2013 ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

EDISON 130 YEARS

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

2013 ANNUAL REPORT
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EDISON 130 YEARS

Income Statement

(in millions of euros)	See Note	2013	of which related parties	2012 (*)	of which related parties
Sales revenues	1	12,335	493	12,014	114
Other revenues and income	2	715	3	830	8
Total net revenues		**13,050**	**496**	**12,844**	**122**
Raw materials and services used (-)	3	(11,815)	(303)	(11,523)	(249)
Labor costs (-)	4	(226)		(218)	
EBITDA	5	**1,009**		**1,103**	
Net change in fair value of commodity derivatives	6	(9)		(6)	
Depreciation, amortization and writedowns (-)	7	(656)		(868)	
EBIT		**344**		**229**	
Net financial income (expense)	8	(115)	(23)	(121)	
Income from (Expense on) equity investments	9	3		6	2
Other income (expense), net	10	(4)		(37)	
Profit (Loss) before taxes		**228**		**77**	
Income taxes	11	(130)		(41)	
Profit (Loss) from continuing operations		**98**		**36**	
Profit (Loss) from discontinued operations	12	-		50	
Profit (Loss)		**98**		**86**	
Broken down as follows:					
Minority interest in profit (loss)		2		5	
Group interest in profit (loss)		**96**		**81**	
Earnings (Loss) per share (in euros)	13				
Basic earnings (loss) per common share		0.0175		0.0147	
Basic earnings per savings share		0.0475		0.0447	
Diluted earnings (loss) per common share		0.0175		0.0147	
Diluted earnings per savings share		0.0475		0.0447	

(*) 2012 amounts reflect the application of IAS 19 revised.

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	2013	2012 (*)
Profit (Loss)		**98**	**86**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	25	**16**	**(8)**
- Gains (Losses) arising during the year		31	(16)
- Income taxes		(15)	8
B) Change in reserve for available-for-sale investments	25	**(4)**	**4**
- Gains (Losses) arising during the year not realized		(4)	4
- Income taxes		-	-
C) Differences on the translation of assets in foreign currencies		**(12)**	**(6)**
- Gains (Losses) arising during the year not realized		(17)	(6)
- Income taxes		5	
D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
E) Actuarial gains (losses) (*) (**)		**(1)**	**-**
- Actuarial gains (losses)		(1)	-
- Income taxes		-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**(1)**	**(10)**
Total comprehensive profit (loss)		**97**	**76**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		2	5
Group interest in comprehensive profit (loss)		**95**	**71**

(*) 2012 amounts reflect the application of IAS 19 revised.
(**) Items not reclassifiable in Income Statement.

Balance Sheet

(in millions of euros)		12.31.2013		12.31.2012 (*)	
	See Note		of which related parties		of which related parties
ASSETS					
Property, plant and equipment	14	4,548		4,786	
Investment property	15	6		9	
Goodwill	16	3,231		3,231	
Hydrocarbon concessions	17	860		948	
Other intangible assets	18	115		105	
Investments in associates	19	51	51	51	51
Available-for-sale investments	19	183		194	
Other financial assets	20	74		75	
Deferred-tax assets	21	245		145	
Other assets	22	189		108	
Total non-current assets		**9,502**		**9,652**	
Inventories		489		390	
Trade receivables		3,176	120	3,391	53
Current-tax assets		26		25	
Other receivables		664	96	562	83
Current financial assets		75		99	
Cash and cash equivalents		506	245	753	
Total current assets	23	**4,936**		**5,220**	
Assets held for sale	24	**-**		**1**	
Eliminations of assets from and to discontinued operations		**-**		**-**	
Total assets		**14,438**		**14,873**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,292		5,292	
Reserves and retained earnings (loss carryforward)		1,750		1,693	
Reserve for other components of comprehensive income		(12)		(11)	
Group interest in profit (loss)		96		81	
Total shareholders' equity attributable to Parent Company shareholders		**7,126**		**7,055**	
Shareholders' equity attributable to minority shareholders		126		132	
Total shareholders' equity	25	**7,252**		**7,187**	
Provision for employee severance indemnities and provisions for pensions	26	36		35	
Provision for deferred taxes	27	90		79	
Provisions for risks and charges	28	903		863	
Bonds	29	1,098		1,796	
Long-term financial debt and other financial liabilities	30	1,035	795	174	
Other liabilities	31	7		31	
Total non-current liabilities		**3,169**		**2,978**	
Bonds		772		104	
Short-term financial debt		282	21	1,461	16
Trade payables		2,240	91	2,440	78
Current taxes payable		43		11	
Other liabilities		680	110	692	123
Total current liabilities	32	**4,017**		**4,708**	
Liabilities held for sale		**-**		**-**	
Eliminations of liabilities from and to discontinued operations		**-**		**-**	
Total liabilities and shareholders' equity		**14,438**		**14,873**	

(*) 2012 amounts reflect the application of IAS 19 revised.

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in the 2013. 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)		2013		2012 (*)	
	See Note		of which related parties		of which related parties
Profit (Loss) before taxes		**228**		**77**	
Depreciation, amortization and writedowns	7	656		868	
Net additions to provisions for risks		(45)		14	
Interest in the result of companies valued by the equity method (-)		-		(2)	(2)
Dividends received from companies valued by the equity method		1	1	1	1
(Gains) Losses on the sale of non-current assets		(21)		1	
Change in the provision for employee severance indemnities and provisions for pensions	26	(2)		(1)	
Change in fair value recorded in EBIT		(2)		13	
Change in operating working capital		(84)	(54)	(294)	11
Change in other operating assets and liabilities		(113)	(26)	45	67
Financial income (expense)	8	116	20	115	
Net financial expense paid		(100)	(14)	(93)	
Income taxes paid		(221)		(190)	-
A. Cash flow from continuing operations		**413**		**554**	
Additions to intangibles and property, plant and equipment (-)	14-18	(271)		(459)	
Additions to non-current financial assets (-)		(4)		-	
Net price paid on business combinations (**)		(56)	(56)	(2)	
Proceeds from the sale of intangibles and property, plant and equipment		8		6	
Proceeds from the sale of non-current financial assets		-		684	684
Repayment of capital contribution by non-current financial assets		7		8	
Change in other current financial assets		24		529	
B. Cash used in investing activities from continuing operations		**(292)**		**766**	
Receipt of new medium-term and long-term loans	29, 30, 32	1,853	1,343	603	
Redemption of medium-term and long-term loans (-)	29, 30, 32	(2,153)	(550)	(1,323)	
Change in short-term net financial debt		(48)		(110)	1
Distribution of shareholders' equity and reserves (-)		-		(14)	
Dividends paid to controlling companies or minority shareholders (-)		(20)		(14)	
C. Cash used in financing activities from continuing operations		**(368)**		**(858)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the year from continuing operations (A+B+C+D)		**(247)**		**462**	
F. Net cash flow for the year from discontinued operations		**-**		**(35)**	
G. Net cash flow for the year (continuing and discontinued operations) (E+F)		**(247)**		**427**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**753**		**291**	
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**35**	
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (G+H+I)		**506**	**245**	**753**	
M. Cash and cash equivalents at the end of the year from discontinued operations		**-**		**-**	
N. Cash and cash equivalents at the end of the year from continuing operations (L-M)		**506**	**245**	**753**	

