2012 ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

EDISON

CONTENTS

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Income Statement and Other Components of the Comprehensive Income Statement 2
Balance Sheet 3
Cash Flow Statement 4
Changes in Consolidated Shareholders' Equity 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 7

Accounting Principles and Consolidation Criteria 8
- Content and Presentation 8
- Scope of Consolidation 10
- Consolidation of Foreign Companies and Criteria Used to Translate Items Denominated in Foreign Currencies 12
- 2012 Financial Highlights of Companies Consolidated by the Proportional Method 12
- Valuation Criteria 13

Segment Information 20

Notes to the Income Statement 22

Notes to the Balance Sheet 35

Net Financial Debt 52

Disclosure Pursuant to IFRS 3 53

Disclosure Pursuant to IFRS 5 54

Commitments and Contingent Risks 57

Group Financial Risk Management 72

Intercompany and Related-party Transactions 85

Other Information 89

Additional Disclosure About Natural Gas and Oil 90

Significant Events Occurring After December 31, 2012 92

SCOPE OF CONSOLIDATION 93

Certification Pursuant to Article 81-ter of CONSOB Regulation No. 11971 101

REPORT OF THE INDEPENDENT AUDITORS 103

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

2012 ANNUAL REPORT
CONSOLIDATED FINANCIAL STATEMENTS

EDISON

Income Statement

(in millions of euros)	See Note	2012	of which related parties	2011 (*)	of which related parties
Sales revenues	1	12,014	114	11,381	337
Other revenues and income	2	830	8	633	13
Total net revenues		**12,844**	**122**	**12,014**	**350**
Raw materials and services used (-)	3	(11,523)	(249)	(10,910)	(196)
Labor costs (-)	4	(218)		(214)	
EBITDA	5	**1,103**		**890**	
Net change in fair value of commodity derivatives	6	(6)		(3)	
Depreciation, amortization and writedowns (-)	7	(868)		(885)	
EBIT		**229**		**2**	
Net financial income (expense)	8	(121)		(160)	
Income from (Expense on) equity investments	9	6	2	(5)	1
Other income (expense), net	10	(37)		(14)	
Profit (Loss) before taxes		**77**		**(177)**	
Income taxes	11	(41)		(96)	
Profit (Loss) from continuing operations		**36**		**(273)**	
Profit (Loss) from discontinued operations	12	50		(605)	
Profit (Loss)		**86**		**(878)**	
Broken down as follows:					
Minority interest in profit (loss)		5		(7)	
Group interest in profit (loss)		**81**		**(871)**	
Earnings (Loss) per share (in euros)	13				
Basic earnings (loss) per common share		0.0147		(0.1692)	
Basic earnings per savings share		0.0447		0.0500	
Diluted earnings (loss) per common share		0.0147		(0.1692)	
Diluted earnings per savings share		0.0447		0.0500	

(*) 2011 amounts reflect a new presentation of the effects of net change in fair value of commodity derivatives.

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	2012	2011
Profit (Loss)		**86**	**(878)**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	25	**(8)**	**(83)**
- Gains (Losses) arising during the year		(16)	(132)
- Income taxes (-)		8	49
B) Change in reserve for available-for-sale investments	25	**4**	**4**
- Gains (Losses) arising during the year not realized		4	-
- Reclassification to profit or loss		-	4
- Income taxes (-)		-	-
C) Differences on the translation of assets in foreign currencies		**(6)**	**-**
D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
Total other components of comprehensive income net of taxes (A+B+C+D)		**(10)**	**(79)**
Total comprehensive profit (loss)		**76**	**(957)**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		5	(7)
Group interest in comprehensive profit (loss)		**71**	**(950)**

Balance Sheet

(in millions of euros)		12.31.2012		12.31.2011	
	See Note		of which related parties		of which related parties
ASSETS					
Property, plant and equipment	14	4,786		5,113	
Investment property	15	9		10	
Goodwill	16	3,231		3,231	
Hydrocarbon concessions	17	948		1,040	
Other intangible assets	18	105		95	
Investments in associates	19	51	51	49	49
Available-for-sale investments	19	194		198	
Other financial assets	20	75		82	
Deferred-tax assets	21	145		111	
Other assets	22	108		40	
Total non-current assets		**9,652**		**9,969**	
Inventories		390		252	
Trade receivables		3,391	53	3,152	117
Current-tax assets		25		28	
Other receivables		562	83	681	113
Current financial assets		99		628	
Cash and cash equivalents		753		291	
Total current assets	23	**5,220**		**5,032**	
Assets held for sale	24	**1**		**1,430**	
Eliminations of assets from and to discontinued operations	34	**-**		**(594)**	
Total assets		**14,873**		**15,837**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,292		5,292	
Reserves and retained earnings (loss carryforward)		1,693		2,568	
Reserve for other components of comprehensive income		(11)		(1)	
Group interest in profit (loss)		81		(871)	
Total shareholders' equity attributable to Parent Company shareholders		**7,055**		**6,988**	
Shareholders' equity attributable to minority shareholders		132		158	
Total shareholders' equity	25	**7,187**		**7,146**	
Provision for employee severance indemnities and provisions for pensions	26	35		36	
Provision for deferred taxes	27	79		215	
Provisions for risks and charges	28	863		828	
Bonds	29	1,796		1,793	
Long-term financial debt and other financial liabilities	30	174		1,334	
Other liabilities	31	31		29	
Total non-current liabilities		**2,978**		**4,235**	
Bonds		104		71	
Short-term financial debt		1,461	16	1,167	15
Trade payables		2,440	78	2,357	131
Current taxes payable		11		23	
Other liabilities		692	123	603	86
Total current liabilities	32	**4,708**		**4,221**	
Liabilities held for sale	33	**-**		**829**	
Eliminations of liabilities from and to discontinued operations	34	**-**		(594)	
Total liabilities and shareholders' equity		**14,873**		**15,837**	

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 2012. 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	2012	of which related parties	2011	of which related parties
Profit (Loss) before taxes		**77**		**(177)**	
Depreciation, amortization and writedowns	7	868		885	
Net additions to provisions for risks		14		13	
Interest in the result of companies valued by the equity method (-)		(2)	(2)	(1)	(1)
Dividends received from companies valued by the equity method		1	1	1	1
(Gains) Losses on the sale of non-current assets		1		(6)	
Change in the provision for employee severance indemnities and provisions for pensions	26	(1)		(3)	
Change in fair value recorded in EBIT		13		15	
Change in operating working capital		(294)	11	(494)	34
Financial income (expense)	8	115		141	
Net financial expense paid		(93)		(111)	
Income taxes paid		(190)		(184)	
Change in other operating assets and liabilities		45	67	(18)	37
A. Cash flow from continuing operations		**554**		**61**	
Additions to intangibles and property, plant and equipment (-)	14-18	(459)		(528)	
Additions to non-current financial assets (-)		-		(3)	
Price paid on business combinations (-)		(2)		-	
Proceeds from the sale of intangibles and property, plant and equipment		6		14	
Proceeds from the sale of non-current financial assets (*)		684	684	245	
Repayment of capital contribution by non-current financial assets		8		11	
Change in other current financial assets		529		(559)	6
B. Cash used in investing activities from continuing operations		**766**		**(820)**	
Receipt of new medium-term and long-term loans	29, 30, 32	603		1,215	
Redemption of medium-term and long-term loans (-)	29, 30, 32	(1,323)		(1,099)	
Change in short-term net financial debt		(110)	1	555	
Distribution of shareholders' equity and reserves (-)		(14)		-	
Dividends paid to controlling companies or minority shareholders (-)		(14)		(22)	
C. Cash used in financing activities from continuing operations		**(858)**		**649**	
D. Cash and cash equivalents from changes in the scope of consolidation		**-**		**-**	
E. Net currency translation differences		**-**		**-**	
F. Net cash flow for the year from continuing operations (A+B+C+D+E)		**462**		**(110)**	
G. Net cash flow for the year from discontinued operations		**(35)**		**(36)**	
H. Net cash flow for the year (continuing and discontinued operations) (F+G)		**427**		**(146)**	
I. Cash and cash equivalents at the beginning of the year from continuing operations		**291**		**472**	
L. Cash and cash equivalents at the beginning of the year from discontinued operations		**35**		**-**	
M. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (H+I+L)		**753**		**326**	
N. Cash and cash equivalents at the end of the year from discontinued operations		**-**		**35**	
O. Cash and cash equivalents at the end of the year from continuing operations (M-N)		**753**		**291**	

(*) 2012 amount referred to proceeds from the sale of Edipower Spa.

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	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, 2010	**5,292**	**2,548**	**75**	**(4)**	**7**	**-**	**21**	**7,939**	**198**	**8,137**
Appropriation of the previous year's profit (loss)	-	21	-	-	-	-	(21)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(32)	(32)
Change in the scope of consolidation	-	(1)	-	-	-	-	-	(1)	(1)	(2)
Total comprehensive profit (loss)	**-**	**-**	**(83)**	**4**	**-**	**-**	**(871)**	**(950)**	**(7)**	**(957)**
of which:										
- Change in comprehensive income for the year	-	-	(83)	4	-	-	-	(79)	-	(79)
- Profit (Loss) for 2011	-	-	-	-	-	-	(871)	(871)	(7)	(878)
Balance at December 31, 2011	**5,292**	**2,568**	**(8)**	**-**	**7**	**-**	**(871)**	**6,988**	**158**	**7,146**
Appropriation of the previous year's profit (loss)	-	(871)	-	-	-	-	871	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	(30)	(30)
Other changes	-	(4)	-	-	-	-	-	(4)	(1)	(5)
Total comprehensive profit (loss)	**-**	**-**	**(8)**	**4**	**(6)**	**-**	**81**	**71**	**5**	**76**
of which:										
- Change in comprehensive income for the year	-	-	(8)	4	(6)	-	-	(10)	-	(10)
- Profit (Loss) for 2012	-	-	-	-	-	-	81	81	5	86
Balance at December 31, 2012	**5,292**	**1,693**	**(16)**	**4**	**1**	**-**	**81**	**7,055**	**132**	**7,187**

The Altomonte (Cosenza) thermoelectric power plant.

NOTES TO THE
CONSOLIDATED
FINANCIAL
STATEMENTS
AT DECEMBER 31, 2012

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Consolidated Financial Statements of the Edison Group at December 31, 2012 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.).*

An amendment to the international accounting principles governing the disclosures required by IFRS 7 was adopted as of January 1, 2012. The amendment requires additional quantitative and qualitative analyses for fully or partly derecognized financial assets in which the Company retains a residual involvement.

For the sake of complete information, it is worth mentioning that the following amendments to the international accounting principles and interpretation published in the *Official Journal of the European Union* in 2012 are applicable starting in 2013:

- **IAS 1** was revised to provide a clearer presentation of the line item "Other components of comprehensive income", by showing separately components that later may or may not be reclassified into the Income Statement.
- Amended **IAS 19 "Employee Benefits"**. The main change made to this standard involves the elimination of the optional "corridor" method (not applied by the Edison Group), which made it possible to defer the recognition of actuarial losses.
- **IFRS 13 "Fair Value measurement"**. This new standard provides a single systematic reference framework for measuring fair value and includes a complete guide on how to measure both financial and non-financial assets and liabilities. IFRS 13 is applied in those instances when another international principle requires or allows fair value measurements or requires supplemental fair value disclosures, thereby updating the entire corpus of existing principles and interpretations regarding fair value measurement/disclosures. This principle is applicable prospectively, without need to restate comparative information.
- **IFRS 7** and **IAS 32**, which introduce new quantitative disclosures about offsetting arrangements in order to evaluate their effects, if any, on the statement of financial position.
- **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**. This interpretation provides guidance about the initial and subsequent valuation of an asset resulting from a stripping project. Currently, this interpretation does not apply to Edison.
- The Group did not choose early adoption for the following principles and interpretation that are not mandatory for 2013: **IFRS 10 "Consolidated Financial Statements"**, **IFRS 11 "Joint Arrangements"**, **IFRS 12 "Disclosure of Interests in Other entities"**, **IAS 27 amended "Separate Financial Statements"** and **IAS 28 amended "Investments in Associates and Joint Ventures"**.

The Board of Directors, meeting on February 8, 2013, 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.

Presentation Formats of the Financial Statements Adopted by the Group

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

- The Consolidated **Income Statement** is a step-by-step income statement, with the different components broken down by nature. It includes a schedule of **Other Components of the Comprehensive Income Statement**, which shows the components of net profit or loss provisionally recognized in equity.

- In the Consolidated **Balance Sheet** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the end of the reporting period, respectively, are shown separately.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.
- The Statement of **Changes in Consolidated Shareholders' Equity** shows separately the flows from component of the reserve for other components of comprehensive income.

Comparability

New presentation of "Net Change in Fair Value of Commodity Derivatives"

Starting with the Condensed Consolidated Semiannual Financial Statements at June 30, 2012, the Group changed the presentation in the Income Statement of the change in fair value for the period on commodity and foreign exchange derivatives, except for those used in Trading Activities.
This change, which consists of segregating the volatility effect of derivatives from the EBITDA line and showing it separately in the line item "Net change in fair value of commodity derivatives", provides a better understanding of the Group's operating performance because the margin is sterilized by market's fluctuation unrealized. This income statement line item reflects the change in fair value accrued during the year on derivatives executed as economic hedges for purchases or sales of commodities and, if the commodities are denominated in a foreign currency, for the corresponding foreign exchange risk. It also includes the ineffective portion of Cash Flow Hedge derivatives on commodities and foreign exchange.

The following table shows the effect of the new presentation of net change in fair value of commodity derivatives for 2011 income statement of the Edison Group.

2011 Income Statement

(in millions of euros)	2011 full year Published	Reclassification of the net change in fair value of commodity derivatives	**2011 full year Reclassified (*)**
Sales revenues	11,381	-	11,381
Other revenues and income	652	(19)	633
Total net revenues	**12,033**	**(19)**	**12,014**
Raw materials and services used (-)	(10,932)	22	(10,910)
Labor costs (-)	(214)	-	(214)
EBITDA	**887**	**3**	**890**
Net change in fair value of commodity derivatives	-	(3)	(3)
Depreciation, amortization and writedowns (-)	(885)	-	(885)
EBIT	**2**	**-**	**2**
Net financial income (expense)	(160)	-	(160)
Income from (Expense on) equity investments	(5)	-	(5)
Other income (expense), net	(14)	-	(14)
Profit (Loss) before taxes	**(177)**	**-**	**(177)**
Income taxes	(96)	-	(96)
Profit (Loss) from continuing operations	**(273)**	**-**	**(273)**
Profit (Loss) from discontinued operations	(605)	-	(605)
Profit (Loss)	**(878)**	**-**	**(878)**
Broken down as follows:			
Minority interest in profit (loss)	(7)	-	(7)
Group interest in profit (loss)	**(871)**	**-**	**(871)**

(*) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Reclassification pursuant IFRS 5

On May 24, 2012 Edison Spa sold its 50% equity stake in Edipower Spa for 684 million euros. Please note that in the 2011 Annual Report and in the Quarterly Report at March 31, 2012 this transaction, originally priced at 604 million euros, was recognized as involving assets and liabilities held for sale because it was deemed to be highly probable. Moreover, given the significance of the assets that were being divested, the transaction was presented as part of discontinued operations.
The following items were included into "Profit (Loss) from discontinued operations":

- In 2012 the positive effect of the redefinition of the sale price following the agreement executed in May 2012 (80 million euros) and the negative margin attributable to Edipower's tolling operations (30 million euros, net of tax effect).
- In 2011 the contribution provided by Edipower's CGUs (Cash Generating Units) to the integrated net Group results of the Edison system.

For further information, please see the section entitled "Disclosure pursuant to IFRS 5".

Scope of Consolidation

The consolidated financial statements include the financial statements of Edison Spa and those of the Italian and foreign subsidiaries over which Edison exercises control, either directly or indirectly. Companies with respect to which the Group retains the majority of risks and enjoys the majority of benefits (so-called Special Purpose Vehicles) are consolidated line by line even if the interest in their share capital is less than 50%. They also include the financial statements of companies over which Edison exercises joint control, in accordance with the terms of the relevant agreements with other shareholders.

Subsidiaries are consolidated from the moment the Group effectively acquires control and cease to be consolidated when control is transferred to another party. In case of loss of control any residual investment in associates is measured at its fair value.

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 fiscal 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.

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

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

Joint ventures are consolidated by the proportional method. Joint control exists only in the case of a company for which, pursuant to contractual stipulations, financial, operational and strategic decisions

always require the unanimous consent of all of the parties who share control. In such cases, the consolidated financial statements show the interest of the Group in the assets, liabilities, revenues and expenses of the joint venture by an amount proportionate to the interest held.

Payables and receivables and 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. The effects of fractional sales of investments in consolidated companies, when control is not relinquished, are recognized in shareholders' equity at an amount equal to the difference between the sales price and the value of the corresponding interest in shareholders' equity that is being sold.

Investments in associates over which the Group exercises a significant influence but not joint control, as defined above, are valued by the equity method, pursuant to which the carrying value of the investments is adjusted primarily to reflect the investor company's interest in the profit or loss for the year and any dividends distributed by the investee company.

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

Changes in the Scope of Consolidation Compared with December 31, 2011

The changes in the Group's scope of consolidation that occurred in 2012 included:

Electric Power Operations:

- The merger by absorption of Sarmato Energia Spa in Edison Spa, already fully controlled, effective vis-à-vis third parties as of March 1, 2012.
- In April, the establishment of a new company called Edison Gas and Power Romania Srl, a wholly owned subsidiary of the Edison Group. This company, which is being consolidated line by line, is initially engaging in the development and construction of wind farms in Romania.
- Acquisition, on October 1, 2012, of 100% of CSE Srl, for the energy efficiency business, integrally fully consolidated.

Hydrocarbons Operations:

- In October 2012, Edison Stoccaggio Spa spun off transmission operations to Edison Energie Speciali Calabria Spa, that changed its business name into Infrastrutture Trasporto Gas Spa, effective vis-à-vis third parties as of October 1, 2012.

Corporate Activities and Other Segments:

- The merger by absorption of Montedison Srl in Edison Spa, already fully controlled, effective vis-à-vis third parties as of July 1, 2012.
- Edison International Abu Qir BV and Edison International Finance Abu Qir BV, companies previously consolidated line by line, were fully liquidated and deconsolidated.

Held for Sale:

- Deconsolidation of Edipower Spa's balance sheet amounts, formerly classified as Held for Sale at December 31, 2011, as of the date of its sale on May 24, 2012.

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.

2012 Financial Highlights of Companies Consolidated by the Proportional Method

(Amounts in millions of euros, prorated based on the percentage interest held)

	Sel Edison Spa	Ibiritermo Sa	Parco Eolico Castelnuovo Srl	ED-Ina D.O.O.	Elpedison Bv	Elpedison Power Sa	Elpedison Energy Sa	Kinopraxia Thisvi	Abu Qir Petroleum Company	IGI Poseidon Sa	ICGB Ad	Fayoum Petroleum Co
% of proportional consolidation	42.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	65.00%	50.00%	50.00%	25.00%	30.00%
% interest held by the Group	42.00%	50.00%	50.00%	50.00%	50.00%	37.89%	50.00%	65.00%	50.00%	50.00%	25.00%	30.00%
INCOME STATEMENT												
Sales revenues	14	-	1	2	-	203	25	-	-	-	-	-
EBITDA	**8**	**1**	**-**	**-**	**-**	**25**	**-**	**-**	**-**	**(1)**	**-**	**-**
as a % of sales revenues	*57.1%*	*n.m.*	*n.m.*	*n.m.*	*n.a.*	*12.3%*	*n.m.*	*n.a.*	*n.a.*	*n.m.*	*n.a.*	*n.a.*
Depreciation, amortization and writedowns (-)	(3)	-	-	-	-	(31)	-	-	-	-	-	-
EBIT	**5**	**1**	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**(1)**	**-**	**-**
Profit (Loss)	**2**	**8**	**-**	**-**	**-**	**(18)**	**-**	**-**	**-**	**(1)**	**-**	**-**
of which minority interest in profit (loss)	-	-	-	-	-	(5)	-	-	-	-	-	-
BALANCE SHEET												
Total assets	**46**	**79**	**1**	**-**	**62**	**292**	**9**	**1**	**1**	**13**	**1**	**-**
Shareholders' equity	**36**	**21**	**1**	**-**	**62**	**44**	**-**	**-**	**-**	**9**	**1**	**-**
of which attributable to minority shareholders	-	-	-	-	-	13	-	-	-	-	-	-
Net financial debt (financial assets)	**9**	**(43)**	**-**	**-**	**-**	**146**	**(2)**	**-**	**(1)**	**(4)**	**(1)**	**-**

Valuation Criteria

Property, Plant and Equipment and Investment Property

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

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

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

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

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

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

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

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

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	2.1%	12.1%	2.2%	4.4%	-	2.1%
Plant and machinery	4.0%	24.0%	2.4%	45.4%	8.3%	27.1%
Manufacturing and distribution equipment	5.0%	25.0%	17.5%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	6.0%	20.0%	6.0%	25.0%
Investment property	-	-	-	-	2.0%	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.

