loss was adjusted and the tax deductibility of the costs incurred for divestment transactions executed during the year was contested. The decisions at the various levels of the merit process were largely favorable and, in 2016, the Court of Cassation definitively voided the main tax recovery sending the proceedings back to the lower court for some tax minor recoveries. Consequently, the dispute was sent back to the Regional Tax Commission. The Company never found it necessary to recognize a provision for risks given the nature of the dispute and the amount of the potential charges.	Dispute sent back to the Regional Tax Commission.
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Date started/ Assessing office	Description of dispute	Status of proceedings
Dispute for registration fees on transactions requalified as disposal of business operations for the Taranto plants		
Payment notice notified in 2012 by the Rho Revenue Agency	In 2012, the Rho Revenue Agency sought to requalify, for registration tax purposes, a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CET2 and CET3 thermoelectric power plants in Taranto) to Taranto Energia Srl and the subsequent sale of the equity interest in this company to ILVA Spa as a mere sale of a business. Consequently, it demanded, by a payment notice, the payment of the proportional registration tax in the amount of 17 million euros. Actually the judgment is pending before the Court of Cassation because the Company challenged the decision of the Regional Tax Commission (instead the decision in first instance was totally favorable). As of today the date of a discussion hearing for the assessment has not yet been set. The Company believes that its actions were proper, fully in compliance with the law and not pursued solely for tax avoidance purposes. It also believes that any cost arising from this dispute should be viewed as part of the possible contractual risks deriving from the contract signed with ILVA, for which suitable coverage has been recognized in the financial statements.	Waiting for a hearing before the Supreme Court of Cassation.
OTHERS GROUP COMPANIES		
Edison Energia Spa - Customs VAT assessment for 2001, 2002 and 2003 (merged EDF Energia Italia Srl)		
Notice of assessment notified in 2006 by the Milan Customs Agency	This dispute concerns a demand for payment of customs VAT for the years 2001-2003 on imports ascertained by the Milan Customs Office in connection with purchases of electric powers from foreign parties, to which the company (the merged EDF Energia Italia) applied the reverse charge mechanism. In 2014, the Supreme Court quashed and sent back to the lower venue a decision, unfavorable for the company, handed down by the Regional Tax Commission in 2011, asking it to ascertain whether the reversed charge mechanism was applied to the contested transactions - as was in fact the case -and whether, consequently, this would cause double taxation if the customs VAT was also applied, in violation of E.U. principles. The Regional Tax Commission, to whom the proceedings had been returned, acknowledged the occurrence of double taxation and consequently the right to reimbursement of the amounts paid while the proceedings were in progress. The decision of the Regional Tax Commission became final and the procedure to obtain a refund of the amount owed has already been activated. However, please note that the customs VAT paid while the proceedings were in progress must be repaid to EDF International, which paid all of the costs related to these proceedings by virtue of the contractual guarantees it provided when time the equity investment was acquired.	A favorable decision by the Regional Tax Commission became final and the refund procedure is in progress.
Edison International Spa - General audit by the Revenue Agency for the years 2010-2013		
Tax Audit Report completed in October 2015 by the Lombardy Regional Department of Revenues - Resulting notices of assessment for 2010 and 2011	In 2015, the Lombardy Regional Department of Revenues – Major Taxpayer Office performed a general audit for the 2010 to 2013 tax years of Edison International Spa, the company through which the Group operates, through foreign branches, major international E&P activities. The main finding concerns the accounting and tax treatment attributed to the tax refund recognized under Norwegian tax laws in relation to the tax value of exploration costs, derived from the tax return filed in Norway by the Company's permanent Norwegian organization. At the end of December 2015, the resulting corporate income tax notice of assessment for 2010 was notified and will be challenged before the Milan Provincial Tax Commission in February 2017. Corporate income tax and Robin Hood tax assessment for 2011 were also notified in December 2016. The company, comforted in part by opinions rendered by highly respected experts in Italy and Norway, believes that it acted fully in compliance with financial reporting and tax laws and, consequently, will argue for a revision of the audit finding at all jurisdictional levels. In view of these well founded considerations, no provision was recognized.	Pending before the Provincial Tax Commission.
Edison Trading Spa - Notice of assessment for 2010 VAT		
VAT assessment notified in December 2015 by the Lombardy Regional Department of Revenues	Further to a questionnaire notified in 2015 by which the Regional Department of Revenues requested information and documents concerning certain transactions involving purchases of green certificates in 2010, at the end of 2015, the Revenue Agency served Edison Trading with a VAT notice of assessment contesting the deduction of VAT for the abovementioned transactions and imposing the corresponding penalties. The company challenged the notice of assessment before the Provincial Tax Commission, in the belief that its conduct was fully legitimate and reasonable, taking also into account the fact that the contested green certificates were purchased on the platform of the Energy Market Operator (GME) from a counterparty authorized to execute transactions by the GME. The Commission stayed the collection of the assessment and held a merit hearing in September 2016. A decision is pending. In view of the company's correct and lawful conduct, there appears to be no need to recognize a provision for risks.	Pending before the Provincial Tax Commission.

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CONTINGENT ASSETS

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

Date started/ Assessing office	Description of dispute	Status of proceedings
Edison Spa – Dispute for registration fees on transactions requalified as disposal of business operations regarding CIP 6/92 power plants		
Payment notice notified in 2010 by the Rho Revenue Agency	In 2010, the Rho Revenue Agency sought to requalify, for registration tax purposes, a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CIP 6/92 thermoelectric power plants) to a newco and the subsequent sale of the equity interest in this company to Cofatech Spa as a mere sale of a business. Consequently, it demanded, by a payment notice, the payment of the proportional registration tax in the amount of 11 million euros, which the Company paid in order to avoid incurring penalties and absent a stay of collection activities. This dispute is currently pending before the Court of Cassation, following an appeal filed by the Company against an unfavorable decision by the Milan Regional Tax Commission (instead the Provincial Commission had ruled totally in the Company's favor). Any amounts paid while the proceedings are in progress can be refunded to the Company upon final disposition of this dispute, which the Company believes could end favorably with the recognition of the economic and legal rationale underlying the decision to use the legal structure of conveyance of business operations.	Waiting for a hearing before the Supreme Court of Cassation.

GROUP FINANCIAL RISK MANAGEMENT

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

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

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

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

From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the derivatives trading activity.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (so-called Industrial Portfolio), except for those related to Trading Activities described below (so-called Trading Portfolios), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), measured in terms of Profit at Risk (PaR[2]) with a confidence index of 97.5% and an annual time horizon.