(*) 2012 amounts reflect the application of IAS 19 revised.
(**) The amount includes the price of acquisition (81 million euros) net of Cash and cash equivalents acquired (25 million euros).

Changes in Consolidated Shareholders' Equity

(in millions of euros)

			Reserve for other components of comprehensive income								
	Share capital	Reserves and retained earnings (loss carry-forward)	Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses) (*)	Group interest in profit (loss)	**Total shareholders' equity attributable to Parent Company shareholders**	Shareholders' equity attributable to minority shareholders	**Total shareholders' equity**
Balance at December 31, 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**
Appropriation of the previous year's profit (loss)	-	81	-	-	-	-	-	(81)	-	-	-
Dividends and reserves distributed	-	(17)	-	-	-	-	-	-	(17)	(7)	(24)
Other changes	-	(7)	-	-		-	-	-	(7)	(1)	(8)
Total comprehensive profit (loss)	**-**	**-**	**16**	**(4)**	**(12)**	**-**	**(1)**	**96**	**95**	**2**	**97**
of which:											
- Change in comprehensive income for the year	-	-	16	(4)	(12)	-	(1)	-	(1)	-	(1)
- Profit (Loss) for 2013	-	-	-	-	-	-	-	96	96	2	98
Balance at December 31, 2013	**5,292**	**1,750**	**-**	**-**	**(11)**	**-**	**(1)**	**96**	**7,126**	**126**	**7,252**

(*) The amounts reflect the application of IAS 19 revised.

The Leonis storage vessels functions as a crude oil storage tank for the Vega A platform.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2013

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Consolidated Financial Statements of the Edison Group at December 31, 2013 comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the *Official Journal of the European Union (O.J.E.U.).*

Methods applied to the Preparation of the Financial Statements

It is worth mentioning that the international accounting principles are consistent with those used for the Consolidated Financial Statements at December 31, 2012, and the following amendments and interpretations are applicable starting in 2013.

- Amended **IAS 19 "Employee Benefits".** The revised version of IAS 19 requires a different classification for actuarial gains and losses, which previously were recognized directly in profit or loss and now must be classified into "Other components of comprehensive income" and a special equity reserve. Because this amended accounting principle must be applied retrospectively, the data for the previous year were restated, starting on January 1, with a negative impact on "Group interest in net profit" less than one million euros.
- **IFRS 13 "Fair Value Measurement".** This new standard provides a single systematic reference framework for measuring fair value by updating the entire corpus of existing standards and interpretations regarding fair value measurement and disclosures.
  This principle is applicable prospectively, without need to restate comparative information and it has no relevant impact; in Edison's Group it mainly refers to valuations of Financial Instruments.
- Amended **IFRS 7 "Financial Instruments: Disclosures" and IAS 32 "Financial Instruments: Presentation"**. They require the introduction of new quantitative disclosures about offsetting arrangements and their effects, if any, on the statement of financial position; please refer to paragraph "Analysis of Forward Transactions and Derivatives" included in the following section entitled "Group Financial Risk Management".
- **IAS 1 "Presentation of Financial Statements"** was revised to provide a clearer presentation of the line item "Other components of comprehensive income (OCI)" by showing separately components that later may or may not be reclassified into the Income Statement. The "Actuarial gains (losses)" is the only item non-classifiable in the Income Statement.
- Amended **IFRS 1 "First-time Adoption of IFRS"**: it establishes some cases, different from the first application of IFRS, in which the company is forced to apply this principle, or to apply the principles retrospectively in accordance with IAS 8 "Accounting Policies, Changes in accounting Estimates and Errors" (currently not applicable in Edison Financial Statements).
- **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 not applicable in Edison Financial Statements).

The following principles and interpretations are applicable since 2014: **IFRS 10 "Consolidated Financial Statements"**, **IFRS 11 "Joint Arrangements"** (which partially replaces IAS 31), **IFRS 12 "Disclosure of Interests in Other entities"**, **IAS 27 amended "Separate Financial Statements"** and **IAS 28 amended "Investments in Associates and Joint Ventures"**. Regarding **IFRS 11 "Joint Arrangements"**, its adoption will result in the deconsolidation of certain joint entities, which will be valued by the equity method. For 2013 amounts, prepared in a preliminary way, the deconsolidation will have the following effects on the Group's consolidated financial statements:

- in the income statement: a reduction of about 39 million euro on EBITDA and no impact on the Group interest in profit (loss);
- in the balance sheet: no impact on shareholders' equity attributable to Parent Company shareholders.

From 2014 it is also applicable to a further amendment to **IAS 32 "Financial Instruments: Presentation"** concerning the criteria for offsetting of financial assets and liabilities, it will have not significant impacts.

The Board of Directors, meeting on February 12, 2014, 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

The adoption of IAS 19 Revised required a restatement of the 2012 comparable data, with reclassification of net actuarial gains from "Net profit" to "Reserve for other components of comprehensive income", which had an impact of less than 1 million euros.