Thermoelectric power plant and wind farms that sell energy under the CIP 6/92 rate schedule are depreciated by a method based on the economic benefits produced. The resulting depreciation process follows a step-down process, with straight line depreciation for each of the periods. This method reflects the differences between the amounts charged under the CIP 6/92 rate schedule for the eight-year incentivized period, those for the following seven-year contract period and the market rates applicable upon the expiration of the CIP 6/92 contracts.

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

Edison's core business entails the construction and management of technologically complex, interconnected facilities for the production of electric power and hydrocarbons along the entire length of the value chain

repayment schedule of the respective lease agreement. The value of the asset recognized as "Property, plant and equipment" is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.

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

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

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

Goodwill, Hydrocarbon Concessions and Other Intangible Assets

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

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

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

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

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets and amortized on a straight line basis over the length of the lease in

the exploration phase. If an exploration project is later abandoned, the residual cost is immediately recognized in profit and loss.

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

Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment", in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method. The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (**decommissioning costs**) are capitalized and amortized in accordance with the unit of production (UOP) method.

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

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

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

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

Specifically, "Other intangible assets" can include emissions rights and green certificates, which are recognized at the cost incurred to acquire them, provided that the rights or certificates carried by the Group at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater.

On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted 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 in the "Trading Activities" and "Inventory" sections of these Notes.

Impairment of Assets

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

Financial Instruments

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

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses recognized in the income statement. This class of assets consists mainly of equity investments held for trading and the so-called Trading Activities reviewed below.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction costs incurred in the purchasing/selling phases (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value may have been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in the income statement for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Available-for-sale assets** are measured at fair value and any resulting gains or losses are recognized

in equity, more specifically in the "Reserve for other components of comprehensive income", until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in the income statement when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.

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

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

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

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

Trading Activities

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

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

Inventories

Inventories attributable to the Industrial Activities are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realizable value, based on market conditions, whichever is lower. Inventories attributable to Trading Activities are deemed to be

assets held for trading and, consequently, are measured at fair value, with changes in fair value recognized in the income statement.

Valuation of Long-term Take or pay Contracts

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

Employee Benefits

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

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

Stock option plans are valued at the time the options are awarded by determining the fair value of the option granted. This amount, net of any subscription costs, is allocated over the plan's vesting period. The corresponding cost is recognized in the income statement, with an offsetting entry posted to an equity reserve (so-called "equity settled payments").

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. Materials used include the cost of environmental securities attributable to the period and, if applicable, those referred to facilities divested during the period attributable to the seller. Purchases of green certificates, emissions rights and white certificates held for trading are added to inventory. Financial income and expense is recognized when accrued. Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders' Meeting that approves a distribution of earnings or reserves.

Income Taxes

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

Use of Estimated Values

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.
The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. The use of estimates is particularly significant for the following items:

- Amortization and depreciation (assets with a finite useful life) and impairment tests of property, plant and equipment, goodwill and other intangible assets. The process of determining depreciation and amortization expense entails reviewing periodically the remaining useful lives of assets, the available hydrocarbon reserves, the decommissioning/shut down costs and the assets' recoverable value. Information about the impairment test, and in particular for business and scenario assumptions taken into account, is provided later in these Notes, in the paragraph entitled "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles", which includes a description of the methods and assumptions used with evidence of the main estimation processes applied.
- Valuation of derivatives and financial instruments in general. Information about valuation criteria and quantitative disclosures are provided, respectively, in the paragraph entitled "Financial instruments" and in the paragraph entitled "Analysis of Forward Transactions and Derivatives", which supplement and complete the financial statements. The methods applied to determine fair value and manage inherent risks in connection with energy commodities traded by the Group, foreign exchange rates and interest rates are described in these Notes, in a section entitled "Group Financial Risk Management".
- Measurement of certain sales revenues, in particular for the CIP 6/92 contracts, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on available information.

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**2012**	2011(**)	**2012**	2011(**)	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011(**)
Sales Revenues	**6,961**	**7,437**	**6,571**	**5,468**	**48**	**50**	**-**	**-**	**(1,566)**	**(1,574)**	**12,014**	**11,381**
- third parties sales revenues	6,949	7,429	5,058	3,944	7	8	-	-	-	-	12,014	11,381
- intra-Group sales revenues	12	8	1,513	1,524	41	42	-	-	(1,566)	(1,574)	-	-
EBITDA	**605**	**509**	**608**	**487**	**(110)**	**(106)**	**-**	**-**	**-**	**-**	**1,103**	**890**
as a % of sales revenues	*8.7%*	*6.8%*	*9.3%*	*8.9%*	*n.m.*	*n.m.*	-	-	-	-	*9.2%*	*7.8%*
Net change in fair value of commodity derivatives	(11)	-	5	(3)	-	-	-	-	-	-	(6)	(3)
Depreciation, amortization and writedowns	(516)	(795)	(339)	(68)	(13)	(22)	-	-	-	-	(868)	(885)
EBIT	**78**	**(286)**	**274**	**416**	**(123)**	**(128)**	**-**	**-**	**-**	**-**	**229**	**2**
as a % of sales revenues	*1.1%*	*(3.8%)*	*4.2%*	*7.6%*	*n.m.*	*n.m.*	-	-	-	-	*1.9%*	-
Net financial income (expense)											(121)	(160)
Interest in result of companies valued by equity method											2	1
Income taxes											(41)	(96)
Profit (Loss) from continuing operations											**36**	**(273)**
Profit (Loss) from discontinued operations							**50**	**(605)**			**50**	**(605)**
Minority interest in profit (loss)											**5**	**(7)**
Group interest in profit (loss)											**81**	**(871)**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011
Total assets	**8,759**	**9,350**	**5,689**	**5,293**	**5,130**	**5,568**	**1**	**1,430**	**(4,706)**	**(5,804)**	**14,873**	**15,837**
Total liabilities	**3,476**	**3,787**	**3,493**	**3,060**	**4,230**	**5,102**	**-**	**829**	**(3,513)**	**(4,087)**	**7,686**	**8,691**
Net financial debt							**-**	**515**			**2,613**	**3,884**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Capital expenditures	95	166	204	301	1	2	-	19	-	-	300	488
Investments in exploration	-	-	116	46	-	-	-	-	-	-	116	46
Investments in intangibles	1	2	41	10	1	1	-	2	-	-	43	15
Total capital investments	**96**	**168**	**361**	**357**	**2**	**3**	**-**	**21**	**-**	**-**	**459**	**549**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
	12.31.2012	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011	**12.31.2012**	12.31.2011
Number of employees (*)	**1,229**	**1,275**	**1,369**	**1,319**	**650**	**642**	**-**	**-**	**-**	**-**	**3,248**	**3,236**

(*) 2011 amounts did not include employees of Edipower Spa.
(**) 2011 amounts are being reclassified and reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Thus far, the Group has not viewed **geographic area** segment information as meaningful, since it is mainly located and operating in Italy. However, over the past years, the Group began to expand its international operations essentially through acquisitions and, at the end of the year, net non-current assets held outside Italy totaled 1,558 million euros, including 1,393 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt, and 165 million euros

for assets of the Electric Power Operations, mainly in Greece for thermoelectric power activities. At December 31, 2012, the contribution of foreign operations accounted for about 16% of net invested capital and about 25% of EBITDA.

It is also worth mentioning the relevant growth in the Exploration & Production business, that at December 31, 2012 gives the contribution described in the table below:

Income Statement

(in millions of euros)	2012	2011
Sales Revenues	**723**	**551**
EBITDA	**509**	**377**
as a % of sales revenues	*70.4%*	*68.4%*
EBIT	**186**	**326**
as a % of sales revenues	*25.7%*	*59.2%*

The evolution of the Group, resulting in part from the recent corporate restructuring and any eventual impacts on medium and long term strategies, could result in the future in a new presentation of Segment Information.

As for the disclosure about the so-called "**major customers**", the Group's sales are generally non concentrated, except for the Electric Power Operations, where one major customer, as defined by IFRS 8, generated sales revenues totaling 1,422 million euros in the year, equal to about 20% of the total sales revenues of Electric Power Operations and to about 12% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

Compared with the previous year, 2012 was characterized by concurrent contractions in national consumption of electric power (-2.8%; -3.1% on a seasonally adjusted basis) and in demand for natural gas (-4.1%, back to the level of 2002), the latter due mainly to lower thermoelectric uses. Moreover, the effects of these developments intensified in the fourth quarter of 2012.
This situation, which is due to a worsening of economic conditions in Italy, exacerbated the negative effects of a continuing so-called gas bubble situation and excess capacity in the electric power market, causing the pressure on margins to increase steadily. In natural gas market continued the misalignment between the price of spot gas and the cost paid under long-term contracts, which are indexed to oil prices, where the latter is higher. On the other hand, a steady increase in production from renewable sources (+34% for wind power and +72% for photovoltaic) and from coal, coupled with falling demand, produced a supply overhang in the electric power market and a resulting compression of margins, particularly during peak hours.

Against this backdrop, the Group's **EBITDA** rose to 1,103 million euros, or 213 million euros more (+23.9%) than the 890 million euros earned in 2011, thanks to the beneficial effects of the successful renegotiations of long-term procurement contracts for natural gas from Qatar and Libya (680 million euros, including 347 million euros attributable to gas consumption incurred in previous years). Please also note that in the last year EBITDA reflected the positive impact of the successful renegotiations of long-term procurement contracts for natural gas from Russia and Norway.

The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 630 million euros, up sharply compared with the previous year (292 million euros). This increase is due, on the one hand, to the abovementioned beneficial impact of the successful renegotiations of contracts to import natural gas from Qatar and Libya, but the activities engaged in buying and selling natural gas continued to be penalized by a growing compression of sales margins, and, on the other hand, to a positive performance by the Exploration & Production business, both in terms of volumes and prices.
It is also worth mentioning that the Group is in the process of renegotiating its contract to import natural gas from Algeria with the aim of restoring also for it adequate operating margins.

The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 583 million euros in 2012, down 17.2% compared with the previous year (704 million euros). This decrease reflects strong competitive pressure in the Italian market that reduced sales margins and a reduction in the availability of water resources for the year, which caused a lower hydroelectric production (-6%). These negative effects were partially offset by:

- the benefit (56 million euros) from the redetermination of the Avoided Fuel Cost for the years from 2009 to 2011 consistent with changes in the regulatory framework;
- a net gain of 28 million euros (benefit of 85 million euros, net of a provision for future charges of 57 million euros), recognized for the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant.

1. Adjusted EBITDA is the product of the reclassification of the results of commodity and foreign exchange hedges executed in connection with the physical contracts of the Edison portfolio. The results of the contracts that hedge natural gas importation contracts, which were executed with the aim of protecting the margins of the sales of electric power but recognized by the Hydrocarbons Operations, are being reclassified into the Electric Power Operations (-22 million euros in 2012; +195 million euros in 2011). This reclassification is being made to provide a consistent operational presentation of the Group's industrial results. The Adjusted EBITDA amount was not audited.

The **Group's interest in the net result** was a profit of 81 million euros, against a loss of 871 million euros in 2011. In addition to effects of the industrial margins mentioned above, the result for the year reflects the impact of the following contrasting factors:

- Writedowns of property, plant and equipment for 230 million euros, mainly due to the early termination of a contract to supply steam for a thermoelectric power plant (180 million euros) and to the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant.
- Higher exploration costs, up from 46 million euros in 2011 to 116 million euros in 2012, mainly for activities in Norway and the Falkland Islands.
- A reduction of 39 million euros in financial expense, mainly attributable to net foreign exchange losses on fuel procurement transactions.
- The redefinition of the sales price of Edipower Spa, which generated a benefit of 80 million euros, net of cost to sell, was recognized in the "Profit (Loss) from discontinued operations". In 2011 this item was negative for 605 million euros of which 571 million euros related to writedown recognized to align Edipower carrying amount with the estimated realizable value.

1. Sales Revenues

Sales revenues totaled 12,014 million euros, or 5.6% more than the 11,381 million euros reported at December 31, 2011, mainly affected by commodity prices trend.

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

(in millions of euros)	2012	2011	Change	% change
Revenues from the sales of:				
- Electric power	5,649	6,136	(487)	(7.9%)
- Natural gas	4,636	3,572	1,064	29.8%
- Steam	122	126	(4)	(3.2%)
- Oil	251	224	27	12.1%
- Green certificates	98	105	(7)	(6.7%)
- CO_2 emissions rights	18	89	(71)	(79.8%)
- Other sales revenues	49	38	11	28.9%
Total sales revenues	**10,823**	**10,290**	**533**	**5.2%**
Revenues from services provided	20	23	(3)	(13.0%)
Storage services	56	54	2	3.7%
Margin on physical trading activities	29	40	(11)	(27.5%)
Transmission revenues	1,057	944	113	12.0%
Other revenues from sundry services	29	30	(1)	(3.3%)
Total for the Group	**12,014**	**11,381**	**633**	**5.6%**

Breakdown by Business Segment

(in millions of euros)	2012	2011	Change	% change
Electric Power Operations	6,961	7,437	(476)	(6.4%)
Hydrocarbons Operations	6,571	5,468	1,103	20.2%
Corporate Activities and Other Segments	48	50	(2)	(4.0%)
Eliminations	(1,566)	(1,574)	8	(0.5%)
Total for the Group	**12,014**	**11,381**	**633**	**5.6%**

An analysis of sales revenues is provided below:

- The **Electric Power Operations** reported a decrease (-6.4%) in sales revenues compared with 2011, as a result of a slump in sales volumes (-29%) caused by:
  - lower sales to end customers (-23%) and wholesalers (-49%) offset in part by an increase in Power Exchange sales;
  - the sale of two thermoelectric power plants in the last quarter of 2011.

The effect of these developments was offset in part by an increase in unit sales prices, driven by conditions in the benchmark scenario, and by the growing contribution provided by the renewable energy activities, thanks to the commissioning of new wind farms.

- The sales revenues of the **Hydrocarbons Operations** were up, rising by 20.2% compared with last year, as the combined result of higher sales prices, driven by conditions in the benchmark scenario, and sales volumes (+4%). More specifically, sales were up for wholesalers, industrial and residential customers. The contribution of the Exploration & Production business increased thanks to higher natural gas and oil production (especially production outside Italy), made possible by the startup of new production facilities that more than offset the natural depletion of production fields, and to scenario effect.

2. Other Revenues and Income

Other revenues and income totaled 830 million euros (633 million euros in 2011). A breakdown is as follows:

(in millions of euros)	2012	2011(*)	Change	% change
Out-of-period income	468	143	325	n.m.
Realized commodity derivatives	143	348	(205)	(58.9%)
Margin on financial trading activities	1	-	1	n.a.
Recovery of costs from partners in hydrocarbon exploration projects	33	25	8	32.0%
Net reversals in earnings of provisions for risks on receivables and other risks	28	24	4	16.7%
Income from early termination of CIP 6/92 contracts	85	14	71	n.m
Gains on the sale of property, plant and equipment	2	2	-	-
Sundry items	70	77	(7)	(9.1%)
Total for the Group	**830**	**633**	**(128)**	**(20.2%)**

(*) The 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Out-of-period income (468 million euros) includes the positive effects from the successful renegotiations of the contracts for the supply of natural gas from Qatar and Libya attributable to costs incurred in previous years (352 million euros), while the amount shown for 2011 includes the same type of effects for the successful renegotiation of the contract for the supply of natural gas from Russia, amounting to 66 million euros. Moreover has been considered the effects of the redetermination of the Avoided Fuel Cost for previous years, consistent with changes in the regulatory framework.

The income from **realized commodity derivatives**, which should be analyzed together with the corresponding cost item included in "**Raw materials and services used**" (which increased from 109 million euros to 135 million euros) and "**Net change in fair value of commodity derivatives** " (which decreased from -3 million euros to -6 million euros), reflect primarily the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used in the Edison Group portfolios and gas earmarked for direct sales.
This performance is due to the changes of the scenario effect on the underlying hedged physical commodities: in 2012, a spike in commodity prices in the benchmark markets had a net positive effect on the underlying physical commodities, offset by the negative results reflected in the performance of commodity derivatives. A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled "Group Financial Risk Management".

Income from early termination of CIP 6/92 contracts of 85 million euros refers to the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant. This benefit was offset by provisions for future charges (57 million euros) and writedowns of property, plant and equipment (21 million euros). Please note that the amount for 2011 included the benefit from the early termination of the CIP 6/92 contract for the Taranto thermoelectric power plant.

Sundry items includes insurance settlements of 7 million euros in 2012, mostly for some hydroelectric power plants, compared with 11 million euros in 2011, attributable for the most part to production wells in Italy.

3. Raw Materials and Services Used

Raw materials and services used totaled 11,523 million euros, or 5.6% more than in 2011 (10,910 million euros), reflecting the effects of the price and volume trends mentioned in the note to "Sales revenues". The item also include the benefits generated by the renegotiation of the long-term contract to import natural gas from Qatar and Libya (328 million euros).

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

(in millions of euros)	2012	2011(*)	Change	% change
Purchases of:				
- Natural gas	5,655	4,391	1,264	28.8%
- Electric power	3,062	3,227	(165)	(5.1%)
- Blast-furnace, recycled and coke-oven gas	43	380	(337)	(88.7%)
- Oil and fuel	2	4	(2)	(50.0%)
- Demineralized industrial water	6	32	(26)	(81.3%)
- Green certificates	31	97	(66)	(68.0%)
- CO_2 emissions rights	14	103	(89)	(86.4%)
- Coal, utilities and other materials	71	79	(8)	(10.1%)
Total	**8,884**	**8,313**	**571**	**6.9%**
- Facilities maintenance	139	146	(7)	(4.8%)
- Transmission of electric power and natural gas	1,704	1,590	114	7.2%
- Regasification fee	106	102	4	3.9%
- Professional services	157	143	14	9.8%
- Writedowns of trade and other receivables	68	39	29	74.4%
- Realized commodity derivatives	135	109	26	23.9%
- Margin on financial trading activities	-	5	(5)	(100.0%)
- Additions to provisions for miscellaneous risks	83	51	32	62.7%
- Change in inventories	(158)	50	(208)	n.m.
- Use of property not owned	107	91	16	17.6%
- Losses on sales of property, plant and equipment	3	2	1	50.0%
- Sundry items	295	269	26	9.7%
Total for the Group	**11,523**	**10,910**	**613**	**5.6%**

(*) The 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Breakdown by Business Segment

(in millions of euros)	2012	2011(*)	Change	% change
Electric Power Operations	6,568	7,006	(438)	(6.3%)
Hydrocarbons Operations	6,420	5,372	1,048	19.5%
Corporate Activities and Other Segments	112	116	(4)	(3.4%)
Eliminations	(1,577)	(1,584)	7	(0.4%)
Total for the Group	**11,523**	**10,910**	**613**	**5.6%**

(*) The 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

The increase compared with the previous year in the amount paid for **natural gas** (1,264 million euros) is the combined effect of an upturn in natural gas prices (both in the spot market and under long-term procurement contracts) and an increase in volumes. This item reflects the effects of the successfully renegotiations of the contracts for the supply of natural gas from Qatar and Libya and the adoption of policies to optimize supply sources. The amount of natural gas purchases also reflects the negative

Edison's photovoltaic facilities provide an important contribution to the production of clean, renewable energy, without emissions into the atmosphere.

impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (59 million euros), offset by a benefit shown in commodity prices.

The decrease in costs for **electric power** (165 million euros compared with last year) reflects primarily the effect of a reduction in volumes, offset in part by higher prices in the electric power market.

The divestment of thermoelectric power plants in the fourth quarter of 2011 is the reason for the decrease in purchases of **blast-furnace, recycled and coke-oven gas**, decreased from 380 million euros in 2011 to 43 million euros in 2012.

The decrease of 66 million euros in the cost of **green certificates** reflects the combined effect of a reduction in Group requirements, caused by a decrease in output by thermoelectric systems and the abovementioned sale of two thermoelectric power plants, and an increase in green certificate production by renewable-source facilities.