Each year, the Board of Directors approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
These activities are performed in line with the policy of the Group with the aim to minimize the use of financial markets for hedging, by maximizing the benefits of vertical and horizontal integration of the various business operations and the homogenization of the formulas and indexing between the sources and physical uses. In addition, the gradualness of Strategic Hedging ensure the minimization of the execution risk, related to the concentration of all the hedges in a phase of unfavorable market, the volume risk, linked to the variability of the underlying hedged based on the best volume projections, and of the operational risk, related to implementation errors.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called Operational Hedges with the aim to fix the margin related to a single transaction or to limited set of transactions correlated.
At December 31, 2016, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.

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

The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year. The possibility to negotiate these products also on EEX (European Energy Exchange) minimally contributed to the improvement of liquidity, determining, more than an increase, a shift of negotiated volumes on other platforms. As the electric power also the forward market for gas does not be qualified as an active market. The transactions were concentered almost totally Over The Counter (OTC), with a share of about 1% traded on regulated market as MT-GAS (forward market managed by GME) or Powernext.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.
As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges or Fair Value Hedge) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2019. For derivative contracts maturing in 2017, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility and correlations of the spot markets. For derivative contracts maturing after 2017, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves at the end of the reporting period are used as a reference level.
Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding derivative contracts over the length of a reporting year with a level of probability conventionally set at 97.5%.
The following table shows, based on the method explained above, the maximum expected negative variance in the fair value of the outstanding hedging derivatives by the end of 2017 with a 97.5% probability, compared with the fair value determined at December 31, 2016.

Profit at Risk (PaR)

(in millions of euros)	**12.31.2016**	12.31.2015
Maximum negative variance in the fair value (*)	641.7	653.6

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

In other words, compared with the fair value determined for hedging derivatives outstanding at December 31, 2016, the probability of a negative variance greater than 641.7 million euros by the end of 2017 is limited to 2.5% of the scenarios. The decrease compared with the level measured at December 31, 2015 is mainly attributable to lower volumes related to foreign exchanges.
The hedging strategy deployed during the year enabled the Group to comply with its risk management objectives; the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital in terms of absorption of economic capital is the following:

Industrial portfolio - Economic Capital absorbed

	2016		**2015**	
	without derivatives	with derivatives	without derivatives	with derivatives
Average absorption of the approved limit of Economic Capital	86%	34%	75%	55%
Maximum absorption	264% - Jan. '16	87% - Jan. '16	175% - Dec. '15	100% - Dec. '15

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

Value at Risk (VaR) (*)

	12.31.2016	12.31.2015
Daily VaR Limit (**)	2.3 million euros	2.7 million euros
Stop Loss Limit	12 million euros	13.9 million euros
Utilized VaR limit at the end of the period	11%	24%
Average utilized VaR limit in the period	14%	18%

(*) Value at Risk: is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval.
(**) With a level of probability of 95%.

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

Trading Portfolios - Economic Capital absorbed

	2016	2015
Economic Capital's limit	35.7 million euros	42.0 million euros
Utilization at the end of the period	14%	27%
Average utilization	16%	24%

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that part of the activities of the Edison Group are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contractual components indexed to a foreign currency. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk). Lastly, fluctuations in foreign exchange rates have an impact on consolidated results and on the shareholders' equity attributable to Parent Company shareholders because the financial statements of subsidiaries denominated in a currency other than the euro are translated into euros from each subsidiary's functional currency (translational risk).
The foreign exchange risk management objectives are described in specific Policies. The exposure to economic and transaction risk arising from exchange rate, related to commodity transactions, is managed in accordance with specific limits and strategies (see the previous paragraph in this regard).

3. Interest Rate Risk

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

Gross Financial Debt - Mix fixed and variable rate:

(in millions of euros)	12.31.2016			12.31.2015		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	611	11	1%	1,009	409	26%
- variable rate portion	679	1,279	99%	564	1,164	74%
Total gross financial debt (*)	**1,290**	**1,290**	**100%**	**1,573**	**1,573**	**100%**

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

After the early reimbursement (on May 9, 2016) for 400 million euros of the fixed tax rate loan provided by EDF Investissements Groupe Sa, the Edison Group has negotiated loans at variable tax rates (mainly the Euribor rate). Even the fixed rate bond loan of 600 million euros expiring on November 10, 2017 is converted to variable rate by means of the Interest Rate Swap, based on the 6 months Euribor rate. Edison currently benefits from the lower cost of the variable rate with respect to the fixed rate cost, with a significant saving of financial charges. The table below provides a sensitivity analysis that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2016 and provides a comparison with the 2015.

Sensitivity analysis

(in millions of euros)	2016			2015		
	Impact on financial expense (P&L)			Impact on financial expense (P&L)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**21**	**16**	**13**	42	36	30

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 2016 totaled 4,729 million euros (6,208 million euros at December 31, 2015). At December 31, 2016, these receivables were exposed to the risk of recourse for an amount lower than 1 million euros.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Edison Group deals only with entities with a high credit rating. At December 31, 2016, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties. The table below provides an overview of gross trade receivable, the corresponding allowance for doubtful accounts and the guarantees held to secure the receivables.

(in millions of euros)	12.31.2016	12.31.2015
Gross trade receivables	2,081	2,694
Allowance for doubtful accounts (-)	(251)	(327)
Trade receivables	**1,830**	**2,367**
Guarantees held (*)	457	428
Receivables less than 6 in arrears	156	163
Receivables 6 to 12 months in arrears	93	116
Receivables more than 12 months in arrears	404	402

(*) Including 145 million euros to hedge receivables outstanding at December 31, 2016.

The decrease in receivables in arrears compared with December 31, 2015 is chiefly due to an ongoing credit management approach differentiated for the three market segments (Retail, Business and Public Administration) with the aim, with structural actions, to prevent the accumulation of new receivables and quickly reduce current receivables and receivables in arrears. More specifically it should be noted:

- in the Retail segment the focus on the quality of the customer base and the effectiveness of the credit management processes, as well as the more stringent credit check for the small and medium-size business segment and the quality control for newly acquired contracts;
- in the Business segment the focus on containing receivables up to 60 days in arrears and the management of specific cases by an intense synergy with the sales organizations;
- in the Public Administration segment the recourse to contracts assigning trade receivables without recourse on revolving and spot basis.

With regard to foreign activities, it is worth noting that the past-due receivables owed in Egypt at December 31, 2016 by the Egyptian General Petroleum Corporation (EGPC) (307 million euros), increased by 123 million euros compared with December 31, 2015, also due to the actual lower liquidity of the Egyptian market. Edison constantly monitors the situation.
The amount of the allowance for doubtful accounts is determined conservatively based on the different statuses of the underlying receivables - particularly for retail customer receivables - taking into account the aging of past-due receivables.

5. Liquidity Risk

The liquidity risk is the risk that 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, representing the worst case scenario, provides a prudential evaluation of liabilities, in fact:

- includes, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation and the effect of interest rate derivatives;
- assets (cash and cash equivalents, trade receivables, etc.) are not taken into account;
- 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.