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, 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, 2012

The changes in the Group's scope of consolidation that occurred in 2013 include:

Electric Power Operations:

- liquidation of **Ecofuture Srl,** a wholly owned subsidiary of Edison Spa, previously consolidated line by line;
- In March, disposal of **Sondel Dakar Bv**, a wholly owned subsidiary of Edison International Holding Nv consolidated line by line, and disposal of GTI Dakar Ltd, valued by equity method, in which Sondel Dakar Bv held a 30% interest. The positive economic and financial effects of the disposal of both subsidiaries amounted to less than one million euros;
- the establishment of **Edison Energy Solutions Spa**, that is 100% owned by Edison Energia Spa and consolidated line by line. The company is engaged in the business of energy efficiency.
- In December, the establishment of **Ds Smith Paper Italia Srl**, that is 100% owned by Edison Spa and consolidated line by line, actually not operating.

Hydrocarbons Operations:

- In October, the acquisition of 100% of **EDF Production UK Ltd** by Edison International Holding NV at a price of 81 million euros. The company is engaged in the business of exploration of hydrocarbons and is consolidated line by line. For more details about this transaction please see the section "Disclosure pursuant to IFRS 3".

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.

2013 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	16	-	1	2	-	147	31	-	-	-	-	-
EBITDA	**8**	**1**	**-**	**-**	**-**	**31**	**-**	**-**	**-**	**(1)**	**-**	**-**
as a % of sales revenues	*50.0%*	*n.m.*	*n.m.*	*n.m.*	*n.a.*	*21.1%*	*n.m.*	*n.a.*	*n.a.*	*n.m.*	*n.a.*	*n.a.*
Depreciation, amortization and writedowns (-)	(3)	-	-	-	-	(12)	-	-	-	-	-	-
EBIT	**5**	**1**	**-**	**-**	**-**	**19**	**-**	**-**	**-**	**(1)**	**-**	**-**
Profit (Loss)	**3**	**7**	**-**	**-**	**-**	**1**	**-**	**-**	**-**	**(1)**	**-**	**-**
of which minority interest in profit (loss)	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE SHEET												
Total assets	**44**	**66**	**1**	**1**	**62**	**254**	**13**	**-**	**5**	**12**	**2**	**-**
Shareholders' equity	**37**	**20**	**1**	**-**	**62**	**44**	**-**	**-**	**-**	**9**	**2**	**-**
of which attributable to minority shareholders	-	-	-	-	-	13	-	-	-	-	-	-
Net financial debt (financial assets)	**5**	**(39)**	**-**	**-**	**-**	**136**	**(1)**	**-**	**(5)**	**(2)**	**(1)**	**-**

The Vega A platform, commissioned in 1987,
is the largest in the Mediterranean Sea.

Valuation Criteria

Property, Plant and Equipment and Investment Property

Property, plant and equipment used in the production process are classified as "Property, plant and equipment". Land and buildings that are not used in the production process are classified as "Investment property". In the financial statements, these assets are shown at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.

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

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

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

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

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

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

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	2.1%	12.2%	1.2%	2.2%	-	2.1%
Plant and machinery	4.0%	14.7%	2.4%	45.4%	9.6%	24.7%
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%	20.0%
Investment property	-	-	-	-	1.6%	2.4%

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

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 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 and utilized for the compliance purpose are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted (so-called compliance) using any reserves for risks set aside the previous year.
Environmental securities owned and held during the year in the exercise of Trading Activities are treated as inventory and measured at fair value, as explained below under "Trading Activities" and "Inventory".

Impairment of Assets

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

Financial Instruments

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

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses recognized in the income statement. This class of assets consists mainly of equity investments held for trading and the so-called Trading Activities reviewed below.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction costs incurred in the purchasing/selling phases (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets

are measured on a regular basis to determine whether there is any objective evidence that their value may have been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in the income statement for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.

- **Available-for-sale assets** are measured at fair value and any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in the income statement when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.
- **Derivatives** are measured at fair value and any resulting changes are recognized in the income statement. However, whenever possible, the Group uses hedge accounting and, consequently, derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", while the ineffective portion is recognized directly in the income statement. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in the income statement. The carrying amount of the hedged items is adjusted accordingly in the income statement, to reflect changes in fair value associated with the hedged risk.

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

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

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

Trading Activities

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

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

Inventories

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

Valuation of Long-term Take or pay Contracts

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

Employee Benefits

The **provision for employee severance indemnities** and the **provision for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in the income statement as a "Labor costs". The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to "Net financial income (expense)". Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized in the comprehensive income statement, taking into account the average working lives of the employees.
Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for vested employee severance benefits that remained at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being paid to separate entities (supplemental pension funds or INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future (so-called "defined-contribution plan").
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.

At December 31, 2013, a total of 3,240 employees were on Edison's payroll, substantially the same as at the end of 2012.

Recognition of Revenues and Expenses

Revenues and income, costs and expenses are recognized net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of products or the provision of services. Sales revenues are recognized when title to the goods passes to the buyer. As a rule, this occurs when the goods are delivered or shipped. The full amount of operating grants is recognized in profit or loss when the conditions for recognition can be met. Item that qualify as operating grants include the incentives provided for the production of electric power with facilities that use renewable sources, such as green certificates, which are measured at fair value in accordance with IAS 20. Materials used include the cost of 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. For the impairment test please refer to the paragraph titled “Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles” (Note 18). The valuation of decommissioning provision is sensitive to the assumptions of cost, inflation rate and discount rate as well as assumptions regarding the timing of payment; at each balance sheet date the estimates are revised in order to verify whether the amounts recognized are the best estimate of the costs that the Group may incur and, if significant changes are noted, the amounts are revised.
- Valuation of derivatives and financial instruments in general, with regard to which please refer to the criteria explained in “Financial instruments” and in the following paragraph “Analysis of Forward Transactions and Derivatives”, included in this report, of the following section entitled “Group Financial Risk Management”, which should also be consulted for more information about the method of valuation of fair value and management of inherent risks in connection with energy commodities, foreign exchange rates and interest rates.
- Measurement of certain sales revenues, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. These estimates are the result of the Group’s assumptions completed, where appropriate, by previous experiences in similar transactions and by independent appraiser.
- Advances paid under long-term natural gas supply contracts for gas volumes (take-or-pay): these are amounts paid when the Company is unable to take delivery of the scheduled minimum annual quantities. These advance payments, which constitute deferred charges, are recognized as “Other assets” pursuant to IAS 38. The recognized amount is maintained after ascertaining that: a) over the residual duration of the contract, the Company estimates that it will be able to recover the volumes below the contractual minimum (quantitative valuation); b) the Company believes that the contracts entail, over their entire residual lives, expected positive net cash flows based on approved Company plans (economic valuation). Advances are reclassified to inventory only when the Company actually takes delivery of the gas or are recognized in profit or loss as penalties when it is unable to take delivery of the gas. With regard to the valuation of the gas inventory, estimates of the net realizable value are based on the best price estimates available at the time of valuation, taking into account the target market. These estimates could consider, as a price adjustment, if applicable, any contractual renegotiations on a three-year basis of the price of delivered natural gas.