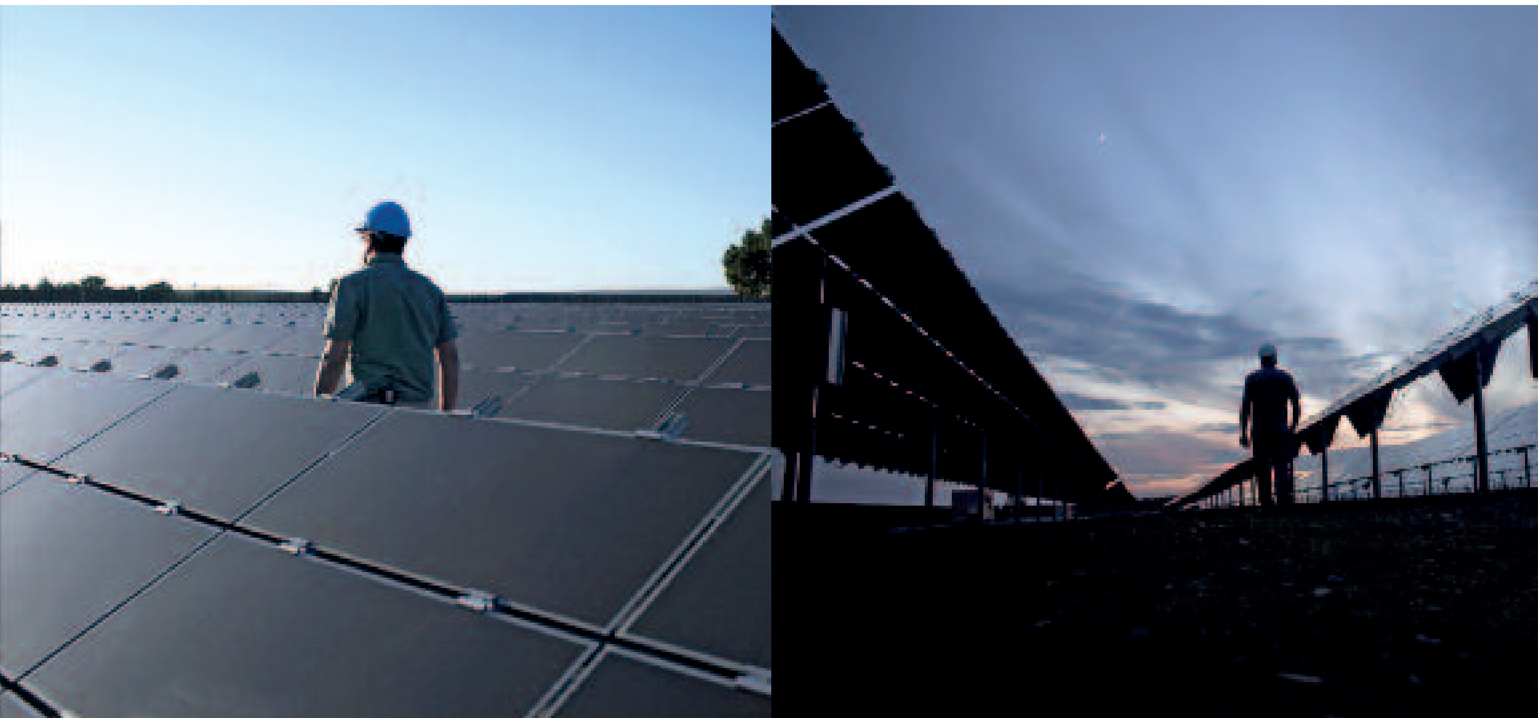
The decrease in the cost of **CO_2 emissions rights** (89 million euros compared with last year), which should be analyzed concurrently with the decrease in the corresponding revenue item (71 million euros), reflects primarily a reduction in the Group's need for these certificates due to the lower production by thermoelectric power plants compared with the previous year and the sale of some thermoelectric power plants in the fourth quarter of 2011.

The increase in **transmission of electric power and natural gas** costs (114 million euros) is due mainly to the higher rates paid.

The **regasification fee** (106 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (68 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations.

Additions to provisions for miscellaneous risks (83 million euros) mainly include the abovementioned addition of 57 million euros to a provision for future charges recognized for the early termination of the



CIP 6/92 contract for the Piombino thermoelectric power plant. A breakdown of additions to provisions for miscellaneous risks is provided in the note to provisions for risks and charges (Note 28).

In addition, the **Sundry items** also include out-of-period losses (38 million euros) and advertising costs (20 million euros).

Margin on Trading Activities

The table below shows the results, included in Revenue and Raw Materials and Service Used, from trading in physical and financial energy commodity contracts held in Trading Portfolios included in revenues and in raw materials and services used.
Compared with the previous year, volumes increased, mainly due to the growth of natural gas trading activities.

(in millions of euros)	See Note	2012	2011	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		4,968	4,273	695	16.3%
Raw materials and services used		(4,939)	(4,233)	(706)	16.7%
Total included in sales revenues	1	**29**	**40**	**(11)**	**(27.5%)**
Margin on financial contracts included in trading portfolios					
Other revenues and income		45	118	(73)	(61.9%)
Raw materials and services used		(44)	(123)	79	(64.2%)
Total included in Other revenues and income/ (Raw materials and services used)	2/3	**1**	**(5)**	**6**	**n.m.**
Total margin on trading activities		**30**	**35**	**(5)**	**(14.3%)**

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

4. Labor Costs

Labor costs totaled 218 million euros or 1.9% more than in 2011, when they amounted to 214 million euros.
This increase reflects primarily wage dynamics and the foreign exchange rate effect on the Egyptian

Labor Costs, offset in part by a reduction in average staff levels, compared with the previous year, due mainly to the divestment of some thermoelectric power plants in the last quarter of 2011.

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

Breakdown by Business Segment

(number of employees)	12.31.2012	12.31.2011(*)	Change
Electric Power Operations	1,229	1,275	(46)
Hydrocarbons Operations	1,369	1,319	50
Corporate Activities and Other Segments	650	642	8
Total for the Group	**3,248**	**3,236**	**12**

Changes by employee category

(number of employees)	01.01.2012 (*)	Added to payroll	Removed from payroll	Changes in classification	12.31.2012	Average payroll (*)
Executives	181	4	(12)	20	193	189
Office staff and Middle managers	2,382	90	(94)	12	2,390	2,324
Production staff	673	33	(9)	(32)	665	732
Total for the Group	**3,236**	**127**	**(115)**	**-**	**3,248**	**3,245**

(*) Not included the employees of Edipower Spa.

5. EBITDA

EBITDA totaled 1,103 million euros, or 213 million euros more (+23.9%) than the 890 million euros earned in 2011.

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

(in millions of euros)	2012	as a % of sales revenues	2011(*)	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	605	8.7%	509	6.8%
Hydrocarbons Operations	608	9.3%	487	8.9%
Corporate Activities and Other Segments	(110)	n.m.	(106)	n.m.
Total for the Group	**1,103**	**9.2%**	**890**	**7.8%**
Adjusted EBITDA				
Electric Power Operations	583	8.4%	704	9.5%
Hydrocarbons Operations	630	9.6%	292	5.3%
Corporate Activities and Other Segments	(110)	n.m.	(106)	n.m.
Total for the Group	**1,103**	**9.2%**	**890**	**7.8%**

(*) The 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

The performance of the individual business segments is reviewed below:

- At 630 million euros, the adjusted EBITDA of the **Hydrocarbons Operations** were up sharply in 2012 thanks to the beneficial effects of the successful renegotiations of long-term procurement contracts for natural gas from Qatar and Libya (680 million euro, including 347 million euros attributable to gas consumption incurred in previous years), offset in part by the continuing pressure exercised on the margins of the natural gas buying and selling activities. In addition, the Exploration & Production

business performed well, particularly outside Italy, thanks to increased production of natural gas, oil and higher sales prices.

- The adjusted EBITDA of the **Electric Power Operations** decreased, falling by 17.2%, from 704 million euros in 2011 to 583 million euros in 2012. This decrease reflects the combined impact of a compression of sales margins caused by heightened competitive pressure in the Italian market and a drop in Edison Group's hydroelectric production (-6%) due to a reduced availability of water resources during the year. These negative factors were partially offset by the positive impact (56 million euros) of the redetermination of the Avoided Fuel Cost for the years from 2009 to 2011, consistent with changes in the regulatory framework, and by the positive performance of renewable energy activities, thanks to the commissioning of new wind farms. Another positive factor was a net gain of 28 million euros (benefit of 85 million euros net of a provision for future charges for 57 million euros) recognized for the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant.

6. Net Change in Fair Value of Commodity Derivatives

A breakdown of this account, which had a negative balance of 6 million euros (negative 3 million euros in 2011), is provided below:

(in millions of euros)	2012	2011(**)	Change	% change
Change in fair value in hedging the price risk on energy products:	**(11)**	**4**	**(15)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(1)	2	(3)	n.m.
- not definable as hedges pursuant to IAS 39	(10)	2	(12)	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**5**	**(7)**	**12**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	-	-	-	n.m.
- not definable as hedges pursuant to IAS 39	5	(7)	12	n.m.
Total for the Group	**(6)**	**(3)**	**(3)**	**100.0%**

(*) Referred to the ineffective portion.
(**) The 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

This line item reflects the change in fair value for the year of commodity and foreign exchange derivatives, excluding those that are part of the Trading Activities, executed as economic hedges of the Industrial Portfolio. The purpose of this presentation is to segregate the effects of the volatility of derivatives from the EBITDA line.

7. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 868 million euros, is provided below:

(in millions of euros)	2012	2011	Change	% change
Depreciation and amortization of:	**630**	**555**	**75**	**13.5%**
- property, plant and equipment	387	426	(39)	(9.2%)
- hydrocarbon concessions	92	70	22	31.4%
- other intangible assets (*)	151	59	92	n.m.
Writedowns of:	**239**	**475**	**(236)**	**(49.7%)**
- property, plant and equipment	230	254	(24)	(9.4%)
- investment property	-	1	(1)	(100.0%)
- goodwill	-	213	(213)	(100.0%)
- other intangible assets	9	7	2	28.6%
Reversal of writedowns of hydrocarbon concessions	**-**	**(125)**	**125**	**(100.0%)**
Utilization of the provisions for risks and charges	**(1)**	**(20)**	**19**	**(95.0%)**
Total for the Group	**868**	**885**	**(17)**	**(1.9%)**

(*) Include the exploration costs (116 million euros in 2012 and 46 million euros in 2011).

Breakdown by Business Segment

(in millions of euros)	2012	2011	Change	% change
Electric Power Operations:	**516**	**795**	**(279)**	**(35.1%)**
- depreciation and amortization	288	335	(47)	(14.0%)
- writedowns of property, plant and equipment	219	240	(21)	(8.8%)
- writedowns of goodwill	-	213	(213)	(100.0%)
- writedowns of other intangible assets	9	7	2	28.6%
Hydrocarbons Operations:	**339**	**68**	**271**	**n.m.**
- depreciation and amortization	332	208	124	59.6%
- utilization of the provisions for risks and charges	(1)	(20)	19	(95.0%)
- writedowns of property, plant and equipment	8	5	3	60.0%
- reversal of writedowns of hydrocarbon concessions	-	(125)	125	(100.0%)
Corporate Activities and Other Segments:	**13**	**22**	**(9)**	**(40.9%)**
- depreciation and amortization	10	12	(2)	(16.7%)
- writedowns of property, plant and equipment	3	9	(6)	(66.7%)
- writedowns of investment property	-	1	(1)	(100.0%)
Total for the Group	**868**	**885**	**(17)**	**(1.9%)**

In the **Electric Power Operations**, the decrease of 279 million euros is due to:

- lower writedowns for a total of 232 million euros. The writedowns recognized in 2012 are mainly due to the early termination of a contract to supply steam of a thermoelectric power plant (180 million euros), and to the effects of the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant (21 million euros);
- lower depreciation resulting from divestments of facilities carried out in 2011 and the extension of some hydroelectric power plant concessions.

In the **Hydrocarbons Operations**, the increase of 271 million euro is the combine result of:

- higher exploration costs of 70 million euros (46 million euros in 2011), due mainly to an increase in exploration activity in Norway and new activities in the Falkland Islands;
- amortization of 25 million euros of the licenses acquired during the year for the new activities in the Falkland Islands;
- higher depreciation and amortization tied to the startup of new production facilities and changed hydrocarbon extraction profiles;
- a 125-million-euros reversal of writedowns of the Egyptian concessions recognized in 2011.

In **Corporate Activities and Other Segments**, a writedown of 3 million of euros was recognized to adjust the carrying amount of some plots of land to the market value shown in an appraisal prepared by an outside company.

A detailed analysis of the impact of the impairment test of the Edison Group is provided later in these Notes in the disclosure “Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles” (Note 18).

8. Net Financial Income (Expense)

Net financial expense totaled 121 million euros, or 39 million euros less than in 2011 (160 million euros). A breakdown of net financial expense is as follows:

(in millions of euros)	2012	2011	Change
Financial income			
Financial income from financial derivatives	82	87	(5)
Interest earned on finance leases	13	14	(1)
Interest earned on bank and postal accounts	3	3	-
Interest earned on trade receivables	18	2	16
Other financial income	25	12	13
Total financial income	**141**	**118**	**23**
Financial expense			
Interest accrued on bond issues	(71)	(74)	3
Fair Value Hedge adjustment on bonds	(33)	(47)	14
Financial expense from financial derivatives	(50)	(35)	(15)
Interest accrued to banks	(31)	(41)	10
Bank fees	(20)	(19)	(1)
Financial expense on decommissioning projects and provisions for risks	(25)	(25)	-
Financial expense in connection with employee severance benefits	(1)	(2)	1
Interest accrued to other lenders	(15)	(14)	(1)
Other financial expense	(10)	(2)	(8)
Total financial expense	**(256)**	**(259)**	**3**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	101	105	(4)
Foreign exchange translation losses	(107)	(124)	17
Net foreign exchange translation gains (losses)	**(6)**	**(19)**	**13**
Net financial income (expense) for the Group	**(121)**	**(160)**	**39**

The improvement achieved in 2012 (39 million euros) is chiefly the result of smaller net foreign exchange losses (primarily on derivatives executed to hedge purchases of natural gas denominated in foreign currencies and deriving from commercial transactions) and higher net interest earned on commercial receivables. Furthermore the decrease in net financial debt for the year, due mainly to the benefits from the sale of Edipower Spa, enabled the Edison Group to contain the net financial expense for the year.

9. Income from (Expense on) Equity Investments

A breakdown of the positive balance of 6 million euros is shown below:

(in millions of euros)	2012	2011	Change
Income from equity investments			
Dividends	3	5	(2)
Revaluations of trading securities	1	-	1
Revaluations and valuations of investments by the equity method	2	2	-
Gains on the sale of equity investments	-	6	(6)
Total income from equity investments	**6**	**13**	**(7)**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	-	(1)	1
Writedowns of investments available for sales	-	(13)	13
Writedowns of trading securities	-	(4)	4
Total expenses on equity investments	**-**	**(18)**	**18**
Total Group income from (expense on) equity investments	**6**	**(5)**	**11**

10. Other Income (Expense), Net

Net other expense of 37 million euros (expense of 14 million euros in 2011) is the result of nonrecurring items that are not directly related to the Group's industrial operations. Please note that in 2012 an addition (15 million euros) was made to a provision for risks on tax disputes.

11. Income Taxes

The income-tax expense amount to 41 million euros (96 million euros in 2011) and are shown in the following table:

(in millions of euros)	2012	2011	Change
Current taxes	206	213	(7)
Net deferred-tax liabilities (assets)	(161)	(108)	(53)
Income taxes attributable to previous years	(4)	(9)	5
Total for the Group	**41**	**96**	**(55)**

Current taxes include 189 million euros for corporate income taxes (IRES) and 33 million euros for regional taxes (IRAP), offset only in part by a tax benefit of 16 million euros generated by filing a consolidated income tax return and by the recovery of foreign taxes.

The tax burden for the year reflects primarily the adoption of an average tax rate of less than 34% by Edison Spa, the Group's Parent Company, which is not required to pay the corporate income tax surcharge this year.

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

(in millions of euros)	2012		2011		Change
Profit (Loss) before taxes	**77**		**(177)**		
Tax calculated at domestic tax rate	26	34.0%	(60)	34.0%	86
Permanent differences	12	15.6%	29	(16.4%)	(17)
Non-deductible writedowns of goodwill	-	-	72	(40.7%)	(72)
Foreign taxes and tax assets not recognized	(25)	(32.5%)	17	(9.6%)	(42)
Changes to tax rates/Income tax surcharge	3	3.9%	17	(9.6%)	(14)
IRAP - regional taxes	33	42.9%	26	(14.7%)	7
IRAP - Tax credit	(4)	(5.2%)	-	-	(4)
Income taxes attributable to previous years and other differences	(4)	(5.2%)	(5)	2.8%	1
Income taxes	**41**	**53.5%**	**96**	**(54.2%)**	**(55)**

The table below provides a breakdown of **deferred-tax liabilities** and **deferred-tax assets** and shows the changes that occurred in 2012:

(in millions of euros)	12.31.2011	Additions	Utilizations	IAS 39 to sharehold. equity	Other changes/ Reclassif./ Offsets	12.31.2012
Provision for deferred taxes:						
Valuation differences of property, plant and equipment and intangibles	263	-	(111)	-	(5)	147
Adoption of IAS 17 to value finance leases	24	2	-	-	(3)	23
Adoption of IAS 39 to value financial instruments with impact on the income statement	-	2	-	-	-	2
Other deferred-tax liabilities	9	13	(3)	-	8	27
	296	**17**	**(114)**	**-**	**-**	**199**
Offsets	(81)	-	-	-	(39)	(120)
Provision for deferred taxes net of offsets	**215**	**17**	**(114)**	**-**	**(39)**	**79**
Deferred-tax assets:						
Tax loss carryforward	14	1	(4)	-	5	16
Taxed provisions for risks	114	62	(19)	-	(1)	156
Adoption of IAS 39 to value financial instruments with impact:						
- on the income statement	-	13	(8)	-	-	5
- on shareholders' equity	3	-	-	8	-	11
Valuation differences of property, plant and equipment and intangibles	54	18	-	-	(4)	68
Other deferred-tax assets	7	1	-	-	1	9
	192	**95**	**(31)**	**8**	**1**	**265**
Offsets	(81)	-	-	-	(39)	(120)
Deferred-tax assets net of offsets	**111**	**95**	**(31)**	**8**	**(38)**	**145**

12. Profit (Loss) from Discontinued Operations

The net profit from discontinued operations in 2012, which totaled 50 million euros, reflects the effect of the redefinition of the sales price, net of cost to sell, of the equity stake in Edipower Spa (80 million euros) and the margin attributable to Edipower's tolling operations (negative by 30 million euros, net of tax effect).

The data for 2011 included essentially the contribution provided by Edipower's CGUs to the integrated net Group result of the Edison system (negative by 20 million euros) and the writedown recognized to align Edipower carrying amount with the estimated realizable value (571 million euros).

For further information, please see the section entitled “Disclosure pursuant to IFRS 5”.

13. Earnings (Loss) per Share

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

(in millions of euros)	2012		2011	
	Common shares	Savings shares [1]	Common shares	Savings shares [1]
Group interest in profit (loss)	81	81	(871)	(871)
Profit (Loss) attributable to the different classes of shares (A)	76	5	(877)	6
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,108,251	110,592,420
- diluted (C) [2]	5,181,545,824	110,154,847	5,181,108,251	110,592,420
Earnings (Loss) per share (in euros)				
- basic (A/B)	0.0147	0.0447	(0.1692)	0.0500
- diluted (A/C) [2]	0.0147	0.0447	(0.1692)	0.0500

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

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

The tables below show earnings (loss) per share for continuing and discontinued operations:

(in millions of euros)	2012		2011	
	Common shares	Savings shares	Common shares	Savings shares
Group interest in profit (loss) from continuing operations	31	31	(266)	(266)
Profit (Loss) attributable to the different classes of shares (A)	26	5	(272)	6
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,108,251	110,592,420
- diluted (C)	5,181,545,824	110,154,847	5,181,108,251	110,592,420
Earnings (Loss) per share from continuing operations (in euros)				
- basic (A/B)	0.0050	0.0447	(0.0524)	0.0500
- diluito (A/C)	0.0050	0.0447	(0.0524)	0.0500

(in millions of euros)	2012		2011	
	Common shares	Savings shares	Common shares	Savings shares
Group interest in profit (loss) from discontinued operations	50	50	(605)	(605)
Profit (Loss) attributable to the different classes of shares (A)	50	-	(605)	-
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,108,251	110,592,420
- diluted (C)	5,181,545,824	110,154,847	5,181,108,251	110,592,420
Earnings (Loss) per share from discontinued operations (in euros)				
- basic (A/B)	0.0097	-	(0.1168)	-
- diluted (A/C)	0.0097	-	(0.1168)	-

NOTES TO THE BALANCE SHEET

Assets

14. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred in 2012:

(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 12.31.2011 (A)	**498**	**4,022**	**168**	**36**	**5**	**8**	**376**	**5,113**
Changes in 2012:								
- Additions	1	198	3	-	-	1	97	300
- Disposals (-)	-	(6)	-	-	-	-	-	(6)
- Depreciation (-)	(17)	(340)	(27)	(1)	(1)	(1)	-	(387)
- Writedowns (-)	(13)	(216)	(1)	-	-	-	-	(230)
- Decommissioning costs	-	17	-	-	-	-	-	17
- Other changes	5	76	(1)	-	-	(1)	(100)	(21)
Total changes (B)	**(24)**	**(271)**	**(26)**	**(1)**	**(1)**	**(1)**	**(3)**	**(327)**
Balance at 12.31.2012 (A+B)	**474**	**3,751**	**142**	**35**	**4**	**7**	**373**	**4,786**
Breakdown:								
- Historical cost	659	7,072	551	41	16	20	402	8,761
- Accumulated depreciation (-)	(146)	(2,601)	(405)	(6)	(12)	(13)	-	(3,183)
- Writedowns (-)	(39)	(720)	(4)	-	-	-	(29)	(792)
Net carrying amount	**474**	**3,751**	**142**	**35**	**4**	**7**	**373**	**4,786**

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

(in millions of euros)	2012	2011
Electric Power Operations	**95**	**166**
broken down as follows:		
- Thermoelectric area	29	46
- Hydroelectric area	18	25
- Renewable sources area (wind power, photovoltaic, etc.)	48	95
Hydrocarbons Operations	**204**	**301**
broken down as follows:		
- Hydrocarbon fields in Italy	51	112
- Hydrocarbon fields outside Italy	87	131
- Transmission and storage infrastructures	66	58
Corporate Activities and Other Segments	**1**	**2**
Total for Continuing Operations	**300**	**469**
Discontinued Operations	**-**	**19**
Total for the Group	**300**	**488**

Projects carried out during the year included the following:

- for the **Hydrocarbons Operations**: in the Exploration & Production area, start of production from the new fields and the new Alba Marina Floating Storage and Offloading vessel in Italy and, abroad, drilling of production wells at Abu Qir, in Egypt. In the gas storage area, further investment in the current projects for the San Potito and Cotignola field, in Italy;
- for the **Electric Power Operations**: the putting into service of the new San Giorgio and San Benedetto wind farm and the overhauling of some wind turbines.