Consequently, the aggregate liability thus computed is larger than the gross financial debt amount used to determine the net financial debt of the Group.

Worst case scenario

(in millions of euros)	12.31.2016			12.31.2015		
	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	-	623	-	-	23	623
Financial debt and other financial liabilities	312	7	227	172	14	673
Trade payables	1,564	43	-	1,594	29	-
Total	**1,876**	**673**	**227**	**1,766**	**66**	**1,296**
Guarantees provided to third parties (*)	**815**	**177**	**440**	**683**	**211**	**279**

(*) 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 one year** (942 million euros) mainly derives from a bond issue for a nominal amount of 600 million euros, which will be reimbursed on November 10, 2017. It also includes, to a lesser extent, a drawdown (150 million euros) on the 600-million-euros credit line provided by EDF Sa, expiring in April 2017.

In this regard, it should be noted that Edison is already preparing an overall refinancing plan that will not only provide coverage for all the financial needs contemplated in the expenditure plan but, more generally, the necessary cash flexibility to tackle the forecast uncertainties. The finalization of this plan will take place in 2017, well in advance the main financial maturities.
It also worth of mentioning that the financial debt includes the Fenice group contribution consolidated in Edison Group from April 1, 2016, however, the related gross debt within one year impacts for about 10 million euros was more than balanced by cash equivalents for about 24 million euros. It also should be noted that Fenice has a credit line provided by EDF Sa, reduced in the period to 30 million euros, with maturity in March 2017, and fully available.

The above mentioned financial plan will ensure the financial need expected. In the meantime Edison Group can rely on the mentioned credit lines provide by EDF Sa available for 480 million euros at December 31, 2016, and also on the overdraft facility on a cash pooling current account with EDF Sa for 199 million euros (fully available at December 31, 2016).

The **medium-long term financial debt was in decrease**, it is pointed out that in May 2016, Edison Spa reduced the long term indebtedness by reimbursing in advance the loan provided by EDF Investissements Groupe Sa, that remained for 400 million euros, after a first reimbursing in advance carried out in December 2015. This financial transaction was made possible thanks to the second collection of the proceeds deriving from the arbitral award with Eni.
The financial debt maturing after one year (227 million euros) thus mainly includes:
- the non-current portion (17 million euros) of the loan provided by Intesa Sanpaolo to Edison Spa for an original amount of 120 million euros, subject to depreciation, with maturity date at June 15, 2019;
- a drawdown of 132 million euros on the medium-long term direct line of the European Investment Bank (EIB) destined to finance storage projects;
- a drawdown of 70 million euros on the credit line provided by EDF Sa on EIB funds (total amount of 200 million euros with 10 year maturity) to finance certain Exploration & Production project in Italy.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2016. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations.

(in millions of euros)	12.31.2017	12.31.2018	12.31.2019	12.31.2020	12.31.2021	After 5 years	Total
Bonds	615	-	-	-	-	-	615
Financial debt and other financial liabilities							
- due to banks	62	23	17	12	12	77	203
- due to other lenders	398	2	11	11	10	40	472
Gross financial debt	**1,075**	**25**	**28**	**23**	**22**	**117**	**1,290**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).
The following bond issue floated by the Group (Euro Medium Term Note) with a total face value of 600 million euros was outstanding at December 31, 2016:

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

Outstanding debt obligations of the Group include non-syndicated facilities totaling 868 million euros, the unused portion of which was 480 million euros at December 31, 2016.
Consistent with international practice for similar transactions, both the bank loan agreements and the Euro Medium Term Note Program provide the lender bank or the bondholders with the right to demand the payment of the loaned amount and terminate ahead of schedule their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or other proceedings with a similar effect.
Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds outstanding. The main clauses of this type are: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain from providing to the new bondholders Edison Group assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the total indebtedness owed by Edison Group companies; and (iii) clauses that establish an obligation of immediate repayment even if just some Edison Group companies were to be declared insolvent.

As for loan agreements to which Edison is a party, it is important to note that the agreements for the facilities with EDF Sa (600 million euros and 200 million euros) set forth Edison's obligation to comply with certain commitments, which include making sure that the lenders are being afforded a treatment equal to the one offered to other unsecured creditors (pari passu clause), as well as restrictions on Edison's ability to provide collateral to new lenders (negative pledge clause).
Neither the loan agreements governing the financial facilities provided to Edison Spa nor the bond indentures contain clauses allowing early termination of the loan if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled. Moreover, Edison Spa is not required, under the terms of any of its credit lines, to comply with specific financial statement ratios that limit the level of debt based on economic performance (financial covenants).
Lastly, please note that the direct medium/long-term credit line of 132 million euros provided by the European Investment Bank (EIB) to finance natural gas storage projects includes, in addition to clauses that are standard for direct long-term facilities, usage restrictions that the EIB imposes for special purpose facilities provided to industrial companies. Similar clauses, albeit less strict, apply to the new credit line of 200 million euros provided by EDF Sa, with EIB funds, to finance some Italian investment projects in the hydrocarbons sector.

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

ANALYSIS OF FORWARD TRANSACTIONS AND DERIVATIVES

Forward Transactions and Derivatives

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

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

Fair Value Hierarchy According to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, as at December 31, 2015, the Group hold a category of instruments classified at this level.

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

Instruments Outstanding at December 31, 2016

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.

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)

	Fair Value Hierarchy (***)	Notional amount (*)				**Balance sheet value at 12.31.2016 (**)**	Notional amount at 12.31.2015 (*)	Balance sheet value at 12.31.2015 (**)
		due within 1 year	due between 2 and 5 years	due after 5 years	Total		Total	
Interest rate risk management:								
- Fair Value Hedges in accordance with IAS 39	2	600	-	-	600	15	600	28
- contracts that do not qualify as hedges in accordance with IAS 39	2	-	-	-	-	-	-	-
Total interest rate derivatives		**600**	**-**	**-**	**600**	**15**	**600**	**28**

	Fair Value Hierarchy (***)	due within 1 year		due between 2 and 5 years		due after 5 years		Total		**Balance sheet value at 12.31.2016 (**)**	Total (12.31.2015)		Balance sheet value at 12.31.2015 (**)
		receivable	payable	receivable	payable	receivable	payable	receivable	payable		receivable	payable	
Foreign exchange rate risk management:													
A. Cash Flow Hedge pursuant to IAS 39, broken down as follows:										**53**			**197**
- on commercial transactions	2	778	(211)	358	-	-	-	1,136	(211)	53	3,037	(548)	197
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
B. Fair Value Hedge pursuant to IAS 39 broken down as follows:										**48**			**-**
- on commercial transactions	2	-	-	-	-	-	-	-	-	48	-	-	-
C. Contracts that do not qualify as hedges in accordance with IAS 39, to hedge margins:										**22**			**67**
- on commercial transactions	2	380	(28)	2	-	-	-	382	(28)	22	901	(373)	67
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
Total foreign exchange rate derivatives		**1,158**	**(239)**	**360**	**-**	**-**	**-**	**1,518**	**(239)**	**123**	**3,938**	**(921)**	**264**