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)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Sales Revenues	**7,319**	**6,961**	**5,872**	**6,571**	**52**	**48**	**-**	**-**	**(908)**	**(1,566)**	**12,335**	**12,014**
- third parties sales revenues	7,307	6,949	5,019	5,058	10	7	-	-	(1)	-	12,335	12,014
- intra-Group sales revenues	12	12	853	1,513	42	41	-	-	(907)	(1,566)	-	-
EBITDA	**696**	**605**	**424**	**608**	**(111)**	**(110)**	**-**	**-**	**-**	**-**	**1,009**	**1,103**
as a % of sales revenues	*9.5%*	*8.7%*	*7.2%*	*9.3%*	*n.m.*	*n.m.*	-	-	-	-	*8.2%*	*9.2%*
Net change in fair value of commodity derivatives	8	(11)	(17)	5	-	-	-	-	-	-	(9)	(6)
Depreciation, amortization and writedowns	(306)	(516)	(341)	(339)	(9)	(13)	-	-	-	-	(656)	(868)
EBIT	**398**	**78**	**66**	**274**	**(120)**	**(123)**	**-**	**-**	**-**	**-**	**344**	**229**
as a % of sales revenues	*5.4%*	*1.1%*	*1.1%*	*4.2%*	*n.m.*	*n.m.*	-	-	-	-	*2.8%*	*1.9%*
Net financial income (expense)											(113)	(121)
Interest in result of companies valued by equity method											-	2
Income taxes											(130)	(41)
Profit (Loss) from continuing operations											**98**	**36**
Profit (Loss) from discontinued operations							**-**	**50**			**-**	**50**
Minority interest in profit (loss)											**2**	**5**
Group interest in profit (loss)											**96**	**81**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012
Total assets	**8,567**	**8,759**	**5,791**	**5,689**	**5,063**	**5,130**	**-**	**1**	**(4,983)**	**(4,706)**	**14,438**	**14,873**
Total liabilities	**3,289**	**3,476**	**3,511**	**3,493**	**4,097**	**4,230**	**-**	**-**	**(3,711)**	**(3,513)**	**7,186**	**7,686**
Net financial debt							**-**	**-**			**2,549**	**2,613**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Capital expenditures	33	95	124	204	2	1	-	-	-	-	159	300
Investments in exploration	-	-	92	116	-	-	-	-	-	-	92	116
Investments in intangibles	6	1	11	41	3	1	-	-	-	-	20	43
Total capital investments	**39**	**96**	**227**	**361**	**5**	**2**	**-**	**-**	**-**	**-**	**271**	**459**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
	12.31.2013	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012	**12.31.2013**	12.31.2012
Number of employees	**1,189**	**1,229**	**1,421**	**1,369**	**630**	**650**	**-**	**-**	**-**	**-**	**3,240**	**3,248**

Thus far, the Group has not viewed **geographic area** segment information as meaningful. However, in recent years, due mainly to acquisitions, foreign operations have been gaining steadily in importance. Net non-current assets held totaled 1,474 million euros, including 1,313 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt, and 161 million euros for assets of the Electric Power Operations, mainly in Greece for thermoelectric power activities. At December 31, 2013, the contribution of foreign operations accounted for about 15% net invested capital and for about 34% EBITDA.

It is also worth mentioning the performance in the Exploration & Production business, that at December 31, 2013 gives the contribution described in the table below:

Income Statement

(in millions of euros)	2013	2012
Sales Revenues	**651**	**723**
EBITDA	**444**	**509**
as a % of sales revenues	*68.2%*	*70.4%*
EBIT	**128**	**186**
as a % of sales revenues	*19.7%*	*25.7%*

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 1,250 million euros in the year, equal to 17% of the total sales revenues of Electric Power Operations and to 10% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

Compared with the previous year, 2013 were characterized by concurrent contractions in national consumption of electric power (-3.4%; -3.1% on a seasonally adjusted basis) and in demand for natural gas (-6.4%), the latter due mainly to thermoelectric uses. The protracting of a situation of weak demand coupled with a continuous increase of installed capacity and gas availability further increased competitive pressure on sales prices of electric power and gas. In particular, a steady increase in national production from renewable sources, coupled with falling demand, produced a supply overhang in the electric power market and a resulting compression of margins, particularly during peak hours.

In this scenario, Group **EBITDA** amounted to 1,009 million euros, or 94 million euros less (-8.5%) compared with 1,103 million euros in 2012.

This result reflects the impact of the following factors:

- a positive performance of the **Electric Power Operations,** whose adjusted EBITDA[1] amounted to 706 million euros, for a gain of 21.1% compared with the previous year (583 million euros), when EBITDA were boosted by a net gain of 28 million euros recognized for the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant. The result was positively affected by an increase in hydroelectric generation, thanks to an abundance of water resources, and the optimization of the portfolio.
- the adjusted EBITDA[1] of the **Hydrocarbons Operations** amounted to 414 million euros, compared with the previous year (630 million euros), which reflected the positive effects of the conclusion of arbitrations on long-term contracts to import natural gas from Qatar and from Libya. The margin of 2013, while benefiting from the positive conclusion of the arbitration with Algeria and of the agreements for the gas supply from Qatar and Algeria, is affected by the protracting of a situation of pressure on sales prices of gas and the continuation of the second phase of renegotiation of contracts to import gas from Russia and Libya (whose margins have further deteriorated after the first phase). It remains relevant the contribution of Exploration & Production activities, despite the slight drop in volumes.