Capitalized borrowing costs recognized in the year as part of property, plant and equipment, as required by IAS 23 Revised, amounted to less than one million euros.

A more detailed analysis of **depreciation**, which amounted to 387 million euros (426 million euros in 2011), is provided in Note "Depreciation, amortization and writedowns" to the Income Statement.

Writedowns of 230 million euros (232 million euros in 2011) reflect essentially the effects of impairment test. For detailed information please see the "Depreciation, amortization and writedowns" Note to the Income Statement and in the section of these Notes entitled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 18).

The change in **decommissioning cost** (17 million euros) reflects:
- for the **Electric Power Operations**, the putting into service of the abovementioned new wind farms;
- for the **Hydrocarbons Operations**, the revision of the estimates of future decommissioning costs for some site.

Assets transferable at no cost are attributable to the concession held by the Edison Group.

For the **assets acquired under finance leases**, recognized in accordance with the IAS 17 Revised method, the balance of the remaining financial liability, which amounts to 28 million euros, is shown part under "Long-term financial debt and other financial liabilities" (25 million euros) and part under "Short-term financial debt" (3 million euros).

Collateral provided granted on facilities to secure financing provided by financial institutions amounted to 120 million euros.

15. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, had a total carrying amount of 9 million euros, or 1 million euros less than at December 31, 2011. A breakdown of the change that occurred in 2012 is provided below:

(in millions of euros)	
Balance at 12.31.2011 (A)	**10**
Changes in 2012:	
- Disposal (-)	(1)
Total changes (B)	**(1)**
Balance at 12.31.2012 (A+B)	**9**
Breakdown:	
- Historical cost	12
- Accumulated depreciation (-)	(1)
- Writedowns (-)	(2)
Net carrying amount	**9**

16. Goodwill

Goodwill totaled 3,231 million euros, unchanged compared with December 31, 2011.
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.
Please see the next paragraph (Note 18) for comments about the impairment test in accordance with IAS 36.

17. Hydrocarbons Concessions

Concessions for the production and extraction of hydrocarbons, which consist of 85 mineral leases in Italy and abroad (including 3 storage concessions), were valued at 948 million euros. The net decrease of 92 million euros, compared with December 31, 2011, reflects the amortization for the year. In 2012 the Group was awarded three new hydrocarbon exploration concessions in Norway but four exploration permits expired, two in Italy, one in Egypt and one in Iran.
The table below shows the changes that occurred in this account in 2012:

(in millions of euros)	
Balance at 12.31.2011 (A)	**1,040**
Changes in 2012:	
- Amortization (-)	(92)
Total changes (B)	**(92)**
Balance at 12.31.2012 (A+B)	**948**
Breakdown:	
- Historical cost	1,458
- Accumulated amortization (-)	(429)
- Writedowns (-)	(81)
Net carrying amount	**948**

Disclosure About the Group's Concessions

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

	Number	Remaining life (years) from	to
Storage concessions	3	2	17
Hydroelectric concessions	38	1	25
Distribution concessions	62	3	12
Hydrocarbon concessions	82	(*) 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.

18. Other Intangible Assets

The table below shows the main changes that occurred in 2012:

(in millions of euros)	Concessions, licenses, patents and similar rights	CO_2 emissions rights	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2011 (A)	**84**	**4**	**-**	**7**	**-**	**95**
Changes in 2012:						
- Additions	39	-	116	-	4	159
- Amortization (-)	(35)	-	(116)	-	-	(151)
- Writedowns (-)	-	(9)	-	-	-	(9)
- Change in scope of consolidation	-	-	-	3	-	3
- Other changes	-	8	-	-	-	8
Total changes (B)	**4**	**(1)**	**-**	**3**	**4**	**10**
Balance at 12.31.2012 (A+B)	**88**	**3**	**-**	**10**	**4**	**105**
Breakdown:						
- Historical cost	234	19	471	17	4	745
- Accumulated amortization (-)	(145)	-	(471)	(5)	-	(621)
- Writedowns (-)	(1)	(16)	-	(2)	-	(19)
Net carrying amount	**88**	**3**	**-**	**10**	**4**	**105**

Exploration costs for the year, which were amortized in full, totaled 116 million euros compared with 46 million euros in 2011. This item also reflects costs incurred for projects in the Falkland Islands in the amount of 45 million euros, including 13 million euros attributable to activities in previous years.

With regard to activities in the Falkland Islands, please note that, in 2012, the Group entered into a farm-in agreement by which it acquired an interest in some licenses in that area. In addition to the cost mentioned above, this agreement resulted in the recognition of the acquisition value of the licenses, amounting to about 31 million euros, under **Concessions, licenses, patents and similar rights**. This amount is being amortized systematically on a straight-line basis over the remaining lives of the licenses, which generated amortizations with an economic effect of about 25 million euros in 2012.

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

CO_2 emissions rights (3 million euros) include the rights exceeding the Group's requirements. This amount reflects a valuation at market prices, which required a writedown of 9 million euros.

In **Other intangible assets**, the change in scope of consolidation (3 million euros) refers to the acquisition of CSE Srl. An analysis of this transaction is provided in the section of these Notes entitled "Disclosure Pursuant to IFRS 3".

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

In 2012, the impairment test performed in accordance with IAS 36 required the recognition of writedowns totaling 230 million euros, broken down as follows:

- 219 million euros for the assets of the Electric Power Operations;
- 8 million euros for the assets of the Hydrocarbons Operations;
- 3 million euros for the Corporate Activities and Other Segments.

Edison's environmental performance has achieved levels of excellence thanks to the adoption of certified management system, the use of the best technologies available and the ongoing use of programs to train and increase the awareness of its employees and employees of outside contractors.

Specifically with regard to the value of **goodwill**, because it is an intangible asset with an indefinite useful life, pursuant to IAS 36, it cannot be amortized in regular installments, but its value must be tested for impairment at least once a year. Since goodwill does not generate cash flows independently and cannot be sold separately from the assets to which it is allocated, IAS 36 requires a test of the value that can be recovered on a residual basis. This is accomplished by determining the cash flows generated by the complex of assets that constitute the business or businesses to which goodwill is attributable: the cash generating units (CGUs).

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

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

Allocation of goodwill

(in millions of euros)	12.31.2012	12.31.2011
Electric Power Operations	2,528	2,528
Hydrocarbons Operations	703	703
Total	**3,231**	**3,231**

Consistent with past practice, the test was carried out with the support of an independent appraiser based on the cash flows used in the 2013-2015 medium-term plan reviewed by the Board of Directors, the 2013 Budget part of which was approved by the Board of Directors on November 30, 2012, and on long-term projections developed by management.
These documents reflect the best estimates of Top Management with regard to the main assumptions concerning the Company's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials

were deemed to be suitable for impairment test purposes by the Board of Directors, which approved the results.
With regard to this, please note that IAS 36 defines the recoverable value of an asset or a cash generating unit as the higher of its fair value, less costs to sell, and its value in use.
In 2012, consistent with past practice, the recoverable value pursuant to IAS 36 was estimated based on value in use, which is the present value of the future cash flows that the Company expects to receive from a given asset, determined in the manner specified below.

For the purpose of estimating value in use of the two CGUs to which goodwill was allocated, the independent appraiser verified the assumptions contained in the abovementioned documents and in analyses supplementing the medium-term plan, which he checked against various reliable external sources.
In addition, the independent appraiser reviewed previous plans prepared by the Company's management and analyzed variances shown by actual data.
The recoverable value (understood as value in use) of each of the two abovementioned operations was determined based on a medium-term plan's explicit projection horizon which is of three years, considering cash flows net of future developments (so-called inertial plan), due to the unpredictability of the scenario in general.
The terminal value of both operations was estimated based on an operating cash flow, duly normalized to reflect regular operating conditions and considering a nominal annual growth rate between zero and 2%.

The recoverable value was estimated using the financial method. It was obtained using simulations for different variables that were verified against market parameters or external sources, when available, (the most significant and sensitive to the value being: the valuation assumptions for the capacity payment of the Electric Power Operations, the discount rates, the discount rate parameters, the margins on long-term gas contracts, 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). Specifically with regard to the Hydrocarbons Operations, the effects of different timings for the negotiation processes currently under way in the oil and gas area were also taken into account.

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

	2013	2014-2020 Period	From 2021
Electric Power Operations	6.6%	6.7%	6.9%
Hydrocarbons Operations	7.0%	7.1%	7.3%

Starting in 2014, consistent with current legislation concerning the Robin Hood Tax, the above mentioned rates were restated without the impact of the corporate income tax surcharge, amounting to 4% in 2013 and with the assumption that the effects of this additional tax would end starting in 2021. In constructing the discount rates, considered after tax, the different structure of borrowing costs resulting from the corporate restructuring process was also taken into account[2].
These rates were increased further when estimating the recoverable value of the cash flows from a CGU's business operations exposed to a country risk at a level appreciably different from that of Italy: specifically, operations located in Greece, Egypt and Croatia.

2. Please note that in 2011, pre-tax rates were used in the range of 10.3%-10.7% for the Electric Power Operations and in the range of 11.3%-11.9% for the Hydrocarbons Operations (median rates).

In accordance with the process described above, the independent appraiser determined a median recoverable value that was higher than the corresponding carrying amount for both business segments and the Group as a whole. As a result, no writedown was necessary. More specifically, the median recoverable value surplus was significantly higher for the Hydrocarbons Operations.

It is worth mentioning that the impairment test of goodwill was based on management's best estimates and taking into account different key assumptions (WACC, margins, hydrocarbon reserves, etc.) and market scenarios. These assumptions and scenarios could change in the future, particularly in a context that, as is currently the case, is characterized by high volatility, with a resulting impact on the recoverable value. This consideration is particularly true for the Electric Power operations, as their median surplus is less significant.

In order to determine if the value of its **property, plant and equipment and intangibles** had been impaired, Edison tested in the same manner the components of property, plant and equipment and intangibles held by the Group's core businesses that could be identified as cash generating units. These assets are used for the production activities of the Electric Power Operations and Hydrocarbons Operations and for natural gas distribution, transmission and storage activities.

With regard to the abovementioned property, plant and equipment and intangibles, a partial revision of the Group CGUs was performed in 2012, in order to make more consistent, as IAS 36 requires, the management reporting with the operating responsibilities of the new Divisions/Business Units, as redefined following the corporate restructuring carried out in 2012.

This new approach, which did not change substantially the results of the impairment test, simplified the CGU definition criteria and made them more consistent with a management approach, based on two factors:

a) the production source and the corresponding technology (hydrocarbon and electric, the latter subdivided into thermoelectric, hydroelectric, wind power and photovoltaic);
b) the current target market, i.e., "merchant", "CIP 6/92 and captive", regulated activities, also differentiating between reference countries.

These CGUs (14 in 2012 against 38 in 2011) have independent flows and the new structure is used as reference for strategic decisions.

The third factor previously used to define the CGUs, i.e., whether the party that owns a given non-current asset is a separate legal entity, was eliminated since it was no longer pertinent from an industrial standpoint, given the unified and centralized management of the production facilities, treated irrespective of the production asset and the legal entity from which they originated.
As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on the economic-financial plans for each CGU and on a time horizon equal to the useful lives of its assets: the cash flows used until 2015 were those obtained from Company's medium-term plan.
The financial flows used in connection with the abovementioned economic-financial plans were indicative of specific production profiles and prices and took into account such items as decommissioning costs and residual values, when identifiable.
As was done when testing goodwill for impairment, the recoverable value was estimated by applying the financial method, used in combination with the Montecarlo simulation technique (specifically for the purpose of determining the recoverable value interval).
The post-tax cash flows used for each CGU were discounted using rates that were consistent with those applied when testing goodwill for impairment (except for Regulated Gas Activities CGU, for which the regulated rates typical of this business was used). These rates were increased further to take into account country risk and for CGUs located in foreign countries exposed to a country risk at a level appreciable different than that of Italy.

Moreover, taking a conservative approach, additional sensitivity and other analyses were performed:
- regarding the merchant Thermoelectric CGU, simulations were carried out based on different valuation assumptions for the Capacity Payment, the potential future regulatory change of which is reflected in long-term projections;
- regarding a foreign Thermoelectric CGU, two different scenarios have been applied for the years after 2015; (i) a first scenario developed with production levels and margins as in 2015; (ii) a second scenario developed with a slight improvement of spark spread foreseen from 2016 onwards but still below previous year medium/long term plan estimate.

The impairment test carried out with the process described above showed reduction in recoverable value compared with the carrying amount for some Thermoelectric CGUs and for a foreign hydrocarbon CGU. The total resulting asset writedown required by the impairment test amounted to 227 million euros, including 219 million euros for electric power CGUs and 8 million euros for a hydrocarbons CGU.

More specifically:
- Regarding the **Thermoelectric CGUs**, which included the merchant Thermoelectric CGU and a CIP 6/92 and captive Thermoelectric CGU, writedowns of 201 million euros were required by the presence of the following impairment indicators:
  a) a projected reduction in unit margins, due to the early termination of a contract to supply steam;
  b) the early termination of CIP 6/92 contracts.
- In the case of the **foreign Thermoelectric CGU**, an assessment of the country risk and of a reduction in long-term profitability required a writedown of 18 million euros.
- A **Hydrocarbons CGU** was written down by 8 million euros, due to delays in the startup of a production field outside Italy.

Additional writedowns totaling about 3 million euros were recognized to align the carrying amount of some plots of land to their estimated realizable value.

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

The total includes 51 million euros in investments in associates and unconsolidated subsidiaries and affiliated companies and 194 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (179 million euros) and RCS Mediagroup Spa (10 million euros).
The table below shows the main changes that occurred in 2012:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2011 (A)	**49**	**198**	**247**
Changes in 2012:			
- Changes in shareholders' equity reserves	-	(8)	(8)
- Valuations at equity	2	-	2
- Valuations at fair value	-	4	4
Total changes (B)	**2**	**(4)**	**(2)**
Balance at 12.31.2012 (A+B)	**51**	**194**	**245**
Breakdown:			
- Historical cost	47	225	272
- Revaluations (+)	13	-	13
- Writedowns (-)	(9)	(31)	(40)
Net carrying amount	**51**	**194**	**245**

Changes for the year includes **Changes in shareholders' equity reserves**, negative by 8 million euros, which refers to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

Valuations at fair value, positive by 4 million euros, refer to RCS Mediagroup Spa.

20. Other Financial Assets

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

(in millions of euros)	12.31.2012	12.31.2011	Change
Loan receivables from Ibiritermo (IFRIC 4) (*)	70	77	(7)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	1	1	-
Total other financial assets	**75**	**82**	**(7)**

(*) Referred to a fully captive thermoelectric power plant in Brazil and accounted for as a financial lease.

21. Deferred-tax Assets

Deferred-tax assets, which were valued based on the assumption that they would be probably realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 145 million euros (111 million euros at December 31, 2011). They reflect differences in the valuation of:

- taxed provisions for risks of 62 million euros;
- property, plant and equipment and intangibles of 57 million euros;
- a tax-loss carryforward of 8 million euros;

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

22. Other Assets

Other assets totaled 108 million euros, or 68 million euros more than December 31, 2011. This account includes:

- 85 million euros for the non-current portion of advances paid under long-term natural gas supply contracts for gas volumes that Edison Spa was unable to take delivery of but was required to pay for due to the activation of the take or pay clauses on volume in 2011 (77 million euros) and in 2012 (8 million euros). In 2012, the Group recovered 67 million euros in advances paid in previous years, including 25 million euros on Russian long-term contract and 42 million euros on the Norway long-term contract that expired on March 31, 2012 (see also Note 23). Please note that at December 31, 2012 the Group recognized commitments totaling 414 million euros for the activation of take or pay contract clauses in 2012 that will be paid in early 2013;
- 9 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through December 31, 2012;
- 14 million euros in sundry receivables, consisting mainly of security deposits.

23. Current Assets

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

(in millions of euros)	12.31.2012	12.31.2011	Change
Inventories	390	252	138
Trade receivables	3,391	3,152	239
Current-tax assets	25	28	(3)
Other receivables	562	681	(119)
Current financial assets	99	628	(529)
Cash and cash equivalents	753	291	462
Total current assets	**5,220**	**5,032**	**188**

A review of the individual components is provided below:

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Green certificates	CO_2 emission rights	Other	**Total at 12.31.2012**	Total at 12.31.2011	Change
Electric Power Operations	13	-	1	7	1	19	41	45	(4)
Hydrocarbons Operations	29	311	9	-	-	-	349	207	142
Total for the Group	**42**	**311**	**10**	**7**	**1**	**19**	**390**	**252**	**138**

The increase for the year refers mainly to stored natural gas (154 million euros). Inventories also include 84 million euros of natural gas, the use of which is restricted either as 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)	**12.31.2012**	12.31.2011	Change
Electric Power Operations	2,002	1,959	43
Hydrocarbons Operations	1,404	1,273	131
Corporate Activities and Other Segments and Eliminations	(15)	(80)	65
Total trade receivables	**3,391**	**3,152**	**239**
Of which Allowance for doubtful accounts	**(207)**	**(141)**	**(66)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 120 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios.
The higher amount shown for trade receivables compared with December 31, 2011 (239 million euros) reflects the temporary impact of the abovementioned successfully renegotiations of the contracts for the supply of natural gas, of the price and volume trends discussed in the note to "Sales revenues", as well as a lengthening of the time to collection resulting from a change in the customer mix and the expansion of the Group's international activities.
It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse both on a monthly and quarterly revolving basis and on a spot basis, consistent with a policy aimed at controlling and minimizing credit risks. These transactions totaled 5,047 million euros in 2012 (5,257 million euros at December 31, 2011). The residual risk of recourse associated with these receivables is less than 1 million euros.

- **Current-tax assets** of 25 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 Srl, the Group's controlling company.

- A breakdown of **other receivables**, which totaled 562 million euros, is provided in the table below:

(in millions of euros)	12.31.2012	12.31.2011	Change
Receivables arising from the valuation of derivatives	154	175	(21)
Amounts owed by partners and associates in hydrocarbon exploration projects	94	85	9
Advances to suppliers	6	10	(4)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	81	100	(19)
Advances for take or pay contracts	-	42	(42)
VAT credit	3	64	(61)
Sundry items	224	205	19
Total other receivables	**562**	**681**	**(119)**

The decrease shown for **receivables arising from the valuation of derivatives**, which should be analyzed in conjunction with the corresponding liability included in **Current liabilities** (up from 179 million euros to 191 million euros), primarily reflects changes in the market price scenario compared with December 31, 2011, specifically regarding Brent crude and the EUR/USD exchange rate. A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled “Group Financial Risk Management”.

The Group’s ability to accept increased deliveries of natural gas enabled it to recover in full the **advances for take or pay contract** paid in previous years and recorded in this account.

- 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)	12.31.2012	12.31.2011	Change
Loans receivable	5	571	(566)
Derivatives	89	53	36
Equity investments held for trading	5	4	1
Total current financial assets	**99**	**628**	**(529)**

The repayment of 550 million euros by Edipower Spa to Edison Spa for a shareholder loan provided in December 2011 is the main reason for the decrease in **Loans receivable**.

- **Cash and cash equivalents** of 753 million euros (291 million euros at December 31, 2011) consist of short-term deposits in bank and postal accounts and other short-term investments.

24. Assets held for sale

Assets held for sale totaled 1 million euros, down from 1,430 million euros at December 31, 2011. The sale of Edipower Spa, which closed on May 24, 2012, accounts for this decrease.
For further information, see the Section entitled “Disclosure pursuant to IFRS 5”, provided later in these Notes.