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

B) Commodity Risk Management

	Fair Value Hierarchy (***)	Notional amount (*)					**Balance sheet value at 12.31.2016 (**)** (in millions of euros)	Notional amount at 12.31.2015 (*)	Balance sheet value at 12.31.2015 (**) (in millions of euros)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total		Total	
Price risk management for energy products									
A. Cash Flow Hedge pursuant to IAS 39, broken down as follows:							**(22)**		**(1,190)**
- Electric power	3	TWh	4.00	-	-	4	(3)	-	-
- Natural gas	2	Millions of therms	(876.00)	(228.00)	-	(1,104.00)	(24)	(1,768.31)	333
- LNG and oil	2	Barrels	13,631,856	8,137,025	-	21,768,881	3	65,477,095	(1,529)
- CO_2	2	Millions of tons	5.38	2.54	-	7.92	2	6.27	6
B. Fair Value Hedge pursuant to IAS 39, broken down as follows:							**75**		**-**
- Gas	2	Millions of therms	(147)	(638)	(166)	(951)	75	-	-
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margins:							**88**		**342**
- Electric power	3	TWh	-	-	-	-	-	(5.49)	(14)
- Natural gas	2	Millions of therms	(257.90)	2.99	-	(254.91)	11	(1,101.27)	292
- LNG and oil	2	Barrels	4,779,035	97,800	-	4,876,835	77	(1,418,245)	62
- CO_2	2	Millions of tons	(1.50)	-	-	(1.50)	-	0.59	2
Total							**141**		**(848)**

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

C) Trading Portfolios

	Fair Value Hierarchy (***)	Notional amount (*)					**Balance sheet value at 12.31.2016 (**)** (in millions of euros)	Notional amount at 12.31.2015 (*)	Balance sheet value at 12.31.2015 (**) (in millions of euros)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total		Total	
Derivatives							**1**		**(66)**
- Electric power	1/2	TWh	1.45	(0.22)	-	1.23	3	(0.28)	(66)
- Natural gas	2	Millions of therms	(13.17)	(19.49)	-	(32.66)	(1)	(1.53)	-
- LNG and oil	2	Barrels	-	-	-	-	-	72,400	-
- CO_2	1/2	Millions of tons	(2.31)	0.60	-	(1.71)	(1)	0.28	-
Physical contracts							**4**		**78**
- Electric power	2	TWh	(1.02)	1.47	-	0.45	3	2.30	78
- Natural gas	2	Millions of therms	(13)	-	-	(13)	1	(8)	-
Total							**5**		**12**

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

Effects of Hedging Derivatives and Trading Transactions on the Income Statement and Balance Sheet in 2016

Income Statement:

(in millions of euros)

	Realized (A)	Change in Fair Value in the year (B)	Amounts recognized in earnings at 12.31.2016 (A+B)	Amounts recognized in earnings at 12.31.2015
Result from price risk and exchange risk hedges for commodities of which:				
Total definables as hedges pursuant to IAS 39 (CFH) (*)	**(136)**	**22**	**(114)**	**(278)**
Price risk hedges for energy products	(177)	30	(147)	(740)
Exchange risk hedges for commodities	41	(8)	33	462
Total definables as hedges pursuant to IAS 39 (FVH) (***)	**52**	**3**	**55**	**-**
Price risk hedges for energy products	(3)	75	72	-
Exchange risk hedges for commodities	55	42	97	-
Fair value physical contracts	-	(114)	(114)	-
Total not definables as hedges pursuant to IAS 39	**(326)**	**(191)**	**(517)**	**381**
Price risk hedges for energy products	(423)	(146)	(569)	302
Exchange risk hedges for commodities	97	(45)	52	79
Total price risk and exchange risk hedges for commodities (A)	**(410)**	**(166)**	**(576)**	**103**
Margin on trading activities of which:				
Margin on physical trading activities (**)	83	(74)	9	29
Margin on financial trading activities	(73)	67	(6)	(25)
Total margin on trading activities (B)	**10**	**(7)**	**3**	**4**
TOTAL INCLUDED IN EBIT (A+B)	**(400)**	**(173)**	**(573)**	**107**
Result from interest rate hedges:				
Definables as hedges pursuant to IAS 39 (FVH)	14	(13)	1	3
Not definables as hedges pursuant to IAS 39	-	-	-	-
Total interest rate hedges (C)	**14**	**(13)**	**1**	**3**
Result from exchange rate hedges:				
Definables as hedges pursuant to IAS 39 (CFH)	27	(7)	20	99
Not definables as hedges pursuant to IAS 39	4	-	4	23
Total exchange rate hedges (D)	**31**	**(7)**	**24**	**122**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (C+D)	**45**	**(20)**	**25**	**125**

(*) Includes the ineffective portion.
(**) Includes the fair value adjustment of trading inventories, the carrying amount of which was immaterial at 12.31.2016.
(***) Related to the hedging relationships carried out prospectively from January 1, 2016.

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

(in millions of euros)	12.31.2016			12.31.2015		
Broken down as follows:	Receivables	Payables	Net	Receivables	Payables	Net
- Current financial assets/Short-term financial debt	15	-	15	28	-	28
- Other assets/liabilities (non-current portion)	201	(74)	127	225	(314)	(89)
- Other assets/liabilities (current portion)	758	(730)	28	1,140	(1,623)	(483)
Fair Value recognized as assets or liabilities (a)	**974**	**(804)**	**170**	**1,393**	**(1,937)**	**(544)**
of which of (a) related to:						
- Interest Rate Risk Management	15	-	15	28	-	28
- Exchange Rate Risk Management	135	(12)	123	274	(10)	264
- Commodity Risk Management	496	(355)	141	800	(1,648)	(848)
- Trading Portfolios (physical and financial)	290	(285)	5	291	(279)	12
- Fair value on physical contracts	38	(152)	(114)	-	-	-
Broken down on fair value hierarchy:						
- Level 1	70	(72)	(2)	25	(16)	9
- Level 2	904	(729)	175	1,368	(1,914)	(546)
- Level 3 (*)	-	(3)	(3)	-	(7)	(7)
IFRS 7 potential offsetting (b)	**(458)**	**458**		**(602)**	**602**	
Potential Net Fair Value (a+b)	**516**	**(346)**	**170**	**791**	**(1,335)**	**(544)**

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

It is worth of mentioning that, as result of the prospective application of the Fair Value Hedge as of January 1, 2016, some hedging relationships have been revoked. The fair value recorded at the date of revocation was maintained in the Cash Flow Hedge Reserve and is reflected in the income statement in line with the effects of the hedged item; at December 31, 2016 this fair value is negative by about 103 million euros.
In 2016 were also revoked some Cash Flow Hedge relationships in order to ensure, prospectively, new Cash Flow Hedge relationships.