The **Group's interest in the net result** is positive by 96 million euros, for a gain of 15 million euros compared with a profit of 81 million euros in 2012. It is also worth mentioning that the result of 2012 benefited from "Profit from Discontinued Operations" (50 million euros), referred to the redefinition of the sales price of Edipower Spa (80 million euros) and the negative margin attributable to Edipower's tolling operations.

In addition to this and to the effect of the industrial margins mentioned above, the result for 2013 primarily reflects the impact of the following factors:

- writedowns of assets for 100 million euros, due to thermoelectric activities and to a hydrocarbon concession;
- a 74-million-euros reduction in depreciation and amortization, in particular:
  - a decrease (28 million euros) recognized by the **Electric Power Operations**;
  - a decrease in depreciation and amortization in exploration activity (49 million euros) recognized by the **Hydrocarbons Operations**.

1. Adjusted EBITDA reflect the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains or losses attributable to them (+10 million euros in 2013, -22 million euros in 2012). This reclassification is being made to provide an operational presentation of the Group's industrial results.
The Adjusted EBITDA amount was not audited.

1. Sales Revenues

Sales revenues totaled 12,335 million euros, or 2.7% more than the 12,014 million euros reported at December 31, 2012 with a different dynamic for the Electric Power Operations than that of the Hydrocarbon Operations.

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

(in millions of euros)	2013	2012	Change	% change
Revenues from the sales of:				
- Electric power	5,701	5,649	52	0.9%
- Natural gas	4,612	4,636	(24)	(0.5%)
- Steam	113	122	(9)	(7.4%)
- Oil	212	251	(39)	(15.5%)
- Green certificates	109	98	11	11.2%
- CO_2 emissions rights	9	18	(9)	(50.0%)
- Other sales revenues	55	49	6	12.2%
Total sales revenues	**10,811**	**10,823**	**(12)**	**(0.1%)**
Revenues from services provided	14	20	(6)	(30.0%)
Storage services	70	56	14	25.0%
Margin on physical trading activities	78	29	49	n.m.
Transmission revenues	1,324	1,057	267	25.3%
Other revenues from sundry services	38	29	9	31.0%
Total for the Group	**12,335**	**12,014**	**321**	**2.7%**

Breakdown by Business Segment

(in millions of euros)	2013	2012	Change	% change
Electric Power Operations	7,319	6,961	358	5.1%
Hydrocarbons Operations	5,872	6,571	(699)	(10.6%)
Corporate Activities and Other Segments	52	48	4	8.3%
Eliminations	(908)	(1,566)	658	(42.0%)
Total for the Group	**12,335**	**12,014**	**321**	**2.7%**

In particular:

- The **Electric Power Operations** reported a gain (+5.1%) in sales revenues compared with 2012, thanks to higher sales volumes to wholesalers and to the substantially stability of the sales to end customers.
- The "Sales Revenues" of the **Hydrocarbons Operations** were down, falling by -10.6% compared with the 2012, reflect the prices' scenario as well as a decrease in sales to thermoelectric uses offset by higher sales to industrial and residential customers.

2. Other Revenues and Income

Other revenues and income totaled 715 million euros (830 million euros in 2012). A breakdown is as follows:

(in millions of euros)	2013	2012	Change	% change
Realized commodity derivatives	179	143	36	25.2%
Margin on financial trading activities	-	1	(1)	n.m.
Recovery of costs from partners in hydrocarbon exploration projects	35	33	2	6.1%
Net reversals in earnings of provisions for risks on receivables and other risks	60	28	32	n.m.
Out-of-period income and sundry items	441	625	(184)	(29.4%)
Total for the Group	**715**	**830**	**(115)**	**(13.9%)**

The **realized commodity derivatives**, which should be analyzed together with the corresponding cost item included in "**Raw materials and services used**" (which decreased from 135 million euros to 121 million euros) and "**Net change in fair value of commodity derivatives**" (which decreased from negative for 6 million euros to negative for 9 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 scenario effect on the hedged physical commodities: in 2013, 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".

The **Out-of period income and sundry items** also includes the benefits arising from the revision of long-term contracts to import natural gas from Algeria and Qatar, attributable to costs incurred in previous years, and the recognition of the gain generated in 2008 on the sale of a 51% interest in Dolomiti Edison Energy Srl, following the expiration of exercisable call options.

3. Raw Materials and Services Used

Raw materials and services used totaled 11,815 million euros, or 2.5% more than in 2012 (11,523 million euros) affected by the price and volume trends already mentioned in the note "Sales revenues". The items benefited of the positive effects of the revision of long-term contracts to import natural gas from Qatar and Libya.
The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	2013	2012	Change	% change
Purchases of:				
- Natural gas	5,059	5,655	(596)	(10.5%)
- Electric power	3,497	3,062	435	14.2%
- Blast-furnace, recycled and coke-oven gas	26	43	(17)	(39.5%)
- Oil and fuel	2	2	-	-
- Demineralized industrial water	4	6	(2)	(33.3%)
- Green certificates	17	31	(14)	(45.2%)
- CO_2 emissions rights	23	14	9	64.3%
- Coal, utilities and other materials	59	71	(12)	(16.9%)
Total	**8,687**	**8,884**	**(197)**	**(2.2%)**
- Facilities maintenance	135	139	(4)	(2.9%)
- Transmission of electric power and natural gas	2,102	1,704	398	23.4%
- Regasification fee	106	106	-	-
- Professional services	135	157	(22)	(14.0%)
- Writedowns of trade and other receivables	121	68	53	77.9%
- Realized commodity derivatives	121	135	(14)	(10.4%)
- Margin on financial trading activities	25	-	25	n.m.
- Additions to provisions for miscellaneous risks	29	83	(54)	(65.1%)
- Change in inventories	(48)	(158)	110	(69.6%)
- Use of property not owned	116	107	9	8.4%
- Losses on sales of property, plant and equipment	4	3	1	33.3%
- Sundry items	282	295	(13)	(4.4%)
Total for the Group	**11,815**	**11,523**	**292**	**2.5%**

Breakdown by Business Segment

(in millions of euros)	2013	2012	Change	% change
Electric Power Operations	6,734	6,568	166	2.5%
Hydrocarbons Operations	5,877	6,420	(543)	(8.5%)
Corporate Activities and Other Segments	121	112	9	8.0%
Eliminations	(917)	(1,577)	660	(41.9%)
Total for the Group	**11,815**	**11,523**	**292**	**2.5%**

The decrease compared with the previous year in the amount paid for **natural gas** (596 million euros) should be analyzed together with the item "**Change in inventories**" and is mainly caused by a different mix of supply. The year benefits of effects related to the revision of long-term contracts to import natural gas from Algeria and Qatar. The item also reflects the negative impacts of the effective portion of derivatives that hedge foreign exchange risks on commodities (98 million euros), offset by a benefit shown in commodity prices.