Liabilities and Shareholders' Equity

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

The shareholders' equity attributable to Parent Company shareholders amounted to 7,055 million euros, or 67 million euros more than at December 31, 2011 (6,988 million euros). This increase is mainly due to the net profit for the year (81 million euros), partially offset by the negative change in the Cash Flow Hedge reserve (8 million euros).

The shareholders' equity attributable to minority shareholders decreased to 132 million euros, or 26 million euros less than at December 31, 2011 (158 million euros), due mainly to the effect of dividend and reserves distribution resolutions by companies with minority shareholders (30 million euros), partially offset by the net profit for the year (5 million euros).

A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity".
A breakdown of share capital, which consists of shares with a par value of 1 euro each, all with regular ranking for dividends, is as follows:

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

Please note that, following the motion for voluntary conversion of the savings shares into common shares of Edison Spa ended on November 30, 2012, a total of 437,573 savings shares were converted into common 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 changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2011	(11)	3	(8)
Changes in 2012	(16)	8	(8)
Reserve at December 31, 2012	**(27)**	**11**	**(16)**

The table below shows the changes that occurred in the reserve for available-for-sale-investments:

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2011	-	-	-
Changes in 2012	4	-	4
Reserve at December 31, 2012	**4**	**-**	**4**

26. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 35 million euros, reflect the accrued severance indemnities and other benefits owed to employees. A valuation in accordance with the actuarial criteria of IAS 19 was performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

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

- Technical annual discount rate 3.95%;
- Annual inflation rate 2.00%.

The table below shows the changes that occurred in 2012:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2011 (A)	**36**	**-**	**36**
Changes in 2012:			
- Financial expense	1	-	1
- Utilizations (-)/Other changes	(2)	-	(2)
Total changes (B)	**(1)**	**-**	**(1)**
Total at 12.31.2012 (A+B)	**35**	**-**	**35**

27. Provision for Deferred Taxes

The balance of 79 million euros (215 million euros at December 31, 2011) reflects mainly the deferred-tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.

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

(in millions of euros)	12.31.2012	12.31.2011	Change
Deferred-tax liabilities:			
- Valuation differences of property, plant and equipment and intangibles	147	263	(116)
- Adoption of IAS 17 to value finance leases	23	24	(1)
- Adoption of IAS 39 to value financial instruments with impact on the income statement	2	-	2
- Other deferred-tax liabilities	27	9	18
Total deferred-tax liabilities (A)	**199**	**296**	**(97)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	94	65	29
- Tax-loss carryforward	8	7	1
- Adoption of IAS 39 to value financial instruments with impact:			
- on shareholders' equity	-	3	(3)
- on the income statement	3	-	3
- Valuation differences of property, plant and equipment and intangibles	11	1	10
- Other deferred-tax assets	4	5	(1)
Total deferred-tax assets (B)	**120**	**81**	**39**
Total provision for deferred taxes (A-B)	**79**	**215**	**(136)**

Edison supports with commitment and continuity Italy's national volleyball, basketball and rugby teams, with which it shares the same values: fair competition, team spirit, dynamism and speed.

28. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 863 million euros, for an increase of 35 million euros compared with December 31, 2011 (828 million euros). The table below shows the changes that occurred in 2012:

(in millions of euros)	12.31.2011	Additions	Utilizations	Other changes	12.31.2012
Disputed tax items	69	29	(50)	-	48
Risks for disputes, litigation and contracts	138	5	(4)	-	139
Charges for contractual guarantees on sale of equity investments	80	-	(6)	-	74
Provisions for decommissioning and remediation of industrial sites	385	17	(6)	19	415
Environmental risks	39	7	(4)	-	42
Other risks and charges	117	72	(21)	(23)	145
Total for the Group	**828**	**130**	**(91)**	**(4)**	**863**

More specifically:

- The main components of **additions** of 130 million euros include an addition to a provision for future charges in connection with the early termination of a CIP 6/92 contract (57 million euros), additions to provisions for tax disputes (28 million euros), financial expense on decommissioning provisions (17 million euros) and statutory and tax interest accrued on existing provisions (8 million euros).
- **Utilizations** of 91 million euros refer essentially to the legal disputes and tax disputes (54 million euros), the coverage of costs incurred for the remediation and decommissioning of some industrial sites (6 million euros) and the reversals of the portions of provisions for risks that exceeded the actual charges (25 million euros).
- **Other changes**, negative by 4 million euros, reflect mainly the recognition of decommissioning provisions (17 million euros) in the Exploration & Production and renewable source sectors, offset by the reclassification (15 million euros) into liabilities of the remaining balance in the provision recognized upon Purchase Price Allocation for the Deep Horizon exploration project at Abu Qir, in Egypt.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the Section of these Notes entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2012".

29. Bonds

The balance of 1,796 million euros (1,793 million euros at December 31, 2011) represents the noncurrent portion of the bonds valued at amortized cost.

The table below shows the balance outstanding at December 31, 2012 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value: Non-current portion	Carrying value: Current portion	Carrying value: Total	Fair value
Edison Spa	Luxembourg Stock Exch.	Eur	700	Annual in arrears	4.250%	07.22.2014	700	33	733	749
Edison Spa	Luxembourg Stock Exch.	Eur	500	Annual in arrears	3.250%	03.17.2015	499	22	521	535
Edison Spa	Luxembourg Stock Exch.	Eur	600	Annual in arrears	3.875%	11.10.2017	597	49	646	661
Total for the Group			**1,800**				**1,796**	**104**	**1,900**	**1,945**

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

30. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows.

(in millions of euros)	12.31.2012	12.31.2011	Change
Due to banks	134	1,290	(1,156)
Due to other lenders	40	44	(4)
Total for the Group	**174**	**1,334**	**(1,160)**

The decrease in the amount due to banks refers mainly to a reclassification to current liabilities of a syndicated standby credit line held by Edison Spa (face amount of 1,500 million euros and expiring in April 2013) that had been drawn down by 1,050 million euros at December 31, 2011, and of the financial liabilities owed by Elpedison Power Sa.
A detailed analysis of these changes is provided in the "Liquidity Risk" paragraph of the Section entitled "Group Financial Risk Management".

31. Other Liabilities

Other liabilities of 31 million euros represent sundry liabilities, including the suspension of a gain on the 2008 sale of a 51% interest in Dolomiti Edison Energy Srl (which continues to be consolidated line by line) while agreements providing both parties with put and call options are in effect.

32. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	12.31.2012	12.31.2011	Change
Bonds	104	71	33
Short-term financial debt	1,461	1,167	294
Trade payables	2,440	2,357	83
Current taxes payable	11	23	(12)
Other liabilities	692	603	89
Total current liabilities	**4,708**	**4,221**	**487**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 104 million euros, including the total accrued interest at December 31, 2012.

- **Short-term financial debt**, which totaled 1,461 million euros, includes:
  - 1,297 million euros due to banks, 29 million euros of which represent the effect of measuring interest rate derivatives at fair value. The total amount includes 1,150 million euros for the utilization of a syndicated standby credit line held by Edison Spa. Please note that the club-deal credit line (face value of 700 million euros) was repaid in full in the year, thanks to the proceeds collected from the divestment of Edipower Spa;
  - 143 million euros due to other lenders;
  - 18 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,440 million euros. A breakdown by business segment is provided below:

(in millions of euros)	12.31.2012	12.31.2011	Change
Electric Power Operations	1,448	1,652	(204)
Hydrocarbons Operations	978	763	215
Corporate Activities and Other Segments and Eliminations	14	(58)	72
Total trade payables	**2,440**	**2,357**	**83**

  Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. This item also includes 107 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios.
  The increase of 83 million euros compared with December 31, 2011 reflects mainly the price and volume dynamics mentioned earlier in these notes.

- **Current taxes payable** of 11 million euros represent the income tax liability of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Srl). These taxes are paid directly by the companies upon which they are levied.

- A breakdown of **other liabilities**, which totaled 692 million euros, is as follows:

(in millions of euros)	12.31.2012	12.31.2011	Change
Amounts owed to shareholders	12	10	2
Amount owed to the controlling company in connection with the filing of a consolidated tax return	119	85	34
Amounts owed to joint holders of permits for hydrocarbon exploration	137	160	(23)
Payables for consulting and other services	43	32	11
Payables owed to Tax Administration (other than current tax payables)	58	11	47
Amount owed to employees	27	26	1
Liabilities stemming from the measurement at fair value of derivatives	191	179	12
Payables owed to social security institutions	22	21	1
Sundry items	83	79	4
Total other liabilities	**692**	**603**	**89**

33. Liabilities Held for Sale

This account, which totaled 829 million euros at the end of 2011, had a zero balance at December 31, 2012. The sale of Edipower Spa on May 24, 2012 accounts for this decrease.

For further information, see the Section entitled "Disclosure pursuant to IFRS 5", provided later in these Notes.

34. Eliminations of Assets and Liabilities from and to Discontinued Operations

The amounts recorded in December 31, 2011 were related to transaction with Edipower Spa, company sold on May 24, 2012.

(in millions of euros)	12.31.2012	12.31.2011	Change
Eliminations of assets			
Trade receivables	-	(15)	15
Other receivables	-	(1)	1
Current financial assets	-	(550)	550
Assets held for sale	-	(28)	28
Total eliminations of assets	**-**	**(594)**	**594**
Eliminations of liabilities			
Trade payables	-	(16)	16
Liabilities held for sale	-	(578)	578
Total eliminations of liabilities	**-**	**(594)**	**594**

NET FINANCIAL DEBT

At December 31, 2012, net financial debt decreased to 2,613 million euros, or 1,271 million euros less than the 3,884 million euros owed at December 31, 2011, due mainly to the collection of about 684 million euros in proceeds from the sale of Edipower in May and the repayment of a shareholders' loan of 550 million euros provided by Edison Spa to Edipower.

Consistent with the practice followed at the end of 2011, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See note	12.31.2012	12.31.2011	Change
Bonds - non-current portion	29	1,796	1,793	3
Non-current bank loans	30	134	1,290	(1,156)
Amounts due to other lenders - non-current portion	30	40	44	(4)
Other non-current financial assets (*)	20	(70)	(77)	7
Medium/long-term net financial debt		**1,900**	**3,050**	**(1,150)**
Bonds - current portion	32	104	71	33
Short-term financial debt	32	1,461	1,167	294
Current financial assets (**)	23	(99)	(628)	529
Cash and cash equivalents	23	(753)	(291)	(462)
Short-term net financial debt		**713**	**319**	**394**
Financial debt held for sale	33	-	550	(550)
Financial asset held for sale	24	-	(35)	35
Net financial debt		**2,613**	**3,884**	**(1,271)**

(*) Included the long-term portion of financial receivables by the adoption of IFRIC 4.
(**) At December 31, 2011 included a loan of 550 million euros owed to Edison Spa by Edipower Spa.

In addition to being driven by the collection of the proceeds from the sale of Edipower, the decrease in net financial debt (1,271 million euros) reflects the combined effect of the following factors:

- outlays for the year's capital expenditures (459 million euros);
- tax payments (190 million euros);
- net advances paid due to the activation of take or pay clauses in natural gas procurement contracts (18 million euros).

An additional factor was an increase in operating working capital (294 million euros) due to the receivables related to the successful renegotiations of long-term contracts for the supply of natural gas and a lengthening of the time to collection from customers that reflects both a change in customer mix and the conditions of the economy.
These effects were offset in part by the year's cash flow from operating activities.

In addition, "Short-term financial debt" includes 15 million euros owed to unconsolidated Group subsidiaries and about 1 million euros owed to EDF.

DISCLOSURE PURSUANT TO IFRS 3

CSE Srl

On October 1, 2012, Edison Spa completed the acquisition of 100% of CSE Srl, a company active in the energy efficiency sector throughout Italy.

The total paid to acquire a 100% interest amounted to about 2 million euros and, taking into account the value assigned to the white certificate contracts already outstanding, the Company recognized an intangible asset of 3 million euros and related tax effects.

The table below shown in detail the effects of this transaction:

(in millions of euros)	Original values	Fair value of acquired assets and liabilities
Other non-current assets		
Other intangible assets	-	3
Current assets		
Sundry receivables	1	1
Total assets	**1**	**4**
Non-current liabilities		
Provision for deferred taxes	-	1
Current liabilities		
Sundry liabilities	1	1
Total liabilities	**1**	**2**
Fair value of net acquired assets	**-**	**2**
- % attributable to Edison (100%)		*2*
Total acquisition cost		**2**
Goodwill generated by the acquisition		**-**

DISCLOSURE PURSUANT TO IFRS 5

Edipower Spa

Please note that, further to the agreement in principle for the corporate restructuring of Edison and Edipower reached by A2A, EDF, Delmi and Edison on December 26, 2011, Edison executed a preliminary agreement to sell its 50% equity interest in Edipower at a price of about 600 million euros.
This sale transaction, which, pursuant to the relevant CONSOB Regulation qualifies as a highly material related-party transaction, is part of a more complex restructuring project that concerns Edison's control structure. One of the purposes of this transaction was the acquisition of control of Edison by EDF, through the purchase of the remaining equity stake in Transalpina di Energia. Basically, the transaction called for:

- EDF's purchase of 50% of Transalpina di Energia from Delmi Spa;
- purchase by Delmi Spa of 70% of Edipower sold (i) 50% by Edison for a price of about 600 million euros; (ii) 20% by Alpiq Energia Italia for a price of 200 million euros;
- the execution of a gas supply contract by Edison (supplier) and Edipower (customer), at market prices and with a term of six years, for a quantity of gas equal to 50% of Edipower's gas needs.

The execution of the agreement, following the approval of the sale of Edipower by the Board of Directors on January 24, 2012 and February 13, 2012, based on the favorable opinion rendered by the alternative governance body equivalent to the Committee of Independent Directors (comprised of two of the three independent directors), who, in turn, relied on fairness opinions provided by independent advisors, was conditional, in addition to receiving the approval of the relevant Antitrust Authorities, on the concurrent purchase by EDF of Delmi's 50% equity interest in Transalpina di Energia, which was, in turn, conditional, inter alia, on the CONSOB confirming that, should a tender offer for Edison's shares be required, it would be carried out at a price of not more than 0.84 euros per share.

Please note that on April 4, 2012, the CONSOB addressed the issue of the restructuring transaction, recommending that the price of the tender offer for the Edison shares be set within an interval ranging between 0.84 euros per share and 0.95 euros per share, in the belief that the midpoint provides a useful reference point for balancing the interest of both parties.
Consequently the partners of Transalpina di Energia reconsidered the terms of the agreement and - having obtained a favorable ruling by the CONSOB, which, in a new communication dated May 3, 2012, found the choice of a price of 0.89 euros per share for the tender offer for the Edison shares "consistent with the adoption of the statutory criterion for the determination of the price for mandatory tender offers" - finalized an agreement calling for:

- A redefinition of Edipower's price, as result of which the consideration for the transfer to Delmi of the equity stake held by Edison in Edipower was set at about 684 million euros.
- The acquisition of a 50% stake in Transalpina di Energia at a price corresponding to 0.89 euros per Edison share.

Consequently, Delmi notified to Edison its offer to increase to 684 million euros the selling price of the equity stake it held in Edipower and, on May 5, 2012, Edison's Board of Directors agreed the offer.
Following the approval of the restructuring transaction by the relevant Antitrust Authorities on May 24, 2012, Edison sold its equity stake in Edipower to Delmi and, concurrently, EDF gained control of Edison through the acquisition of the entire capital of Transalpina di Energia, due to Delmi's sale of its equity stake in this company.

The redefinition of the sales price generated an economic benefit of 80 million euros, net of cost to sell, already recognized in the first half 2012 in "Profit (Loss) from discontinued operations." The balance in this account also reflects the impact of the negative contribution from the tolling operations of Edipower Spa. The following table shows the "Profit (loss) from discontinued operations" at December 31, 2012.

2012 Income Statement

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	2012	of which related and significant parties (*)
Sales revenues	238	-	238	
Other revenues and income	-	-	-	
Total net revenues	**238**	**-**	**238**	
Raw materials and services used (-)	(290)	-	(290)	
Labor costs (-)	-	-	-	
EBITDA	**(52)**	**-**	**(52)**	
Net change in fair value of commodity derivatives	-	-	-	
Depreciation, amortization and writedowns (-)	80	-	80	
EBIT	**28**	**-**	**28**	
Net financial income (expense)	-	-	-	
Income from (Expense on) equity investments	-	-	-	
Other income (expense), net	-	-	-	
Profit (Loss) before taxes	**28**	**-**	**28**	
Income taxes	22	-	22	
Profit (Loss) from discontinued operations	**50**	**-**	**50**	
Broken down as follows:				
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**50**	**-**	**50**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

The table that follows shows the contribution of the Edipower CGUs to the Group's interest in the net aggregate result of the Edison system in 2011.

2011 Income Statement

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	2011	of which related and significant parties (*)
Sales revenues	724	(7)	717	1
Other revenues and income	32	(1)	31	
Total net revenues	**756**	**(8)**	**748**	**1**
Raw materials and services used (-)	(598)	8	(590)	(14)
Labor costs (-)	(42)	-	(42)	
EBITDA	**116**	**-**	**116**	
Net change in fair value of commodity derivatives	-	-	-	
Depreciation and amortization (-)	(128)	-	(128)	
Writedowns (-)	(572)	-	(572)	
EBIT	**(584)**	**-**	**(584)**	
Net financial income (expense)	(17)	-	(17)	(1)
Income from (Expense on) equity investments	3	-	3	
Other income (expense), net	-	-	-	
Profit (Loss) before taxes	**(598)**	**-**	**(598)**	
Income taxes	7	-	7	
Profit (Loss) from discontinued operations	**(591)**	**-**	**(591)**	
Broken down as follows:			-	
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**(591)**	**-**	**(591)**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

2011 Cash Flow Statement

(in millions of euros)	2011	of which related and significant parties (*)
A. Cash flow from discontinued operations	91	
B. Cash used in investing activities from discontinued operations	(15)	
C. Cash used in financing activities from discontinued operations	(112)	(69)
D. Net cash flow from discontinued operations (A+B+C)	**(36)**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	12.31.2012	12.31.2011	Change
Guarantees provided	1,276	1,312	(36)
Collateral provided	192	231	(39)
Other commitments and risks	699	473	226
Total for the Group	**2,167**	**2,016**	**151**

Guarantees provided totaled 1,276 million euros at December 31, 2012. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes 89 million euros (113 million euros at December 31, 2011) in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided in connection with the intra-Group assignment of tax credits. Guarantees provided by the Group's Parent Company or by banks from the same counter-guaranteed to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

Collateral provided, which amounted to 192 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 (120 million euros).

Other commitments and risks, which totaled 699 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (205 million euros). The main commitments are reviewed below:

- With regard to long-term contracts for the importation of natural gas, which contain take or pay clauses that obligate the buyer to pay for any shortage between the stipulated minimum quantities and the quantity actually used, at December 31, 2012, Edison Spa carried advances to suppliers included in "Other assets" (Note 22) for 85 million euros. Commitments included 414 million euros (79 million euros at December 31, 2011) for accrued amounts owed to but not yet paid to counterparties stemming from the activation of the clauses in 2012. Risk profiles and the economic recoverability of these receivables are periodically updated during the year.
- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs) / Emission Reduction Units (ERUs), for the 2008-2012 period, Edison Spa, the Group's Parent Company, signed the following contracts for a commitment of up to 31 million euros (completion of the commitment by May 1, 2013, to satisfy 2012 compliance requirements):
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013, a 7-million-euro commitment;
  - Management Agreement with EDF Trading Ltd (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013, a 21-million-euro commitment;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013, a 3-million-euro commitment.
- Edison Spa granted to:
  - Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity;
  - Petrobras an option to buy its interest in Ibiritermo Sa at a defined price, exercisable in 2022.
- For 16 million euros, a commitment undertaken by Edison Spa in connection with companies sold in previous years.

Unrecognized Commitments and Risks

Significant commitments and risks not included in the amounts 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 supply of 14.4 billion cubic meters of natural gas a year. The duration of these contracts ranges between 7 and 22 years. The contract to import natural gas from Norway expired during the year.
   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	54.4	153.7	**221.7**

The economic data are based on prospective pricing formulas.

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

2) With regard to the investment in Terminale GNL Adriatico Srl, a natural gas regasification company in which Edison Spa holds an interest of about 7.3%, the agreement between shareholders include the right for the other shareholders to buy the 7.3% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised.
   Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for remaining 22 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.

3) Insofar as the **Electric Power Operations** are concerned, pursuant to the terms stipulated with the counterparty in connection with the sale of 51% interest in Dolomiti Edison Energy Srl, Edison holds a call option exercisable only if no extension of the hydroelectric concession held by Dolomiti Edison Energy Srl is granted by March 31, 2018.

As part of the agreements among the shareholders of RCS Mediagroup Spa who are members of the Blocking and Consultation Syndicate, any Participant who, in response to a tender offer, wishes to exit the Syndicate will be required to sell the syndicated shares to the other Participants. The buyers will have the right, but not the obligation, to buy the shares that are being offered in proportion to the percentage of the shares they contributed to the Syndicate.