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

- the **available-for-sale investments** include for 153 million euros (159 million euros at December 31, 2015) unlisted securities classified at level 3; due to the disposal of the investments in RCS MediaGroup there are not asset classified at level 1 (3 million euros at December 31, 2015);
- the **current financial assets** include for 2 million euros (unchanged compared with December 31, 2015) equity investments held for trading classified at level 1.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at December 31, 2016 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. It is worth of mentioning the transaction of contribution to Edison by Transalpina di Energia of 100% of its equity stake in Fenice; this transaction had effect from April 1, 2016 and was carried out by a capital increase in kind reserved to Transalpina di Energia for a total amount of 247 million euros.
In September 2016, the company Fenice Qualità per l'Ambiente Spa transferred the 100% of its equity stake in the company Fenice Rus Llc to Dalkia (an EDF Group company), for about 24 million euros. This transaction had not significant economic effect at Edison Group level.

(in millions of euros)

	Related Parties pursuant to IAS 24				Total for financial stat. line item	Impact %
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies	Total for related parties		
Balance Sheet transactions:						
Investments in associates	102	-	2	**104**	**104**	100.0%
Other financial assets	77	-	-	**77**	**94**	81.9%
Trade receivables	-	-	34	**34**	**1,830**	1.9%
Other receivables	2	64	23	**89**	**1,437**	6.2%
Current financial assets	5	-	-	**5**	**22**	22.7%
Cash and cash equivalents	-	73	1	**74**	**206**	-
Long-term financial debt and other financial liabilities	-	70	-	**70**	**215**	32.6%
Short-term financial debt	16	263	-	**279**	**460**	60.7%
Trade payables	1	1	47	**49**	**1,607**	3.1%
Other liabilities	1	70	3	**74**	**1,189**	6.2%
Income Statement transactions:						
Sales revenues	1	4	379	**384**	**11,034**	3.5%
Other revenues and income	2	1	1	**4**	**232**	1.7%
Raw materials and services used	(15)	(18)	(279)	**(312)**	**(10,318)**	3.0%
Financial income	6	-	-	**6**	**42**	14.3%
Financial expense	-	(3)	(27)	**(30)**	**(114)**	26.3%
Net foreign exchange translation gains (losses)	-	33	-	**33**	**(22)**	n.m.

A) Transactions with unconsolidated Edison Group companies

These transactions, which represent outstanding transaction with unconsolidated Group companies, joint venture and affiliated companies, primarily include:
- financial transactions, such as lending facilities;
- commercial transactions, mainly related to the electric power sector.

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for December 31, 2016 showed a credit of 126 million euros which will be issued for requests for partial reimbursements in the annual income tax return.

B) Transactions with controlling companies

Consolidated IRES Return held by Transalpina di Energia Spa

The Group taxation option for corporate income tax (IRES) purposes pursuant to Article 117 and following articles of the Uniform Income Tax Code - so-called National Consolidated Tax Return - which is filed by Transalpina di Energia Spa (TdE) and involves all the main Group companies, was renewed within the statutory deadline for another three years (2016-2018). Consequently, the companies included in the return must determine their IRES liability in coordination with the Parent Company TdE. Mutually agreed commitments and actions are governed by new bilateral agreements executed by TdE, the consolidating entity, and the individual companies.

Intercompany current account by Transalpina di Energia Spa (TdE)

With the aim to optimize available financial resources, TdE provided Edison with funding in the form of a short term deposit; this deposit totaled 95 million euros at December 31, 2015. In the interests of simplification and standardization of intragroup financial transactions in December 2016 this deposit was replaced by an intercompany current account. This current account at December 31, 2016 has a debit balance for 112 million euros.

Centralized Cash Management System by EDF Sa

Please note that at December 31, 2016, the current account established by Edison Spa with EDF Sa had a credit balance for 73 million euros (at December 31, 2015 it had a debit balance for 57 million euros).

Loans by EDF Sa

The credit line granted by EDF Sa to Edison Spa (face amount of 600 million euros) was renewed for two years at its maturity date of April 9, 2015. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating. This credit line was utilized for 150 million of euros at December 31, 2016.

In addition, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at December 31, 2016, as at December 31, 2015. For more details please refer to the disclosures provided in the paragraph "Liquidity Risk" in the Section "Group Financial Risk Management".

Moreover, it should be noted that the credit line between Fenice Qualità per l'Ambiente Spa and EDF Sa, originally 60 million euros, was reduced in 2016 to 30 million euros; at December 31, 2016 this line is fully available.

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the year amounted to about 18 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized gains for 30 million euros.

C) Transactions with other EDF Group companies

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

1) Operational Transactions

(in millions of euros)	EDF Trading Ltd	EDF EN Service Italia	Citelum	EDF Polska	Others (*)	Total
Balance Sheet transactions						
Trade receivables	31	-	3	-	-	34
Other receivables	20	-	-	1	2	23
Trade payables	38	8	-	1	-	47
Other liabilities	3	-	-	-	-	3
Income Statement transactions						
Sales Revenues	**360**	**1**	**14**	**-**	**4**	**379**
Electric power and natural gas	229	-	14	-	1	244
Realized commodity derivatives	138	-	-	-	-	138
Margin on physical trading activities	(6)	-	-	-	-	(6)
Margin on financial trading activities	(1)	-	-	-	-	(1)
Others	-	1	-	-	3	4
Raw materials and services used	**(236)**	**(30)**	**-**	**(10)**	**(3)**	**(279)**
Electric power and natural gas	(239)	-	-	-	-	(239)
Realized commodity derivatives	4	-	-	-	-	4
Plant maintenance	-	(30)	-	-	-	(30)
Utilities and others materials	(1)	-	-	(10)	(3)	(14)

(*) Sales Revenues include for about 1 million euros the economic transactions performed with Fenice Group in the period January-March 2016.

2) Financial Transactions

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

Reimbursement loans by EDF Investissements Groupe Sa

In May 2016 the long-term loan provided to Edison Spa was reimbursed in advance for further 400 million euros and therefore fully repaid (face amount of 800 million euros with originally maturity on April 9, 2020; already reimbursed in advance for 400 million euros in December 2015). The financial expenses accrued during the year amounted to 28 million euros of which 20 million euros as breakage cost.