The increase in costs for **electric power** (435 million euros) compared with 2012 mainly reflects the effect of an increase in prices on the electricity market.

The increase in **transmission of electric power and natural gas** costs (398 million euros) is mainly due to the increasing in rates.

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

Writedowns of trade and other receivables (121 million euros) include additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. More detailed information about changes in "Allowance for doubtful accounts" is provided in the Note 23.

Margin on Trading Activities

The table below shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios included in revenues and in raw materials and services used.

(in millions of euros)	See Note	2013	2012	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		4,081	4,968	(887)	(17.9%)
Raw materials and services used		(4,003)	(4,939)	936	(19.0%)
Total included in sales revenues	1	**78**	**29**	**49**	**n.m.**
Margin on financial contracts included in trading portfolios					
Other revenues and income		55	45	10	22.2%
Raw materials and services used		(80)	(44)	(36)	81.8%
Total included in Other revenues and income/ (Raw materials and services used)	2/3	**(25)**	**1**	**(26)**	**n.m.**
Total margin on trading activities		**53**	**30**	**23**	**76.7%**

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

4. Labor Costs

Labor costs totaled 226 million euros, reported an increase of about 3.6% against the 218 million euros in 2012, related to the wage dynamic and to a slight increase of average staff compared with the previous year.

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)	12.31.2013	12.31.2012	Change
Electric Power Operations	1,189	1,229	(40)
Hydrocarbons Operations	1,421	1,369	52
Corporate Activities and Other Segments	630	650	(20)
Total for the Group	**3,240**	**3,248**	**(8)**

Changes by employee category

(number of employees)	01.01.2013	Added to payroll	Removed from payroll	Changes of classification	12.31.2013	Average payroll
Executives	193	3	(8)	7	195	196
Office staff and Middle managers	2,390	51	(72)	44	2,413	2,413
Production staff	665	30	(12)	(51)	632	641
Total for the Group	**3,248**	**84**	**(92)**	**-**	**3,240**	**3,250**

5. EBITDA

EBITDA totaled 1,009 million euros, or 94 million euros less (-8.5%) than the 1,103 million euros earned in 2012.

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

(in millions of euros)	2013	as a % of sales revenues	2012	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	696	9.5%	605	8.7%
Hydrocarbons Operations	424	7.2%	608	9.3%
Corporate Activities and Other Segments	(111)	n.m.	(110)	n.m.
Total for the Group	**1,009**	**8.2%**	**1,103**	**9.2%**
Adjusted EBITDA				
Electric Power Operations	706	9.6%	583	8.4%
Hydrocarbons Operations	414	7.1%	630	9.6%
Corporate Activities and Other Segments	(111)	n.m.	(110)	n.m.
Total for the Group	**1,009**	**8.2%**	**1,103**	**9.2%**

Regarding the performance:

- the adjusted EBITDA of the **Electric Power Operations** amounted to 706 million euros, for a gain of 21.1% compared with the previous year (583 million euros). The positive performance is due to the improved hydroelectric generation and to portfolio optimization.
- The adjusted EBITDA of the **Hydrocarbons Operations** totaled 414 million euros (-34.3%, 630 million euros in 2012). Both the results reflect the effects of the revision of long-term contracts to

import natural gas from Algeria and Qatar in 2013 and from Qatar and Libya in 2012. The margin of 2013 is affected by the protracting of a situation of pressure on sales prices of gas and the continuation of the second phase of renegotiation of contracts to import natural gas from Russia and Libya (whose margins have further deteriorated after the first phase). It remains relevant the contribution of Exploration & Production activities, despite the drop in volumes compared to 2012, which is related to the physiological decline in wells' oil production, especially in Italy, and the decrease in prices linked to the trend of Brent prices and the exchange rate.

6. Net Change in Fair Value of Commodity Derivatives

A breakdown of this item, negative for 9 million euros in 2013 (negative for 6 million euros in 2012), is provided below:

(in millions of euros)	2013	2012	Change	% change
Change in fair value in hedging the price risk on energy products:	**(3)**	**(11)**	**8**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	16	(1)	17	n.m.
- not definable as hedges pursuant to IAS 39	(19)	(10)	(9)	(90.0%)
Change in fair value in hedging the foreign exchange risk on commodities:	**(6)**	**5**	**(11)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	-	-	-	-
- not definable as hedges pursuant to IAS 39	(6)	5	(11)	n.m.
Total for the Group	**(9)**	**(6)**	**(3)**	**50.0%**

(*) Referred to the ineffective portion.

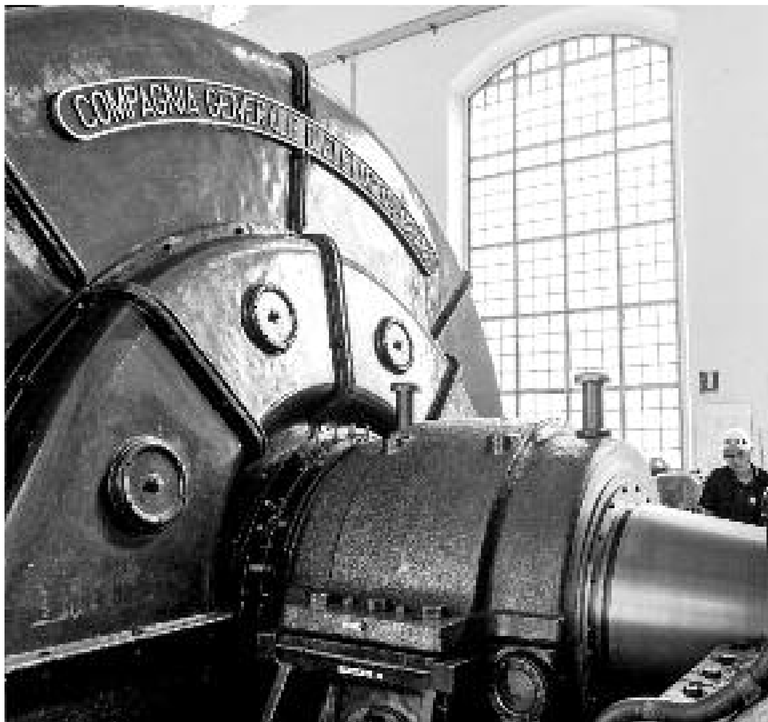
This line item reflects the change in fair value for the year of commodity and foreign exchange derivatives, excluding those that are part of the Trading Activities, executed as economic hedges of the Industrial Portfolio.