Status of the Main Legal and Tax Disputes Pending at December 31, 2012

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

Legal disputes that could give rise to a probable liability for which a provision for risks was recognized in the balance sheet are reviewed below.

A) Edison Spa

Stava Dam Disaster

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

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

Cesano Maderno Plant - Civil Lawsuits against the Other Parties to the Proceedings

By a decision published on June 6, 2011, the Court of Milan decided a lawsuit between Bracco Imaging (formerly Dibra), Syndial (formerly EniChem) and Edison (formerly Montecatini) concerning damages stemming from the sale by Montecatini of a portion of the Cesano Maderno factory, ordering Edison to pay to Bracco Imaging the amount of 7.6 million euros, plus accrued interest. Edison believes that this decision is unfair and is challenging it before the Milan Court of Appeals, which has not yet scheduled the initial hearing.

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

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

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

Insofar as the criminal proceedings are concerned, the oral argument phase started in the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989. At the latest hearing held on June 19, 2012, the Public Prosecutor introduced some new facts, never mentioned before, either in the preliminary hearing phase or during oral arguments, that have the potential of altering the charges against the defendants. In response to this development, the Company objected on the grounds that this request was inadmissible, arguing that the trial should continue based

on the facts presented in the indictment. However, the Court, by an order dated January 22, 2013, denied the objection of the counsel for the defendants ordering a continuation of the proceedings. As for the new administrative proceedings, on October 22, 2012, Edison was served with an order by the Provincial Administration of Mantua instructing it to submit a project for the specific purpose of reestablishing safe conditions at the site called "Versalis area, former chlorine sodium production facility." Late in December 2012, the Company challenged this order, filing a motion to stay its enforcement with the Regional Administrative Court of Lombardy, Brescia Section, and is waiting for the Court to schedule a hearing.

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

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

Crotone Plant - Criminal Proceedings for Environmental Damages

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

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

The production of electric power from wind farms helps reduce emissions believed to be responsible for warming the planet due to the use of fossil fuels.

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.

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

In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of Edison and Italenergia Spa, in which the Court of Milan handed down a decision on July 16, 2008 that led to a settlement with UBS AG in June 2009, the settlement offer made by the Company to some savings shareholders who, even though they failed to take legal action or take any other action that may have legal consequences, are nevertheless claiming compensation was accepted by parties holding about 65% of the shares. However, other claimants filed a legal action with the Lower Court of Milan, which ruled upholding the plaintiffs' complaints. The Company is appealing this decision before the Milan Court of Appeals, and a hearing for closing arguments is scheduled for December 17, 2013.

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

The Company filed appeals before the Council of State against the decisions handed down on July 16, 2009, by which the Regional Administrative Court of Lombardy dismissed the appeals filed by Edison challenging two feasible and urgent orders issued by the municipal administrations of Cerro and

Melegnano, ordering the Company to implement the activities needed to prevent the contamination deriving from a facility decommissioned in the 1960s, formerly owned by Industria Chimica Saronio Spa (of which Edison is the assign), from migrating from the upper aquifer to the deeper aquifer. Edison and the municipal administrations continue to be engaged in negotiations to implement the abovementioned emergency activities.

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they filed a series of administrative complaints with the Regional Administrative Court of Latium - Rome seeking, among other remedies, a stay and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. In March 2011, the Regional Administrative Court of Latium handed down a decision ruling that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints. In June 2011, Solvay Chimica Bussi and Solvay Solexis appealed this decision to the Council of State and Edison joined these proceedings putting forth the objections it already raised before the lower court. In the meantime, in the criminal proceedings filed by the Public Prosecutor of the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer, which is also used as a supply of drinking water, the Preliminary Hearing Judge, by a decision dated May 10, 2011, revised some the charges against the defendants (specifically, stating that they should be charged with polluting the aquifer and not with poisoning it) and ordered that they stand for trial before the Court of Pescara (instead of the Court of Chieti).
The first hearing, during which preliminary motions were filed, was held on March 12, 2012. At that hearing, the Public Prosecutor, concurring with the motion filed by the defendants, argued that the Court lacked jurisdiction with regard to these specific proceedings, due to fact that in the decree authorizing the trial there appear to be a contradiction between the section describing the actions of the defendants, with seem to be consistent with the charge of poisoning the aquifer, and the dispositive section, in which the same actions were defined as consistent with the charge of polluting it.
The Court ruled affirmatively with regard to the merit of Public Prosecutor's motion and, in finding that there was a contradiction, recognized its lack of jurisdiction.
Consequently, the Court handed down a decision ordering that the records of the proceedings be provided to the Public Prosecutor, so that, in order to ensure that the right of the defendants to defend themselves is fully protected, he may reword the motion for indictment and a new preliminary hearing be held. This hearing got under way on October 4, 2012 and is still in progress.

Spinetta Marengo Industrial Site

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

Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.
In these proceedings, the Preliminary Hearings Judge, by a decree dated January 16, 2012, indicted several individuals, including three former Montedison (now Edison) executives, for crimes against public safety and environmental crimes, ordering them to stand for trial before the Court of Alessandria.
The trial before the Court of Alessandria began on October 17, 2012 and the preliminary phase is currently in progress.

Solvay - Edison Arbitration
On May 7, 2012, Edison received a notice that Solvay Sa and Solvay Specialty Polymers Italy Spa filed for arbitration on May 4, 2012 due to alleged violations of certain representations and environmental warrantees provided in a contract signed on December 21, 2001 by which Ausimont Spa was sold by Montedison Spa and Longside International Sa to Solvay Solexis Sa (now Solvay Specialty Polymers) and regarding the industrial sites of Bussi sul Tirino and Spinetta Marengo.
Edison Spa joined the arbitration proceeding on July 6, 2012, contesting the claims put forth by Solvay Sa and Solvay Specialty Polymers Italy Spa and filing a counterclaim.
The arbitration proceedings are governed by the Arbitration Rules of the International Chamber of Commerce, located in Geneva, and will be decided in accordance with substantive Italian law.
On October 9, 2012, the Board of Arbitrators published the procedural calendar, in accordance to which the Board of Arbitrators will review more in detail the claims and exceptions submitted by the parties starting in the second half of 2013.

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

European Commission - Antitrust Proceedings Against Ausimont
By a motion filed on September 1, 2011 and received by the Company on September 8, the European Commission appealed before the Court of Justice of the European Union a decision published on June 16, 2011, by which the European Union Court upheld the challenge filed by Edison and, consequently, set aside the decision by which the European Commission, alleging violations of Article 81 of the EC Treaty and Article 53 of the SEE Agreement concerning a cartel in the market for hydrogen peroxide and its derivatives, sodium perborate and sodium percarbonate, ordered Edison to pay a fine of 58.1 million euros, including 25.6 million euros payable jointly with Solvay Solexis. In the interim, Edison having paid on a provisional basis in 2006 the amount of 45.4 million euros, which is equal to the sum of the entire fine levied on it and one-half of the fine levied jointly on Edison and Solvay Solexis, obtained from the Commission, by virtue of the abovementioned Court decision, the repayment of 32.5 million euros, which is the portion of the fine attributable to Edison exclusively.
The appellate proceedings are still pending before the Court of Justice of the European Union and the

Company expects a final decision to be handed down in 2013.
The status of these proceedings confirms that, due to the effects of the abovementioned Court decision, they qualify as a contingent asset pursuant to IAS 37.

B) Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

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

Multiutility vs Edison Energia Spa

In the lawsuit filed by Multiutility Spa against Edison Energia Spa for alleged failure to comply with multiple obligations arising from contracts executed by the two companies in 2004, 2005 and 2006 involving the wholesale supply of electric power, the Court of Milan handed down a decision, on April 12, 2012, denying the claims put forth by the plaintiff and ordering the plaintiff to pay all court costs. Further to this decision, Multiutility officially waived its right to appeal and, consequently, this dispute can be considered as having been successfully concluded.

* * * * *

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

Environmental Legislation

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

In this area, several proceedings are pending before administrative judges, at different stages of development and judicial levels, against decisions issued by national and local governments ordering the Company to carry out environmental remediation projects both at facilities that the Company no longer owns and at industrial properties that it still owns (mainly thermoelectric power plants) that were contaminated by activities pursued in past years. More in general, without questioning the validity of these new legislative assumptions and the procedural accuracy of their implementation and interpretation, and taking into account the current and past scope of the Company and Group's industrial operations, particularly in the chemical industry, their wide geographical distribution and their environmental impact based on the time when they were being carried out and the technology existing at the time, which was in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new charges may be levied against the Company in addition to those issued in the existing administrative and civil proceedings. It is also probable that current legislation will be applied with the strictness and severity mentioned above to all contamination events that occurred in the past.
At this point, based on the available information and the documents filed in the proceedings reviewed above, it is impossible to determine whether damages will in fact be assessed nor the amount of those damages.

A) Edison Spa

Verbania Factory/1 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
Following a ruling by which the Court of Cassation set aside a decision by the Court of Appeals of Turin in the trial for injuries caused by exposure to asbestos dust at a Verbania plant formerly owned by Montefibre Spa, the new trial pending before the Turin Court of Appeals ended in December 2011 with a full acquittal of the defendants. The Public Prosecutor appealed this decision to the Court of Cassation, which scheduled a hearing for March 2013.

Verbania Factory/2 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
The Court of Verbania handed down a decision acquitting of all charges the defendants indicted for the crimes of involuntary manslaughter and involuntary personal injuries caused in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory. The Public Prosecutor appealed this decision to the Turin Court of Appeals, which has not yet scheduled a hearing.

ACEA Unfair Competition
There were no significant developments requiring disclosure in the lawsuit filed by ACEA Spa and pending before the Court of Rome against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, which is still in the discovery phase. ACEA alleges that the acquisition of joint control of Edison by EdF and AEM constitutes a violation of the 30% ceiling in the ownership of Edipower by a government-owned company, as set forth in the Prime Minister Decree dated November 8, 2000. Such ownership would constitute an instance of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, and is injurious to ACEA, which is asking that AEM and EdF be ordered to pay damages and take the actions necessary to void the consequences of their actions (such as the proportional divestment of equity interests held in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower in excess of the corresponding allowable quantity). The Court scheduled for March 13, 2013 the hearing for filing final motions.

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

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

On October 22, 2012, in the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel, The Court of Monica, upholding the arguments put forth the counsel for the defendants, voided the decree that ordered the trial, returning the record of the proceedings to the Preliminary Hearing Judge. The new Preliminary Hearing began on December 20, 2012 and Edison's civil representative was summoned to appear.

Meraklon/Edison - Edison Energia Spa Dispute

The lawsuit filed by Meraklon against Edison Energia Spa and Edison Spa in relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon's challenge of an injunction issued by the Court of Milan in favor of Edison Energia Spa for the purpose of collecting receivables owed pursuant to the abovementioned contract was interrupted upon the plaintiff becoming eligible for extraordinary administration proceedings. In the course of the abovementioned proceedings, Meraklon sued Edison Energia Spa and Edison Spa (the original counterpart in the abovementioned supply contract), putting forth a series of counterclaims against both companies in connection with disputes concerning the supply of electric power, heat and other utilities to the Terni factory. The companies filed a motion for reinstatement of the proceedings before the Court of Terni, which, however, was denied, with Edison being ordered to pay court costs, set at 1,800.00 euros, as total amount of professional fees, plus statutory incidental charges. Similar motions for reinstatement filed by Edison Spa and Edison Energia Spa before the Court of Milan are currently pending.

Angelo Rizzoli/Edison et al.

On September 25, 2009, Angelo Rizzoli sued before the Court of Milan Edison (as assign for Iniziativa Meta Spa), RCS Media Group, Mittel and Giovanni Arvedi in connection with the purchase in 1984 by the abovementioned parties of a controlling interest in Rizzoli Editore (owner of the *Corriere della Sera* newspaper). Intesa San Paolo was also sued, in its capacity as assign for Banco Ambrosiano. The purpose of the lawsuit was to obtain that the contracts that resulted in the abovementioned purchase be found to be and declared null and void and that the defendants be ordered to make restitution by paying the financial equivalent of the rights and equity interests subject of the abovementioned contracts. By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims, ordering the plaintiff to refund all litigation costs incurred by the defendants, which, in Edison's case, were quantified at about 1.3 million euros. The Court also ordered Angelo Rizzoli, for liability aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.
The losing party is challenging this decision before the Milan Court of Appeals and both parties are now waiting for a hearing to be scheduled.

Torviscosa Power Plant - Cooperativa Fabbri Meccanici a r.l vs Edison

The arbitration proceedings activated by Cooperativa Fabbri Meccanici a r.l., in composition with creditors proceedings, against Edison are continuing. The complainant is asking that Edison be ordered to pay about 950,000 euros for alleged receivables arising from the performance of a contract for the construction of a building at the Torviscosa power plant. Edison countersued asking that the cooperative be ordered to pay it about 560,000 euros.
The discovery phase of the arbitration proceedings ended and the parties presented their closing arguments in January 2013. The Company expects the arbitration award to be handed down in 2013.

Cartel Damage Claims - Ausimont: Claim for Damages

In April 2010, Edison was served with notices setting forth four amended briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Dusseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production

and distribution of peroxides and perborates on which the European Commission levied a fine in 2006. Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. The proceedings are currently in the preliminary phase and the Court is currently reviewing new issues of admissibility of the plaintiff's claims and jurisdiction raised by all respondents and assessing the option of forwarding the record of the proceedings to the European Court of Justice.

* * * * *

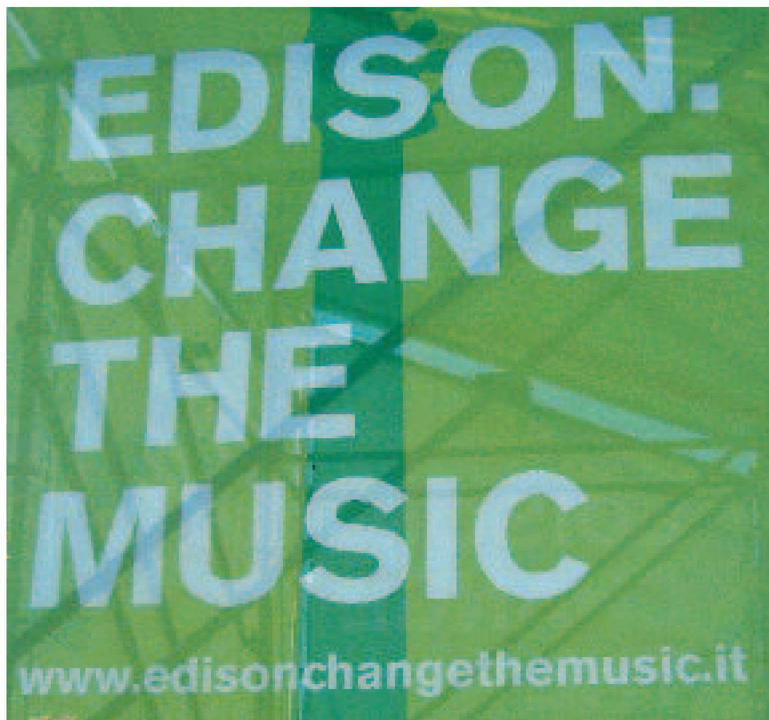
The developments that affected the status of the main tax disputes in 2012 are reviewed below.

The following are the main tax disputes that could give rise to probable liabilities for which provisions for risks were recognized in the balance sheet.

Old Edison Spa - Income Tax Assessments for 1995, 1996 and 1997
In 2012, there was no significant change in the status of the disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 tax years of the old Edison Spa, absorbed by the current Edison Spa, as they are still pending before the Court of Cassation following appeals filed by the Revenue Administration.
The special provision established to cover the estimated risks associated with these disputes was adjusted in 2012 to reflect the respective accrued interest.

Old Calcestruzzi Spa - Income Tax Assessments for 1991 and 1992
In July 2012, the Regional Tax Commission of Emilia Romagna, before which the proceedings concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years were reinstated following a ruling handed down by the Court of Cassation in 2008, filed decisions that were substantially unfavorable to the Company. Specifically, the Regional Commission found that the transaction involving the beneficial ownership of shares executed at the intercompany level could not be used a shield against the Revenue Administration and upheld in full the penalties, diverging from recent rulings by the Supreme Court of Cassation, which acknowledged that administrative penalties are not applicable to "abuse of law" situations, when objections to such situations are raised in the course of judicial proceedings. On the other hand, the Commission upheld the annulment of other revenue recoveries for items that were allegedly accounted for incorrectly.
At the end of November 2012, the Company filed a new challenge with the Court of Cassation, asking it to review the decision of the Regional Commission, specifically with regard to the penalties and the computation of the taxes resulting from the disallowance of the beneficial ownership transaction for tax purposes. The Office of the Solicitor General, as representative of the Revenue Agency, joined the proceedings without filing an incidental appeal for one of the two years.
On October 12, 2012, the Company was served with a payment notice requesting settlement of the tax liability resulting from the decisions handed down by the Regional Commission and the amount officially owed was paid in the first half of December 2012, within the 60-day deadline.
However, the payment of taxes and penalties should be considered as having been made provisionally, while the proceedings are in progress, and not on a final basis due to the challenges pending before the Supreme Court of Cassation. In any event, the entire amount paid was covered with a provision for risks recognized and increased during the year.
The unused surplus in this provision refers to the other recoveries that were annulled by the Commission and partly to an incidental appeal by the Revenue Administration.

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



Created in 2008 to develop a culture of sustainability and energy conservation in the music world, the Edison - Change the Music project has grown over time, involving artists, promoters, record labels, music enthusiasts and the public at large, with more than 100,000 fans.

In December 2011, based on the issues raised in an excerpted tax audit report for 2005, completed in September 2010, and in the final tax audit report for the 2006-2009 period, issued in May 2011, the Revenue Agency – Regional Lombardy Division – Office of Major Taxpayers served Edison Spa with corporate income tax (IRES) and IRAP notices of assessment for 2005 contesting the deductibility of costs incurred with black-listed suppliers (mainly Swiss), thereby dissenting in part with the conclusions reached by the Revenue Police.

Edison Spa was served with an IRES notice of assessment both directly and as the IRES consolidating company in 2005. The assessment did not produce any additional tax liability because the additional taxable income was fully offset by the tax loss carryforward.

In December 2011, Edison Spa was served with IRES and IRAP notices of assessment for 2006, which disallowed expenses found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period, and costs that were not deductible because they were incurred with black-listed suppliers.

A similar IRES notice of assessment was served on Transalpina di Energia Srl in its capacity as the lead company for the 2006 IRES consolidated return in which Edison Spa was included.

The Company challenged the notices of assessment and, in December 2012, was granted a stay of the tax collection process. The merit hearing for the challenges to the assessments for 2005 and 2006 has been scheduled for March 2013.

In December 2012, Edison was served with IRES and IRAP notices of assessment for 2007 (Transalpina di Energia Srl, Edison's controlling company, was also served with an IRES notice of assessment), which, based on the issues raised in the tax audit report, disallowed costs incurred with black-listed suppliers, costs deemed improperly allocated and other costs, of a lesser amount, that were not deemed to be directly attributable. In this case as well, the Company intends to pursue all available actions to defend its position.

For all tax years, virtually all ascertained or otherwise contested costs were found to be both actually incurred and attributable both by the Revenue Police and the Revenue Agency. The Company has already produced exhaustive documentation and provided extensive clarifications in support and justification of the economic logic of the transactions it executed and is confident that a better and more careful review of the documents and arguments it put forth, both before the Commissions and by the Revenue Agency, will result in the cancellation of the pursued revenue recoveries.

A special provision for risks was recognized to cover the possible charges resulting from the notice of assessment.

Edison Trading Spa - IRES and IRAP Assessments for 2005

The IRES and IRAP assessments for 2005, which were notified in December 2010, concerned mainly expenses found to be "not attributable" to the year in which they were recognized deducted, but were nevertheless inherent and effective, were challenged by the Company before the Milan Provincial Tax Commission. A hearing for oral arguments has not yet been scheduled but is expected in the early months of 2013.
In 2012, the Provincial Tax Commission voided the Level II assessments notified to Edison Spa and Edison Trading in 2011. As of this writing, no notice of an appeal by the Revenue Agency has been received.
A special provision for risks has been recognized.

Edison Trading Spa - General Audit by the Revenue Police

Edison Trading Spa was the subject of a general audit concerning income taxes and indirect taxes launched by the Milan Tax Police Unit which was completed in August 2011.
In addition to the assessment for VAT due on green certificates for the years from 2006 to 2009, which now appears to no longer applicable based on recent positions taken by the Revenue Agency as mentioned above, the findings of the tax audit report included IRES and IRAP mentions for the years from 2006 to 2009 concerning the costs incurred with black-listed suppliers.
The black-listed costs, which were nevertheless recognized as being effective and inherent, will be the subject of a further review by the Revenue Agency, due in part to the supporting documents and explanations provided in response to questionnaires notified by the Revenue Agency in September 2011 for the 2006 tax year and in June for the 2007-2009 tax years.
The Revenue Agency, invoking a doubling of the assessment deadline, notified in December 2012 a notice of assessment for IRES and IRAP (and an IRES notice to Transalpina di Energia Srl), but with revenues recoveries significantly reduces compared with the initial amounts, for a total taxable income of 390,000 euros.
At the same time, the Revenue Agency notified notices of assessment for IRES (also to Transalpina di Energia Srl) and IRAP for 2007, recognizing in this case as well the deductibility of virtually all of the costs incurred with black-listed suppliers.
The Company will consider all available option for the cancellation of the pending assessments, including the possibility of agreeing to them exclusively to minimize judicial costs.
A special provision for risks has been recognized.