Moreover in June 2016, Fenice Qualità per l'Ambiente Spa reimbursed, at its originally maturity date, the loan of face value of 170 million euros. The financial expenses accrued during the period April-June 2016 amounted to about 1 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

In accordance with Consob Communication n° DEM/6064293 of July 28, 2006, we note that:

- on March 22, 2016 the Extraordinary Shareholders' Meeting of Edison Spa approved the contribution in kind to Edison, by the controlling shareholder, Transalpina di Energia Spa, of 100% of the shareholding in Fenice Qualità per l'Ambiente Spa, an EDF Group company that is specialized in energy and environmental services. It operates in Italy as well as via subsidiaries in Poland, Spain and Russia. This operation was done with an increase in capital in kind, reserved to Transalpina di Energia Spa for a total of 247 million euros, of which 85 million euros went to an increase in capital and 162 million euros was in the form of share premiums; the contribution became effective on April 1, 2016.
- In the second quarter of 2016, Edison and Eni signed an agreement to revise the price formula for the long-term contract to supply natural gas from Libya. The new formula is applied to volumes imported as from October 1, 2015 and applies for three years. This agreement closes the price review that Eni launched in the last quarter of 2015, for the long-term contract for a total of 4 billion cubic meters of gas per year.
- On September 1, 2016 Edison and RasGas signed an agreement to adjust the price of the long term gas supply contract from Qatar to reflect current market conditions. The agreement settles a commercial discussion started at the end of 2015 and reinforces the spirit of cooperation that the two companies achieved over the long term gas import contract in force since 2009 for a quantity of 6.4 billion cubic meters of gas per year.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in 2016 as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

ADDITIONAL DISCLOSURE ABOUT NATURAL GAS AND OIL (unaudited)

1) Reserves of Natural Gas and Oil

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

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

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

Estimates of proven and probable reserves of natural gas and crude oil at December 31, 2016 were certified at the end of January 2017 by Studio di Ingegneria Mineraria (SIM).

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

The table below shows the changes that occurred during 2016 to estimated proven reserves, developed and undeveloped, of natural gas and crude oil.

Developed and undeveloped proven reserves of natural gas and oil (*)

	Italy		Egypt		Other countries		Total	
	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil
Reserves at 12.31.2015 (A)	**7.39**	**34.69**	**7.12**	**6.84**	**8.76**	**11.07**	**23.27**	**52.60**
Changes in 2016:								
- revision of previous estimates	(0.71)	0.24	5.30	4.58	(1.85)	0.43	2.74	5.25
- purchases or sales of mineral rights	-	-	-	-	-	-	-	-
- extensions, discoveries and other increases	-	-	-	-	-	-	-	-
- production	(0.42)	(2.15)	(1.33)	(1.35)	(0.24)	(0.59)	(1.99)	(4.09)
Total changes (B)	**(1.13)**	**(1.91)**	**3.97**	**3.23**	**(2.09)**	**(0.16)**	**0.75**	**1.16**
Reserves at 12.31.2016 (A+B)	**6.26**	**32.78**	**11.09**	**10.07**	**6.67**	**10.91**	**24.02**	**53.76**

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

In addition to the proven reserves described above, the Edison Group has probable reserves totaling 15.1 billion cubic meters equivalent, of which about 38% is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

Capitalized costs represent the total cost of property, plant and equipment and concessions relating to reserves and of other ancillary non-current assets used in the production of hydrocarbons.

Capitalized costs at December 31, 2016 relating to hydrocarbons production assets

(in millions of euros)	Italy	Egypt	Other countries	Total
Gross capitalized costs	1,480	1,851	700	4,031
Accumulated depreciation, amortization and writedowns	(1,146)	(1,151)	(322)	(2,619)
Total net capitalized costs	**334**	**700**	**378**	**1,412**

3) Costs Incurred in 2016 to Acquire, Explore and Develop Natural gas and Crude Oil Deposits

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

Costs incurred in 2016 for acquisitions, exploration and development

(in millions of euros)	Italy	Egypt	Norway	UK	Algeria	Other countries	Total
Acquisitions	-	12	-	-	-	-	12
Exploration costs	1	24	34	3	-	6	68
Development costs	28	65	20	9	74	-	196
Total incurred costs	**29**	**101**	**54**	**12**	**74**	**6**	**276**

CRITERIA AND METHODS OF CONSOLIDATION

Criteria and Methods of Consolidation

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

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

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

The subsidiaries are consolidated line by line; the assets and liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill". In particular, if the purchase is carried out in several phases it is necessary, at the date of acquisition of control, to re-measure at fair value the entire equity investment held; thereafter any additional acquisition or disposal of stakes in investments, in the hypothesis of maintaining the control, is managed as a transaction between shareholders recognized in equity. The acquisition costs incurred are always recorded immediately in the Income Statement; the changes in contingent consideration are recognized in Income Statement.

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

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

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

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

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

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

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

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

Assets and liabilities of foreign companies that are denominated in currencies other than the euro are translated at the exchange rates in force at the end of the reporting period. Income and expenses are translated at the average rates for the year. Any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until the corresponding equity investment is sold.
Upon first-time adoption of the IFRS principles, cumulative translation differences generated by the consolidation of foreign companies were written off and, consequently, the reserve recognized in the consolidated financial statements reflects only cumulative translation differences that arose after January 1, 2004.
Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Monetary assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences and those realized when the positions are closed are recognized as financial income or expense.

VALUATION CRITERIA

Property, Plant and Equipment and Investment Property

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill, Hydrocarbon Concessions and Other Intangible Assets

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

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

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

Environmental Securities

The Group secures a supply primarily of emissions rights partly to meet its own requirements in the exercise of its Industrial Activities (so-called own use) and partly for trading purposes (so-called Trading Activities). The valuation criteria applied vary, depending on the intended use at the time of acquisition.
Specifically, “Other intangible assets” can include emissions rights, which are recognized at the cost incurred to acquire them, provided that the rights carried by the Group at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year. Emissions rights allocated free of charge and utilized for the compliance purpose are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights that are surrendered each year, based on the volume of polluting emissions

released into the atmosphere each year or the production generated, will be deleted (so-called compliance) using any reserves for risks set aside the previous year.
Environmental securities owned and held during the year in the exercise of Trading Activities are treated as inventory and measured at fair value, as explained below under "Trading Activities" and "Inventory".