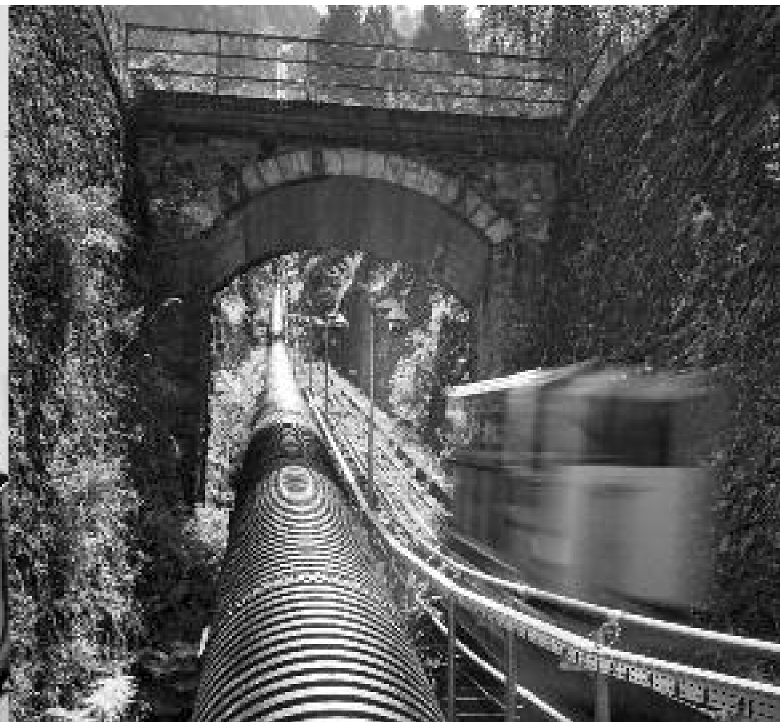
7. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 656 million euros, is provided below:

(in millions of euros)	2013	2012	Change	% change
Depreciation and amortization of:	**556**	**630**	**(74)**	**(11.7%)**
- property, plant and equipment	365	387	(22)	(5.7%)
- hydrocarbon concessions	84	92	(8)	(8.7%)
- other intangible assets (*)	107	151	(44)	(29.1%)
Writedowns of:	**100**	**239**	**(139)**	**(58.2%)**
- property, plant and equipment	95	230	(135)	(58.7%)
- hydrocarbon concessions	5	-	5	n.m.
- other intangible assets	-	9	(9)	(100.0%)
Utilization of the provisions for risks and charges	**-**	**(1)**	**1**	**(100.0%)**
Total for the Group	**656**	**868**	**(212)**	**(24.4%)**

(*) Included the exploration costs (92 million euros in 2013, 116 million euros in 2012).





The Venina (SO) hydroelectric power plant uses the Remote Control Center to monitor the activities of all the power plants in the Valtellina.