* * * * *

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

Edison Spa - Tax Assessments for 2002

There was no change during the year in the dispute concerning the corporate income tax (IRPEG) and regional tax (IRAP) assessments for 2002, which is pending before the Court of Cassation following a primary appeal filed by the Office of the Solicitor General, acting on behalf of Milan Revenue Agency No. 1. The decision handed down in 2009 by the Regional Tax Commission was substantially favorable to the Company.

Edison Spa - Disputes for Registration Fees on Transactions Requalified as Disposal of Business Operations

In July 2010, Edison Spa was served with a payment notice for additional registration, mortgage and cadastral fees, totaling about 11 million euros, levied by the Rho Revenue Agency in connection with a transaction involving the conveyance of business operations (consisting of five CIP 6/92 power plants and an equity interest) executed in the first half of 2008. This conveyance was followed by the sale of the corresponding equity investment to Cofatech Spa. The higher taxes were levied on the assumption that the transactions constituted in fact the sale of a business, with the Agency invoking the requalification for tax purposes of the instruments executed by the Company.

In June 2011, the Milan Provincial Tax Commission upheld in its entirety the appeal filed by the Company challenging the payment notice. In its decision, the Commission agreed that the payment notice was improper and, on the merit, that the Company's choices regarding the structure of the transactions it executed were correct and not pursued solely for tax avoidance purposes.

The Revenue Agency challenged this decision in January 2012 and, on December 21, 2012, the Regional Tax Commission upheld the Agency's challenge and confirmed the payment notice issued by the Agency. The Company intends to challenge this decision before the Court of Cassation asking it to find that its actions were both valid and proper.

In addition, on November 9, 2012, Edison Spa was served with another payment notice for registration, mortgage and cadastral fees, totaling about 17 million euros, levied by the Rho Revenue Agency based on the presumed requalification of a transaction involving the conveyance of business operations (in this case 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. In this case as well, the Company believes that its actions were proper, fully in compliance with the law, justified by legal and economic reasons and not pursued solely for tax avoidance purposes. The Company has already challenged this decision, asking for a stay of the collection process. On February 4, 2013, the Milan Provincial Tax Commission issued an order staying the collection enforcement process and scheduled for April 29, 2013 a merit hearing in connection with this dispute.

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

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

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

In January 2013, the Campobasso Provincial Tax Commission, ruling on the notices of assessments for the tax years from 2007 to 2009, handed down a decision by which it confirmed the tax liability but

disallowed in full the penalties. In this case as well, the Company will appeal the decision in due course.
In 2012, new notices of assessment for municipal property taxes were notified by the municipalities of Termoli (for the 2011 tax year) and Porto Sant'Elpidio (2007-2011 tax years). Appeals contesting these assessments were filed within the required deadline and an additional appeal will be filed challenging a notice of assessment notified early in January 2013 by the municipal administration of Torino di Sangro for municipal property taxes for the 2006-2011 tax years.
The company intends to pursue this dispute with the aim of ensuring that the validity and legitimacy of its actions are recognized, since it believes that the claims of the municipal administration are totally groundless in point of law. In any event, these disputes are not believed to entail a probable risk and, consequently, no provision for risks was recognized.

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

In 2012, there were no significant developments in the dispute concerning the customs VAT assessment for the years from 2001 to 2003 of the absorbed company EDF Energia Italia, as the appeal filed by the Company in 2011 before the Supreme Court of Cassation asking that the decision of the Regional Tax Commission be set aside was still pending. Oral arguments before the Supreme Court have been scheduled for mid-March 2013.
Following the payment of additional taxes and accrued interest made provisionally in 2011 pending the resolution of the dispute, the Company filed an application for refund both with the Customs Agency and the Revenue Agency, invoking the deductibility of the VAT it paid, should the disputed assessment be confirmed by a final decision. The Revenue Agency denied the refund application and, consequently, the Company challenged this decision reaffirming its request vis-a-vis both Agencies.
Any charges resulting from this dispute are covered by contractual guarantees provided by EDF International.

Edison Trading Spa - VAT Notices of Assessment and Tax Audit Issues Regarding Green Certificates

In recent years, Edison Trading Spa was the recipient of VAT notices of assessment for the years 2005 and 2006 concerning the alleged failure to issue invoices to Edipower Spa for green certificates delivered to Edipower to meet the offsetting requirements for the energy produced pursuant to the Tolling Contract. The Revenue Agency also contested a failure to pay the VAT owed on invoices that Edipower Spa failed to issue, implying that the delivery of the green certificate cause the occurrence of a sort of exchange. Similar assessments were notified to the other Tollers and, upon the completion of the general tax audit of Edison Trading, the Revenue Police also reviewed and pursued these charges.
Edison Trading Spa, and all the other Tollers, filed an appeal challenging in total the interpretation given by the Agency and arguing that neither a sale and nor a exchange had taken place. All decisions handed down by the Provincial and Regional Tax Commissions have been always in favor of the affected companies and always rejected the Agency's position, voiding the notices of assessment and the imposition of penalties.
At the end of 2012, the Revenue Agency indicated that it planned to drop the assessments for the alleged sale of green certificates and, accordingly, it did not notify a VAT notice of assessment for 2007. As for the pending disputes, either the Agency will withdraw or a request will be made to terminate the proceedings.
The risk related to these disputes is therefore failed.

GROUP FINANCIAL RISK MANAGEMENT

This chapter describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions credits, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7 and consistent with the disclosure provided in the 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, coal, petroleum products and environmental securities), which have an impact on the revenues and expenses of its production, storage and marketing operations. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting exchange rate risk.

Consistent with its Energy Risk Policies, the Group may use hedging derivatives to minimize or contain risk. From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the derivatives trading activity.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (so-called Industrial Portfolio), except for those related to Trading Activities described below (so-called Trading Portfolios), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), which measured in terms of Profit at Risk (PaR[1]) with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors Edison Spa approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by a representative of Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.

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

At December 31, 2012, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used. The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g., TFS) and those operated by *Borsa Italiana* (IDEX) and the *Manager of the Energy Markets* (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.

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

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

As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2014. For derivative contracts maturing in 2013, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility data and correlations of the spot markets. For financial contracts maturing after 2013, 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 of 97.5%.

Based on the method explained above, the maximum negative variance in the fair value of hedging derivatives instruments expected by the end of 2013, with a 97.5% probability, compared with the fair value determined at December 31, 2012, is 259.2 million euros (85.6 million euros at December 31, 2011) as shown in the table below:

Profit at Risk (PaR)	**12.31.2012**		12.31.2011	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	**97.5%**	**259.2**	**97.5%**	**85.6**

In other words, compared with the fair value determined for hedging derivative contracts outstanding at December 31, 2012, the probability of a negative variance greater than 259.2 million euros by the end of 2013 is limited to 2.5% of the scenarios.

The increase compared with the level measured at December 31, 2011 is due mainly to an increase in the net volume of financial contracts executed to hedge forward sales for 2013 and 2014.

The hedging strategy deployed in 2012 enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging derivatives, the average amount of Economic Capital absorbed in 2012 by the Industrial Portfolio would have been equal to 66% (108% in 2011) of the approved limit, with a peak of 132% in November 2012 (198% in January 2011) (in 2012, the approved limit was exceeded by an average of 28% against the 44% in 2011). With hedging, the average amount of Economic Capital absorbed in 2012 by the Industrial Portfolio was 42% (37% in 2011), with a peak of 74% in January 2012 (69% in February 2011).

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR[2]) limit with a 95%

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

probability on the Trading Portfolios is 3.9 million euros, with a stop loss limit of 20.2 million euros. The VaR limit was 75% utilized at December 31, 2012 (38% at December 31, 2011), with an average utilization of 48% for the year (an average of 32% in 2011).
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 possible illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 60.5 million euros (57.8 million euros in 2011). This limit was 81% utilized at December 31, 2012 (44% at December 31, 2011), with an average utilization of 54% for the year (an average of 34% in 2011).

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. 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 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 Foreign Exchange Risk Policies. The exposure to the economic and transactional risk entailed by commodity trading activities is managed in accordance with specific limits and strategies (see the preceding section in this regard). Also with regard to the transactional risk, the Group manages centrally, under the coordination of the Finance Department, its exposure to the foreign exchange risk for some cash flows in foreign currencies (mainly U.S. dollars) concerning international investments in exploration and development projects by the hydrocarbons operations and, for limited amounts, purchases of other goods and services. Lastly, the Group is only marginally exposed to the translational risk in connection with the translation of the results, assets and liabilities in the financial statements of some foreign subsidiaries.

3. Interest Rate Risk

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

Gross Financial Debt	12.31.2012			12.31.2011		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,847	1,279	36%	1,855	1,297	30%
- variable rate portion	1,688	2,256	64%	2,510	3,068	70%
Total gross financial debt (*)	**3,535**	**3,535**	**100%**	**4,365**	**4,365**	**100%**

(*) This amount at December 31, 2011 does not include the current financial debt of Edipower Spa, amounting to 550 million euros, classified under "Liabilities held for sale". For a breakdown of gross financial debt see the "Liquidity Risk" section of this Report.

Considering that, at December 31, 2012, the Group held 753 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial

debt, including outstanding derivative transactions, they become about 46% (fixed rate) and about 54% (variable rate), respectively.

The interest risk exposure analyzed in the preceding table can be explained when one takes into account the policy pursued by the Group to manage its financial structure and corresponding costs as it relates to the trend in market interest rates. The Group's strategy was to combine fixed-rate bond issues, which are the most stable source for the procurement of financial resources, a brief description of which is provided later in these Notes in the table included in the paragraph "Default Risk and Debt Covenants", with Interest Rate Swaps, negotiated with a six-month Euribor benchmark and classified as Fair Value Hedges. In addition, in order to have a source of funds protected from a rise in interest rates without giving up the benefits provided by short-term rates, the Group negotiated derivative structures that currently enable it to stay floating within a contractually established cap and floor.
This strategy made it possible to benefit from lower borrowing costs, as the variable short-term rate was lower than the fixed coupon rate of the outstanding bond issues.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2012 and provides a comparison with the same period in 2011.

Sensitivity analysis	2012			12.31.2012		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**115**	**101**	**84**	**-**	**-**	**-**

Sensitivity analysis	2011 (*)			12.31.2011		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	145	133	119	-	-	-

(*) Included Edison's pro rata share of Edipower Spa's amounts.

4. Credit Risk

The credit risk represents the 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.
The Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly and quarterly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions in 2012 totaled 5,047 million euros. At December 31, 2012, the amount of receivables that were exposed to the risk of recourse is less than 1 million euros.
Lastly, 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, 2012, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table below provides an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The increase in receivables outstanding at December 31, 2012, compared with December 31, 2011, is largely due to the price effect, the time required to collect receivables from customers in the Retail and Public Administration segments, which continues to be longer than contractually stipulated, and to the growth

of the Group's international activities in Egypt and Greece, albeit penalized by the local economic and political situation.

(in millions of euros)	12.31.2012	12.31.2011
Gross trade receivables	3,598	3,293
Allowance for doubtful accounts (-)	(207)	(141)
Trade receivables	**3,391**	**3,152**
Guarantees held (*)	643	718
Receivables 6 to 12 months in arrears	200	142
Receivables more than 12 months in arrears	384	205

(*) Including 157 million euros to hedge receivables outstanding at December 31, 2012.

Specifically with regard to the past-due receivables owed in Egypt at December 31, 2012 by the Egyptian General Petroleum Corporation (EGPC) (312 million euros), the Group negotiated extended payment terms with EGPC. Moreover, management decided that it was appropriate to discount these trade receivables to present value using a rate that adequately reflects the country risk for Egypt, with a total effect of 9 million euros, including about 4 million euros recognized as financial expense.
As for the activities operated in Greece, which show gross trade receivables of 95 million euros (Edison's pro rata share, including 69 million euros past due), even though at the operating working capital level the situation is balanced by the level of trade payables (Edison's pro rata share of 81 million euros at December 31, 2012), management decided that it was appropriate to recognize an allowance for doubtful accounts of about 2 million euros (Edison's pro rata share).

5. Liquidity Risk

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

Worst case scenario	12.31.2012			12.31.2011		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	16	53	1,955	16	53	2,025
Financial debt and other financial liabilities	24	1,239	129	39	834	1,330
Trade payables	2,418	22	-	2,252	105	-
Total	**2,458**	**1,314**	**2,084**	**2,307**	**992**	**3,355**
Guarantees provided to third parties (*)	**448**	**433**	**395**	760	203	349

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

Financial debt due within one year, which amounted to 1,332 million euros, includes mainly a syndicated standby credit line with a face amount of 1,500 million euros provided to Edison Spa maturing in April 2013, against which 1,150 million euros had been drawn at December 31, 2012.

Financial debt due after one year totaled 2,084 million euros, including mainly 1,955 million euros for bond issues (with a face amount of 1,800 million euros).

At December 31, 2012, the Group held liquid assets totaling 753 million euros and had access to unused committed credit lines amounting to 355 million euros, of which 350 million euros expiring in April 2013.

The Group is preparing a medium/long-term refinancing plan that will not only ensure the repayment of maturing credit lines, but, more generally, will provide coverage for all the financial needs contemplated in the expenditure plan. Because this is a broad-based project, within the framework of the changed control structure and considering the fact that for the full length of the first quarter of 2013 Edison's liquidity position is considered appropriate, this refinancing plan is under finalization. At regard, please note that the significant part of it should be provided by EDF Group companies, with which Edison has already had positive contacts, on market terms and taking into account Edison's improved credit rating. The refinancing plan will be activated starting in the second quarter of 2013, based on market conditions and the Group's cash profile.

In this context, it is worth mentioning that in September 2012 EDF Sa and Edison Spa executed a framework agreement for centralized cash management services that, in addition to providing Edison with flexibility for its own short-term cash needs and those of its subsidiaries, will optimize the management of daily cash surpluses and needs. To that effect, Edison has established an intra-Group current account with EDF that, inter alia, provides an exposure up to 199 million euros, for temporary cash liquidity requirements related to operating activities against which a total of about 0.7 million euros had been drawn at December 31, 2012.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2012. 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)	12.31.2013	12.31.2014	12.31.2015	12.31.2016	12.31.2017	After 5 years	Total
Bonds	104	698	499	-	599	-	1,900
Financial debt and other financial liabilities :							
- due to banks	1,297	76	12	9	9	28	1,431
- due to other lenders	164	12	5	5	6	12	204
Gross financial debt	**1,565**	**786**	**516**	**14**	**614**	**40**	**3,535**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above). The following three bond issues floated by the Group (Euro Medium Term Notes) with a total face value of 1,800 million euros were outstanding at December 31, 2012:

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

Outstanding debt obligations of the Group include non-syndicated facilities totaling 162 million euros and syndicated facilities amounting to 1,582 million euros, the unused portion of which was 355 million euros at December 31, 2012.

Consistent with market practice, these loan agreements specify several obligations for the borrower, including the obligation to ensure that the lender banks are being afforded a treatment equal to that of other unsecured creditors (pari passu clause) or the prohibition to provide collateral to new lenders (negative pledge clause), with some specific exceptions. This framework also was applied to the credit line of 700 million euros provided to Edison Spa on a club-deal basis, expired in December 2012.
Please also note that a total of 37 million euros was drawn during 2012 against a direct medium/long-term credit line of 250 million euros provided by the European Investment Bank (EIB) to finance natural gas storage projects. The loan agreement includes conditions similar to those of Edison's bank credit lines and other clauses that are customary for direct, long-term facilities provided by this supranational bank to industrial companies.

Insofar as other Group companies are concerned, the financing facilities provided to some of them, in addition to the clauses described above, include the obligation to comply with and/or maintain certain financial indices (typically concerning the debtor's ability to repay its debts over the long term, such as the Long Life Cover Ratio or the ratio of net financial debt to EBITDA or shareholders' equity), as well as, in some cases, restriction of the ability to distribute dividends, the violation of which caused the acceleration of the underlying debt.

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 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 7

IFRS 7 requires that the classification of financial instruments in accordance with their fair value be based on the reliability of inputs used to measure fair value.

The IFRS 7 ranking 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 the moment, there are two types of instruments that are included in this category, unchanged compared with December 31, 2011.

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, 2012

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Balance sheet value (**)	Cumulative impact on the income statement at 12.31.2012 (***)
		due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management:						
- Cash Flow Hedges in accordance with IAS 39	2	2	1	-	-	-
- Fair Value Hedges in accordance with IAS 39	2	-	1,325	-	86	86
- contracts that do not qualify as hedges in accordance with IAS 39	2	7	763	-	(26)	(26)
Total interest rate derivatives		**9**	**2,089**	**-**	**60**	**60**

		due within 1 year		due between 2 and 5 years		due after 5 years		
		receivable	payable	receivable	payable	receivable		
Foreign exchange rate risk management:								
- contracts that qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	2,521	(567)	527	-	-	(107)	-
- on financial transactions	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	504	(14)	-	-	-	(4)	(4)
- on financial transactions	2	12	-	-	-	-	-	-
Total foreign exchange rate derivatives		**3,037**	**(581)**	**527**	**-**	**-**	**(111)**	**(4)**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7."

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative impact on the income statement at 12.31.2012 (***)
		Unit of measure	Due within one year	Due within two years	Due after two years	(in millions of euros)	(in millions of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:						**80**	**-**
- Natural Gas	2	Millions of therms	(319.52)	(33.68)	-	1	-
- LNG and oil	2	Barrels	17,614,170	6,566,725	-	79	-
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margin:						**(8)**	**(8)**
- Electric power	3	TWh	3.55	-	-	(2)	(2)
- Natural Gas	2	Millions of therms	(9.01)	-	-	(1)	(1)
- LNG and oil	2	Barrels	62,100	-	-	3	3
- CO_2	2	Millions of tons	3.57	3.62	-	(8)	(8)
Total						**72**	**(8)**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7."

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative impact on the income statement at 12.31.2012 (***)
		Unit of measure	Due within one year	Due within two years	Due after two years	(in millions of euros)	(in millions of euros)
Derivatives						**2**	**2**
- Electric power	1/2	TWh	2.48	2.37	-	(1)	(1)
- Natural Gas	2/3	Millions of therms	71.78	(2.21)	-	3	3
- LNG and oil	2	Barrels	-	-	-	-	-
- CO_2	1/2	Millions of tons	(0.15)	0.1	-	-	-
Physical contracts						**13**	**13**
- Electric power	2/3	TWh	(11.06)	(4.70)	-	16	16
- Natural gas	2/3	Millions of therms	101	-	-	(3)	(3)
Total						**15**	**15**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7."

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2012

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at December 31, 2012, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the year (A)	Fair Value recognized for contracts outstanding at 12.31.2011 (B)	Portion of (B) contracts realized during the year (B1)	Fair Value recognized for contracts outstanding at 12.31.2012 (C)	Change in fair value in the year (D)=(C–B)	Amounts recognized in earnings (A+D)
Sales revenues, Other revenues and income and Net change in fair value of commodity derivatives (see Notes 1, 2 and 6 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	125	1	1	-	(1)	124
- not definable as hedges pursuant to IAS 39	14	21	21	4	(17)	(3)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (**)	-	-	-	1	1	1
- not definable as hedges pursuant to IAS 39	4	-	-	-	-	4
Margin on trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	5,007	159	152	120	(39)	4,968
- Other revenues and income from derivatives included in the Trading Portfolios (****)	98	78	77	25	(53)	45
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(4,977)	(145)	(138)	(107)	38	(4,939)
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(91)	(70)	(68)	(23)	47	(44)
Total margin on trading activities	*37*	*22*	*23*	*15*	*(7)*	*30*
Total (A)	**180**	**44**	**45**	**20**	**(24)**	**156**
Raw materials and services used and Net change in fair value of commodity derivatives (see Note 3 and 6 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(103)	-	-	-	-	(103)
- not definable as hedges pursuant to IAS 39	(20)	(19)	(19)	(12)	7	(13)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(59)	-	-	(1)	(1)	(60)
- not definable as hedges pursuant to IAS 39	(12)	(5)	(5)	-	5	(7)
Total (B)	**(194)**	**(24)**	**(24)**	**(13)**	**11**	**(183)**
TOTAL INCLUDED IN EBIT (A+B)	**(14)**	**20**	**21**	**7**	**(13)**	**(27)**
Interest rate hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	34	48	7	86	38	72
- not definable as hedges pursuant to IAS 39	12	5	1	3	(2)	10
Total financial income (C)	**46**	**53**	**8**	**89**	**36**	**82**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(20)	-	-	-	-	(20)
- not definable as hedges pursuant to IAS 39	(14)	(13)	-	(29)	(16)	(30)
Total financial expense (D)	**(34)**	**(13)**	**-**	**(29)**	**(16)**	**(50)**
Margin on interest rate hedging transactions (C+D) = (E)	**12**	**40**	**8**	**60**	**20**	**32**
Foreign exchange rate hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	44	1	1	-	(1)	43
Total foreign exchange gains (F)	**44**	**1**	**1**	**-**	**(1)**	**43**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(49)	-	-	(4)	(4)	(53)
Total foreign exchange losses (G)	**(49)**	**-**	**-**	**(4)**	**(4)**	**(53)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(5)**	**1**	**1**	**(4)**	**(5)**	**(10)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 8 to the Income Statement)	**7**	**41**	**9**	**56**	**15**	**22**

(*) Includes the effective portion included in "Raw materials and services used" (Note 3 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in "Sales revenues" (Note 1 to the Income Statement) under margin on physical trading activities.
(****) Amounts included in "Other revenues and income" (Note 2 to the Income Statement) under margin on financial trading activities.
(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was virtually nil at December 31, 2012.