Impairment of Assets

IAS 36 requires that an entity test its property, plant and equipment and intangible assets for impairment when there are indications that an impairment has occurred.
In the case of goodwill and other intangible assets with indefinite lives or assets that are not available for use, an impairment test must be performed at least once a year.
The recoverability of an asset's carrying amount is tested by comparing (i) its carrying amount with (ii) its fair value, less cost to sell, or its value in use, whichever is greater, after deducting from both the amount of the provision recognized for industrial site decommissioning and remediation. IAS 36 defines recoverable value as the fair value of an asset or cash generating unit, less cost to sell, or its value in use, whichever is greater.
As a rule, value in use is the present value of the future cash flows that an asset or a CGU is expected to generate plus the amount expected from its disposal at the end of its useful life.
CGUs, which have been identified in a way that is consistent with the Group's organizational and business structure, are assets that generate cash inflows independently, through the continued use of themselves.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries, joint ventures and affiliate companies) that are held for trading (trading equity investments) and available-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and current financial assets, such as cash and cash equivalents. Cash and cash equivalents include bank and postal deposit accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. Financial instruments also include loans payable, trade and other payables, other financial liabilities and derivatives.
Financial assets and financial liabilities are recognized at fair value when the Company acquires the rights or assumes obligations conveyed contractually by the financial instrument.
The initial amount at which these items are recognized must include transaction costs directly attributable to the purchase or issue costs that are included in the initial valuation of all those assets and liabilities that can be classified as financial instruments.
Subsequent measurements will depend on the type of instrument, as follows:

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses recognized in the income statement. This class of assets consists mainly of equity investments held for trading and the so-called Trading Activities reviewed below.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction cost incurred in the initial phases (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) is recognized directly as adjustment to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value may have been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in the income statement for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Available-for-sale assets** are measured at fair value and any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in the income statement when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.

- **Derivatives** are measured at fair value and any resulting changes are recognized in the income statement. However, whenever possible, the Group applies hedge accounting and, consequently, derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", while the ineffective portion is recognized directly in the income statement. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in the income statement. The carrying amount of the hedged items is adjusted accordingly in the income statement, to reflect changes in fair value associated with the hedged risk.

Financial assets are derecognized when they no longer convey the right to receive the related cash flows and substantially all of the risks and benefits conveyed by the ownership of the assets have been transferred or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.
Financial liabilities are derecognized when the corresponding contractual obligations are extinguished. Changes to existing contract terms can qualify as an extinguishing event if the new terms materially alter the original stipulations and, in any case, when the present value of the cash flows that will be generated under the revised agreements differs by more than 10% from the value of the discounted cash flows of the original liability.
The fair value of financial instruments that are traded on an active market is based on their market price at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is determined using appropriate valuation techniques.

Trading Activities

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

Inventories

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

Valuation of Long-term Take or pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the Group is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the Group is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities at the end of the reporting period for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries of natural gas, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The portion of the payment that qualifies as an advance on future deliveries is initially recognized in "Other assets" pursuant to

IAS 38. The recognized amount is maintained after periodical ascertaining that: i) 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); ii) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). These recoverability assessments are also applied to quantities that, while scheduled for delivery, were still undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognized as a commitment. Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to take delivery of the gas. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best price estimates available at the time of valuation, taking into account the target market. These estimates may take into account as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

Employee Benefits

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

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

Provision for Risks and Charges

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

Recognition of Revenues and Expenses

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

Income Taxes

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

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

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2016

Tender Offer on Alerion Clean Power

The Tender Offer period on the share capital of Alerion Clean Power ended on January 16, 2017; the PTO was promoted by Eolo Energia on December 6, 2016 and launched on December 23, 2016, after the publication of the offer memorandum. During this period, 26,342 additional Alerion common shares, equal to 0.061% of the share capital, were tendered. The corresponding consideration of 64,801.32 euros was paid on January 18, 2017.

At the end of this final transaction, the aggregate stake held by Eolo Energia and F2i, company with which a shareholder agreements was signed on October 12, 2016 relating to – inter alia – governance guidelines of Alerion and Eolo Energia, was equal to 38.931% of Alerion's share capital.

Lastly, Alerion's Shareholders' Meeting was held on January 30, 2017, with an Agenda that included the election of a Board of Directors. In anticipation of this Shareholders' Meeting, Eolo Energia launched the process of soliciting voting proxies and, together with F2i, filed a slate of candidates. Only one candidate drawn from that slate was elected to the Board of Directors.

Milan, February 13, 2017

The Board of Directors
By Marc Benayoun
Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2016

LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Type of investment relationship (c)	Notes
				12.31.2016	12.31.2015	% (b)	by		

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	12.31.2016	12.31.2015	% (b)	by	Type (c)	Notes
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	-	100.00	Edison Spa	S	(i)
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)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	-	100.00	EDF Fenice Iberica Slu	S	-
Cryoptima Luxembourg Sarl	Luxembourg (L)	EUR	12,500	51.00	-	100.00	Modularis Group Srl	S	-
Cryoptima Polska Sp Zoo	Warsaw (PL)	PLZ	50,000	51.00	-	100.00	Cryoptima Sas	S	-
Cryoptima Sas	Decines (F)	EUR	100,000	51.00	-	100.00	Modularis Group Srl	S	-
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	24.99	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
Ecologica Marche Srl	Monsano (AN) (IT)	EUR	20,000	51.00	-	51.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	-
EDF Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00	-	100.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	-
Edf Fenice Maroc	Casablanca (MA)	MAD	300,000	100.00	-	99.97 0.03	EDF Fenice Iberica Slu Fenice Qualità per l’Ambiente Spa (single shareholder)	S	-
EDF Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00	-	100.00	EDF Fenice Iberica Slu	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	S	-
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	83.30	83.30	83.30	Edison Spa	S	(i)
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Eolo Energia Srl	Milan (IT)	EUR	10,000	54.73	-	49.00 51.00	E2i Energie Speciali Srl Edison Partecipazioni Energie Rinnovabili Srl	S	(i)
Fenice Poland Sp.z.o.o.	Bielsko-Biala (PL)	PLZ	30,000,000	100.00	-	100.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	-
Fenice Qualità per l’Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00	-	100.00	Edison Spa	S	(i)
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00	-	100.00	Fenice Poland Sp.z.o.o.	S	-
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	649,093	90.00	-	90.00	EDF Fenice Iberica Slu	S	-
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	S	-
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00	-	100.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	(v)
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Modularis Group Srl	Rivoli (TO) (IT)	EUR	200,000	51.00	-	51.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	-
Modularis Sas	Decines (F)	EUR	2,000	51.00	-	100.00	Modularis Group Srl	S	-
Novaction Energies Sas	Decines (F)	EUR	150,000	51.00	-	100.00	Modularis Group Srl	S	-
Ooo Cryoptima Rus ex Ooo Novotek	Moscow (RUS)	RUR	120,000	51.00	-	100.00	Novaction Energies Sas	S	-
Pavoni Rossano Srl	Filottrano (AN) (IT)	EUR	100,000	60.00	-	60.00	Fenice Qualità per L’Ambiente Spa (single shareholder)	S	-
Rendina Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	50,000	100.00	-	100.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	(v)
Sinergia Srl (single shareholder) (in liquidation)	Rivoli (TO) (IT)	EUR	99,000	100.00	-	100.00	Fenice Qualità per l’Ambiente Spa (single shareholder)	S	(v)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	1,000,000	65.00	65.00	65.00	Edison Spa	S	(i)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2016	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	S	(i)
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00	-	1.00	Edison International Holding Nv	S	-
						98.00	Edison International Spa (single shareholder)		
						1.00	Edison Spa		
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Norge As	Stavanger (N)	NOK	2,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Edison North Sea Ltd	London (GB)	GBP	2	100.00	100.00	100.00	Edison E&P UK Ltd	S	-
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
						0.00	Edison Spa		
Infrastrutture Distribuzione Gas Spa (single shareholder) ex Edison DG Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	(i)
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (IT)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	S	-
Corporate Activities									
Atema Dac ex Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	Notes
B) Investments in companies valued by the equity method									
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii) (iv)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000		50.00	Edison International Spa (single shareholder)	-	JV	(iii)
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	-	JV	(iii)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	-	JV	(iii) (iv)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	34.2	JV	(iii)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	33,400,000		50.00	Edison International Holding Nv	5.6	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200		50.00	Edison Spa	0.5	JV	(iii)
Alerion Clean Power Spa	Milano (IT)	EUR	161,242,315		22.84	Eolo Energia Srl	25.8	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	AC	-
EDF EN Services Italia Srl	Bologna (IT)	EUR	10,000		30.00	Edison Spa	1.9	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	2.9	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	3.5	AC	-
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000		40.00	EDF Fenice Iberica Slu	0.7	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	22.5	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milano (IT)	EUR	37,419,179		23.53	Edison Spa	-	AC	-
Total investments in companies valued by the equity method							**101.8**		