The table below provides a breakdown of the amounts recognized on the Balance Sheet following the measurement at fair value of the derivatives and physical contracts outstanding on the date of the financial statements:

(in millions of euros)	12.31.2012		12.31.2011	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	10	(121)	23	(61)
Interest rate transactions	89	(29)	53	(13)
Commodity transactions	264	(177)	311	(263)
Fair value recognized as current assets or current liabilities	**363**	**(327)**	**387**	**(337)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	120	(107)	159	(145)
- recognized as "Other receivables and payables"	154	(191)	175	(179)
- recognized as "Current financial assets" and "Short-term financial debt"	89	(29)	53	(13)

With regard to these items, please note that a negative Cash Flow Hedge reserve amounting to 27 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at December 31, 2012.

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

Financial instrument type	Criteria applied to value financial instruments in the financial statements										
(in millions of euros)	**Financial instruments valued at fair value**							**Financial instruments valued at amortized cost**	**Equity investments valued at cost**	**Carrying value at 12.31.2012**	Fair Value at 12.31.2012
	with change in fair value recognized in:			**Total Fair Value**	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity			1	2	3				
	(a)	(b)	(c)	**(A)**			(m)	**(B) (d)**	**(C) (e)**	**(A+B+C)**	
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	179	-	-	**179**	-	-	179	**-**	**5**	184	n.a.
- listed securities	-	10	-	**10**	10	-	-	**-**	**-**	10	10
										194	
Other financial assets (g) (l)	-	-	-	**-**	-	-	-	**75**	**-**	75	75
Other assets (l)	-	-	-	**-**	-	-	-	**108**	**-**	108	108
Trade receivables (i) (l)	120	-	-	**120**	-	115	5	**3,271**	**-**	3,391	3,391
Other receivables (f) (l)	31	123	-	**154**	2	149	3	**408**	**-**	562	562
Current financial assets (f) (h) (l)	94	-	-	**94**	5	89	-	**5**	**-**	99	99
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**753**	**-**	753	753
LIABILITIES											
Bonds (current and non-current)	1,878	-	-	**1,878**	-	1,878	-	**22**	**-**	1,900	1,945
Financial debt (current and non-current) (f) (l)	29	-	-	**29**	-	29	-	**1,606**	**-**	1,635	1,643
Trade payables (i) (l)	107	-	-	**107**	-	101	6	**2,333**	**-**	2,440	2,440
Other liabilities (f) (l)	41	150	-	**191**	3	184	4	**501**	**-**	692	692

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes 70 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(h) Includes equity investments held for trading.
(i) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.
(l) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(m) The fair value classified at Level 3 is recognized in the amount of -1 million euros as part of the physical trading margin included in Sales revenues (5 million euros as revenues and 6 million euros as costs), -2 million euros in Raw Materials and Services Used and 1 million euros as part of the financial trading margin included in Other revenues and income (3 million euros as revenues and 2 million euros as costs).

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related and significant parties(*) affecting the income statement and balance sheet that were outstanding at December 31, 2012 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.

Further to the publication by the CONSOB, on September 24, 2010, of a Communication setting forth provisions governing related-party transactions in accordance with CONSOB Resolution No. 17221 of March 12, 2010, as amended, the Board of Directors of Edison Spa approved a Procedure Governing Related-Party Transactions, which went into effect on January 1, 2011.

Please note that, as a result of the corporate restructuring of the Edison Group completed on May 24, 2012, the Group's reference related parties have changed. More specifically, following the sale of Edipower Spa to Delmi and EDF's acquisition of the entire share capital of Transalpina di Energia through its purchase of the equity stake held by Delmi, EDF gained control of Edison and is now its reference shareholder. The sale to Delmi of Edison's equity stake held in Edipower was set at a price of 684 million euros, higher than the original price of 604 million euros, and generated an economic benefit of 80 million euros, net of cost to sell, recognized in 2012 in "Profit (Loss) from discontinued operations". Furthermore, in 2011 "Profit (Loss) from discontinued operations" included a writedown recognized for 571 million euros in order to align the carrying amount of the equity stake in Edipower with its estimated realizable value. For further information, please see the section entitled "Disclosure pursuant to IFRS 5".

Consequently, the table below shows:

- income statement transactions executed with companies of the A2A Group, the IREN Group, the SEL Group, the Dolomiti Energia Group, Banca Popolare di Milano and Mediobanca only up to May 24, 2012;
- income statement and balance sheet transactions executed through December 31, 2012 with companies of the EDF Group, Transalpina di Energia and other unconsolidated Group companies.

(in milions of euros)	Related Parties pursuant to IAS 24					Other Related and Significant Parties						Total for related and significant parties	Total for financial statem. line item	Impact %
	With unconsolidated Group companies	With the controlling company	EDF Group	A2A Group (*)	Sub total	IREN Group (**) (***)	SEL Group (**) (***)	Dolomiti Energia Group (**) (***)	Banca Popolare di Milano (**)	Mediobanca (**)	Sub total			
Balance Sheet transactions:														
Investments in associates	51	-	-	-	**51**	-	-	-	-	-	**-**	**51**	**51**	**100.0%**
Trade receivables	1	-	52	-	**53**	-	-	-	-	-	**-**	**53**	**3,391**	**1.6%**
Other receivables	1	81	1	-	**83**	-	-	-	-	-	**-**	**83**	**562**	**14.8%**
Trade payables	3	-	75	-	**78**	-	-	-	-	-	**-**	**78**	**2,440**	**3.2%**
Other payables	-	119	4	-	**123**	-	-	-	-	-	**-**	**123**	**692**	**17.8%**
Short-term financial debt	15	-	1	-	**16**	-	-	-	-	-	**-**	**16**	**1,461**	**1.1%**
Income Statement transactions:														
Sales revenues	1	-	78	35	**114**	200	-	29	-	-	**229**	**343**	**12,014**	**2.9%**
Other revenues and income	-	-	7	1	**8**	1	-	-	-	-	**1**	**9**	**830**	**1.1%**
Raw materials and services used	11	-	188	50	**249**	65	18	-	-	-	**83**	**332**	**11,523**	**2.9%**
Financial expense	-	-	-	-	**-**	-	-	-	-	1	**1**	**1**	**256**	**0.4%**
Income from equity investments	2	-	-	-	**2**	-	-	-	-	-	**-**	**2**	**6**	**33.3%**
Commitments and contingent risks:														
Other commitments and risks	-	-	21	-	**21**	-	-	-	-	-	**-**	**21**	**699**	**3.0%**

(*) Please see "2012 Corporate Governance".
(**) Income statement amounts from January 1, 2012 to May 24, 2012.
(***) Considered, before the corporate restructuring, as Related Party in the "Procedure Governing Related-Party Transactions".

A) Intercompany Transactions

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

- commercial transactions involving the buying and selling of electric power, natural gas, green certificates and CO_2 certificates;
- transactions involving the provision of services (technical, organizational and general) by headquarters staff;
- financial transactions involving lending and current account facilities established within the framework of the Group's centralized cash management system;
- transactions required to file a consolidated VAT return for the Group (so-called VAT Pool);
- transactions with its controlling company required to file the consolidated IRES return.

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for December 31, 2012 showed a debt of 37 million euros.

Consolidated IRES Return

For the three-year period from 2012 to 2014, Edison Spa and its principal subsidiaries again agreed to be included in the consolidated corporate income tax (IRES) return filed by Transalpina di Energia, their controlling company. Special agreements govern the relationships between the filers of the consolidated return. The terms of the abovementioned agreements are in line with those applied for the previous three-year period, having been amended only to the extent necessary to comply with new provisions of the tax laws.

Consequently, the companies that agreed to be included in the consolidated IRES return will determine their IRES liability in coordination with Transalpina di Energia, their parent company.
Please note that, due to amendments introduced in 2011, Group companies that operate primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a corporate income tax surcharge, which has been set at 10.5% for 2012 (regular rate of 6.5% increased to 10.5% for three years from 2011 to 2013). The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return.

B) Transactions with Other Related and Significant Parties

An analysis of the main transactions with other related and significant parties is provided below.

1) Commercial Transactions

EDF Group

Transactions executed with the EDF Group included the following:

- With Fenice Spa, sales revenues of about 38 million euros, mainly from sales of natural gas and recovery of maintenance costs for about 7 million euros.
- With EDF Trading Ltd, sales revenues of 83 million euros and costs of 183 million euros stemming from sales and purchases of commodities. In addition, were booked 2 million euros for recovery of costs incurred and 5 million euros for corporate services provided to EDF.
- With EDF Trading Ltd, revenues of 336 million euros and costs of 379 million euros stemming from transactions executed during the year as part of the physical trading activity, which are included in sales revenues on a net basis, and other revenues of 3 million euros and costs of 5 million euros stemming from the financial trading activity, which are included in other revenues and income on a net basis.
- With EDF Trading Ltd, commitments of up to 21 million euros within the EDF Carbon Fund to purchase CER/ERU.

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

As described above, transactions with other related and significant parties listed below referred only to income statement transactions executed from January 1, 2012 to May 24, 2012.

A2A Group

The transactions carried out with the A2A Group resulted in the following:

- Sales revenues of 35 million euros from contracts to supply electric power and steam to A2A Trading Srl and A2A Calore e Servizi Spa.
- Other revenues and income of 1 million euros from A2A Trading Srl, for the recovery of costs incurred.
- Materials and services used totaling 50 million euros, broken down as follows: 14 million euros for purchases of electric power by A2A Trading Srl, 34 million euros for electric power transmission services by A2A Reti Elettriche Spa and 2 million euros other utilities.
- With A2A Trading Srl, revenues of 19 million euros and costs of 19 million euros from transactions executed as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

IREN Group

The transactions carried out with the IREN Group resulted in the following:

- Sales revenues of 195 million euros from contracts to supply electric power and natural gas to Iren Mercato Spa.
- Other revenues and income of 1 million euros from Iren Mercato Spa, for the recovery of costs incurred.
- Raw material and services used of 65 million euros, mainly from the purchase of electric power and natural gas.

- With Iren Mercato Spa, revenues of 13 million euros and costs of 8 million euros from transactions executed as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

SEL Group

The transactions carried out with the SEL Group resulted in the following:

- Sales revenues of 2 million euros and costs for 18 million euros from contracts to supply electric power to SEL Spa.
- With SEL Spa, revenues of 1 million euros and costs of 3 million euros from transactions executed as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

Dolomiti Energia Group

Transactions executed pursuant to contracts for the supply of electric power resulted in sales revenues of 29 million euros, of which 25 million euros with Trenta Spa.

2) Financial Transactions

Please note that on September 27, 2012, EDF Sa and Edison Spa executed a framework agreement for centralized cash management services, pursuant to which EDF manage the surplus cash and cash needs of the Edison Group, with the aim of optimizing short-term cash flows. At December 31, 2012, the Group owed EDF about 1 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

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

- On February 7, 2012, Edison Spa agreed to the voluntary early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant, recognizing a net positive impact of 28 million euros at the EBITDA level (due to an income of 85 million euros net of a provision for future charges of 57 million euros) and writedowns of property, plant and equipment totaling 21 million euros.
- The sale to Delmi of the equity stake held in Edipower Spa closed on May 24, 2012 at a price of 684 million euros. Edison recognized a positive effect of 80 million euros in the income statement, net of transaction costs, in the line item "Profit (Loss) from discontinued operations" and a financial benefit of about 1.2 billion euros.
- On September 11, 2012, the London International Chamber of Commerce notified to Edison the award related to the dispute between Edison and RasGas for the revision of the price of LNG (liquefied natural gas) supplied under a long-term contract from Qatar, which generated in 2012 a positive effect of 438 million euros at the EBITDA level.
- On October 1, 2012, the Paris International Chamber of Commerce notified to Edison the award related to the dispute between Edison and ENI for the revision of the price of natural gas supplied under a long-term contract from Libya, which generated in 2012 a positive effect of 242 million euros at the EBITDA level.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in 2012, 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 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 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 verified 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 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 contact. 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, 2012 were certified in January 2013 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 2012 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 12.31.2011 (A)	**9.37**	**37.59**	**17.44**	**14.41**	**5.34**	**-**	**32.15**	**52.00**
Changes in 2012:								
- revision of previous estimates	0.34	-	1.06	0.78	(0.01)	-	1.39	0.78
- purchases or sales of mineral rights	-	-	-	-	-	-	-	-
- extensions, discoveries and other increases	-	-	-	-	2.11	0.53	2.11	0.53
- production	(0.66)	(1.81)	(1.90)	(1.74)	-	-	(2.56)	(3.55)
Total changes (B)	**(0.32)**	**(1.81)**	**(0.84)**	**(0.96)**	**2.10**	**0.53**	**0.94**	**(2.24)**
Reserves at 12.31.2012 (A+B)	**9.05**	**35.78**	**16.60**	**13.45**	**7.44**	**0.53**	**33.09**	**49.76**

(*) 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 17.5 billion cubic meters equivalent, about one third of which is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

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

Capitalized costs at December 31, 2012 relating to hydrocarbons production assets

(in milions of euros)	Italy	Egypt	Other countries	Total
Gross capitalized costs	1,162	1,664	215	3,041
Accum. deprec., amortiz. and writedowns	(570)	(459)	(42)	(1,071)
Total net capitalized costs	**592**	**1,205**	**173**	**1,970**

3) Costs Incurred in 2012 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 2012 for acquisitions, exploration and development

(in milions of euros)	Italy	Egypt	Norway	Falkland	Other countries	Total
Acquisitions	-	-	-	31	-	31
Exploration costs	1	8	62	45	-	116
Development costs	61	85	-	-	38	184
Total incurred costs	**62**	**93**	**62**	**76**	**38**	**331**

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2012

There have been no significant events after December 31, 2012

Milan, February 8, 2013

The Board of Directors
By Bruno Lescoeur
Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2012

The FSO (Floating-Storage-Offloading) Leonis vessel, with a capacity of 110,000 tons, connected to Vega platform.

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2012

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2012	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2012	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Group Parent Company											
Edison Spa	Milan (IT)	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
CSE Srl (single shareholder) Electric Power Activities	Pavia (IT)	EUR	12,440	100.00	-	100.00	Edison Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) Electric Power Activities	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Gas and Power Romania Srl Electric Power Activities	Bucuresti (RO)	RON	8,400,000	100.000	-	99.00 1.00	Edison International Holding Nv Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Parco Eolico San Francesco Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00	90.00	Edison Spa	-	-	S	(i)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
CSE Srl (single shareholder) Hydrocarbons Activities	Pavia (IT)	EUR	12,440	100.00	-	100.00	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa - (single shareholder) Hydrocarbons Activities	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Gas and Power Romania Srl Hydrocarbons Activities	Bucuresti (RO)	RON	8,400,000	100.00	-	99.00 1.00	Edison International Holding Nv Edison Spa	-	-	S	-
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2012	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa	-	-	-	-
Infrastrutture trasporto gas Spa (single shareholder) Ex Edison Energie Speciali Calabria Spa (single shareholder)	Milan (I)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	73,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2012	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Elpedison Energy Sa ex Elpedison Trading Sa	Marousi Athens (GR)	EUR	1,435,600	50.00	50.00	100.00	Elpedison Bv	-	-	JV	-
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	37.89	75.78	Elpedison Bv	-	-	JV	-
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	JV	-
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	42.00	Edison Spa	-	-	JV	-
Hydrocarbons Operations											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50,00	50.00	Edison International Spa (single shareholder)	-	-	JV	-
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa (single shareholder)	-	-	JV	-
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	30.00	30.00	Edison international Spa (single shareholder)	-	-	JV	-
ICGB AD	Sofia (BG)	BGL	8,605,660	25.00	25.00	50,00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	-	-	JV	-
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	26,400,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
Corporate Activities											
Elpedison Bv	Amsterdam (NL)	EUR	1,000,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.00	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	3.2	AC	-
Energia Senales Srl - Es Srl	Senales (BZ)(IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	3.2	AC	-
GTI Dakar Ltd	George Town Gran Caiman (KY)	EUR	14,686,479		30.00	Sondel Dakar Bv	-	-	-	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	-	-	4.4	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	20.5	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,242,300		20.81	Edison Spa	-	-	17.4	AC	-
Total investments in companies valued by the equity method									**48.7**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions											
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	-	-	AC	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Compagnia Elettrica Lombarda Spa (in liquidation)	Milan (IT)	EUR	408,000		60.00	Sistemi di Energia Spa	-	-	-	S	-
Coniel Spa (in liquidation)	Rome (IT)	EUR	1,020		35.25	Edison Spa	-	-	-	AC	-
Groupement Gambogi - Cisa (in liquidation)	Dakar (SN)	XAF	1,000,000		50.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Inica Soc. de Iniciativas Mineiras e Industriais Sa	Lisbon (PT)	PTE	1,000,000		20.00	Edison Spa	-	-	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/2011	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
D) Investments in other companies valued at fair value											
D.1) Investments held for trading											
Acegas-Aps Spa	Trieste (IT)	EUR	283,690,763		1.30	Edison Spa	-	-	3.8	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	0.9	NG	-
Amsc-American Superconductor	Devens (US)	USD	545,195		0.29	Edison Spa	-	-	0.3	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.76	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.02	Edison Spa	1.06	1.06	9.8	NG	-
Syremont Spa	Messina (IT)	EUR	1,250,000		24.00	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	-	-	179.1	NG	-
Total investments in other companies valued at fair value									**198.8**		
Total equity investments									**249.9**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital at 12/31/2012	Consolidated Group
Companies added to the scope of consolidation in the year ended 12/31/2012				
Acquired companies				
CSE Srl (single shareholder)	Pavia (IT)	EUR	12,440	100.00
Newly established companies				
Edison Gas and Power Romania Srl	Bucuresti (RO)	ROL	8,400,000	100.00

Company name	Head office	Currency	Share capital at 12/31/2011	Consolidated Group interest at 2012	Consolidated Group interest at 12/31/2011
Companies removed from the scope of consolidation in the year ended 12/31/2012					
Companies sold					
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00
Merged companies					
Montedison Srl (single shareholder)	Milan (IT)	EUR	2,583,000	100.00	100.00
Sarmato Energia Spa (single shareholder)	Milan (IT)	EUR	14,420,000	100.00	100.00
Liquidated companies					
Edison International Abu Qir B.V.	Amsterdam (NL)	EUR	18,000	100.00	100.00
Edison International Finance Abu Qir B.V.	Amsterdam (NL)	EUR	18,000	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) The percentage of the voting securities held is equivalent to the ratio between the number of voting securities held directly (irrespective of the ownership of the voting rights) and the total number of voting securities (e.g. common and preferred shares) included in the share capital. The percentage is shown only if it is different from the overall interest held.

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

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

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

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

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

(iii) This company is a contractual joint venture.

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

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

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

1. We, the undersigned Bruno Lescoeur, in my capacity as "Chief Executive Officer," Didier Calvez and Roberto Buccelli, in our capacity as "Dirigenti Preposti alla redazione dei documenti contabili societari", employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2012:

   - 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 8, 2013

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

REPORT OF THE INDEPENDENT AUDITORS

The Rospo platform in the Adriatic Sea.

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

To the Shareholders of EDISON S.p.A.

1. We have audited the consolidated financial statements of Edison S.p.A. and subsidiaries (the "Edison Group"), which comprise the income statement, the other components of the comprehensive income statement, the balance sheet, the cash flow statement, the statement of changes in consolidated shareholders' equity as of December 31, 2012 and the related notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated March 9, 2012. These reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2012.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Edison Group as of December 31, 2012, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Member of Deloitte Touche Tohmatsu Limited

4. The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and on the Company's ownership structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and on the Company's ownership structure, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance and on the Company's ownership structure are consistent with the consolidated financial statements of Edison Group as of December 31, 2012.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
February 14, 2013

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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