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	by	Type of investment relationship (c)	Notes
Elpedison Sa (ex Elpedison Power Sa)	Marousi Attiki (GR)	EUR	99,633,600		75.78	Elpedison Bv	JV	(iii)

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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	by	Type of investment relationship (c)	Notes
ICGB AD	Sofia (BG)	BGL	33,053,560		50.00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	JV	(iii)

LIST OF EQUITY INVESTMENTS (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	Interest held in share capital by	Carring value (in millions of euros) (d)	Type of investment relationship (c)	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	-
Interenergoeffect LLC (in liquidation)	Moscow (RUS)	RUR	8,000,000		50.00	Fenice qualità per l'Ambiente Spa (single shareholder)	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	S	-
Total investments in companies in liquidation or subject to permanent restrictions							**2.4**		
D) Investments in other companies valued at fair value									
D.1) Investments held for trading									
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	2.4	NG	-
Amsc-American Superconductor	Devens (MA) (USA)	USD	141,992		0.11	Edison Spa	0.1	NG	-
D.2) Available-for-sale investments									
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (D)	EUR	40,050,000		0.76	Edison Spa	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	3.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,818,277		14.45	Edison Spa	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	NG	-
Syremont Spa	Rose (CS) (IT)	EUR	1,550,000		19.35	Edison Spa	-	NG	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	152.9	NG	-
Total investments in other companies valued at fair value							**160.3**		
Total equity investments							**264.5**		

LIST OF EQUITY INVESTMENTS (continued)

Companies added to the scope of consolidation in the year ended 12.31.2016

Company name	Head office	Currency	Share capital at 12.31.2016	Consolidated Group interest
Acquired companies				
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00
Cryoptima Luxembourg Sarl	Luxembourg (L)	EUR	12,500	51.00
Cryoptima Polska Sp Zoo	Warsaw (PL)	PLZ	50,000	51.00
Cryoptima Sas	Decines (F)	EUR	100,000	51.00
Ecologica Marche Srl	Monsano (AN) (IT)	EUR	20,000	51.00
Edf Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00
Edf Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00
Edison Egypt-Energy Service J.s.c.	New Cairo (ET)	EGP	20,000,000	100.00
Fenice Poland Sp.z.o.o.	Bielsko-Biala (PL)	PLZ	30,000,000	100.00
Fenice Qualità per l'Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00
Fenice Rus Llc	Moscow (RUS)	RUR	1,162,497,900	100.00
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	649,093	90.00
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00
Modularis Group Srl	Rivoli (TO) (IT)	EUR	200,000	51.00
Modularis Sas	Decines (F)	EUR	2,000	51.00
Novaction Energies Sas	Decines (F)	EUR	150,000	51.00
Ooo Cryoptima Rus	Moscow (RUS)	RUR	120,000	51.00
Pavoni Rossano Srl	Filottrano (AN) (IT)	EUR	100,000	60.00
Rendina Ambiente Srl (single shareholder)	Rivoli (To) (IT)	EUR	50,000	100.00
Sinergia Srl (single shareholder) (in liquidation)	Rivoli (To) (IT)	EUR	99,000	100.00
Established companies				
Edf Fenice Maroc	Casablanca (MA)	MAD	300,000	100.00
Eolo Energia Srl	Milan (IT)	EUR	10,000	100.00

LIST OF EQUITY INVESTMENTS (continued)

Companies removed from the scope of consolidation in the year ended 12.31.2016

Company name	Head office	Currency	Share capital at 12.31.2015	Share capital at 2016	Share capital at 12.31.2015
Sold companies					
Fenice Rus Llc	Moscow (RUS)	RUR	1,162,497,900	100.00	100.00
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00
Merged Companies					
Shen Spa	Milan (IT)	EUR	120,000	100.00	100.00

Notes

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

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

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

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

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

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

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

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

(v) Company subject to the oversight and coordination of Fenice Qualità per l'Ambiente SpA (single shareholder).

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
NOK Norvegian krone
PLZ Polish zloty
RON Romanian leu
RUR Russian ruble
USD U.S. dollar
MAD Moroccan dirham

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

1. We, the undersigned Marc Benayoun, in my capacity as "Chief Executive Officer," Didier Calvez and Roberto Buccelli, in our capacity as "Dirigenti Preposti alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2016:

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

2. We further certify that:

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

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

Milan, February 13, 2017

Chief Executive Officer

Marc Benayoun

"I Dirigenti Preposti alla redazione dei documenti contabili societari"

Didier Calvez

Roberto Buccelli

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

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

To the Shareholders of
EDISON S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Edison S.p.A. and its subsidiaries (the "Edison Group"), which comprise the balance sheet as at December 31, 2016, the income statement, the other components of the comprehensive income statement, the cash flow statement, changes in consolidated shareholders' equity, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

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

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

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

Deloitte.

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Edison Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Report on Other Legal and Regulatory Requirements

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

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Edison S.p.A., with the consolidated financial statements of the Edison Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Edison Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
February 14, 2017

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

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

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