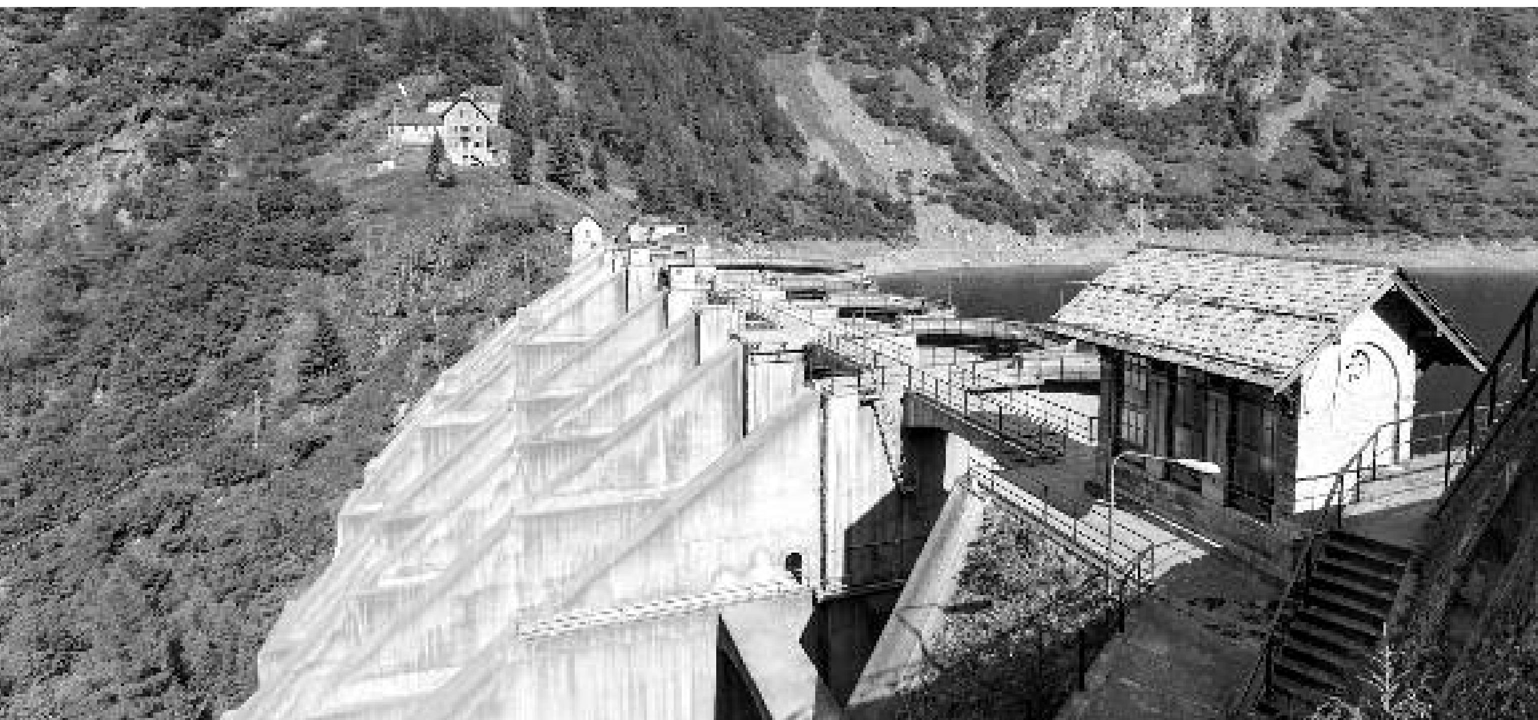
Breakdown by Business Segment

(in millions of euros)	2013	2012	Change	% change
Electric Power Operations:	**306**	**516**	**(210)**	**(40.7%)**
- depreciation and amortization	260	288	(28)	(9.7%)
- writedowns of property, plant and equipment	46	219	(173)	(79.0%)
- writedowns of other intangible assets	-	9	(9)	(100.0%)
Hydrocarbons Operations:	**341**	**339**	**2**	**0.6%**
- depreciation and amortization	287	332	(45)	(13.6%)
- writedowns of property, plant and equipment	49	8	41	n.m.
- writedowns of hydrocarbon concessions	5	-	5	n.m.
- utilization of the provisions for risks and charges	-	(1)	1	(100.0%)
Corporate Activities and Other Segments:	**9**	**13**	**(4)**	**(30.8%)**
- depreciation and amortization	9	10	(1)	(10.0%)
- writedowns of property, plant and equipment	-	3	(3)	(100.0%)
Total for the Group	**656**	**868**	**(212)**	**(24.4%)**

In the **Electric Power Operations**, the net decrease of 210 million euros is due to the combined effect of:
- a decrease of 173 million euros in writedowns of property, plant and equipment considering that writedowns of the year for 46 million euros (219 million euros in 2012) are related to a Thermoelectric Power plant as a result of cancellation by the customer of a commercial supply contract;
- lower depreciation resulting from the writedowns of production facilities recognized last year.

In the **Hydrocarbons Operations**, the net increase of 2 million euros is chiefly due to:
- higher writedowns for 46 million euros; the writedowns of the year (54 million euros) are attributable to the Exploration & Production activities, due to a reduction of estimated hydrocarbon reserves of an Egyptian field;
- lower exploration costs of 24 million euros (116 million euros in previous year due mainly to the start of activities in Falkland Island);
- lower amortization of intangible assets related to the exploration licenses (25 million euros in 2012).

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 115 million euros or 6 million euros less than in 2012 (121 million euros).

A breakdown of net financial expense is as follows:

(in millions of euros)	2013	2012	Change
Financial income			
Financial income from financial derivatives	59	82	(23)
Interest earned on finance leases	11	13	(2)
Interest earned on bank and postal accounts	4	3	1
Interest earned on trade receivables	13	18	(5)
Other financial income	13	25	(12)
Total financial income	**100**	**141**	**(41)**
Financial expense			
Interest accrued on bond issues	(72)	(71)	(1)
Fair Value Hedge adjustment on bonds	32	(33)	65
Financial expense from financial derivatives	(58)	(50)	(8)
Interest accrued to banks	(12)	(31)	19
Bank fees	(15)	(20)	5
Financial expense on decommissioning projects and provisions for risks	(26)	(25)	(1)
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(38)	(15)	(23)
Other financial expense	(26)	(10)	(16)
Total financial expense	**(216)**	**(256)**	**40**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	128	101	27
Foreign exchange translation losses	(127)	(107)	(20)
Net foreign exchange translation gains (losses)	**1**	**(6)**	**7**
Net financial income (expense) for the Group	**(115)**	**(121)**	**6**

9. Income from (Expense on) Equity Investments

A breakdown of the positive balance of 3 million euros is shown below:

(in millions of euros)	2013	2012	Change
Income from equity investments			
Dividends	4	3	1
Revaluations of trading securities	2	1	1
Revaluations and valuations of investments by the equity method	-	2	(2)
Total income from equity investments	**6**	**6**	**-**
Expenses on equity investments			
Writedowns of investments available for sales	(3)	-	(3)
Total expenses on equity investments	**(3)**	**-**	**(3)**
Total Group income from (expense on) equity investments	**3**	**6**	**(3)**

The **writedowns of investments available for sales** (3 million euros) are related to the adjustment to fair value of the investment in RCS Mediagroup Spa.

10. Other Income (Expense), Net

Net other expense of 4 million euros (expense of 37 million euros in 2012) is the result of nonrecurring items that are not directly related to the Group's industrial operations. Please note that 20 million euros in additions to provisions for environmental risks related to non-core businesses were recognized in 2013, offset by a positive impact of 37 million euros from the final cancellation of a fine imposed in previous years, previously recorded in contingent asset. More detailed information is provided in the paragraph "Provisions for Risks and Charges" (Note 28) and in the section "Commitments, Risks and contingent assets".

11. Income Taxes

The negative income-tax balance totaled 130 million euros (41 million euros in 2012). A breakdown of income taxes is provided below:

(in millions of euros)	2013	2012	Change
Current taxes	219	206	13
Net deferred-tax liabilities (assets)	(77)	(161)	84
Income taxes attributable to previous years	(12)	(4)	(8)
Total for the Group	**130**	**41**	**89**

Current taxes include 241 million euros for corporate income taxes (IRES and Robin Hood Tax), 24 million euros (IRAP) and 69 million euros for foreign taxes, opposing to a tax benefit of 115 million euros generated by filing a consolidated income tax return.

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

(in millions of euros)	2013		2012		Change
Profit (Loss) before taxes	**228**		**77**		
Tax calculated at domestic tax rate	77	34.0%	26	34.0%	51
Permanent differences	(3)	(1.3%)	12	15.6%	(15)
Foreign taxes	25	11.0%	(25)	(32.5%)	50
Changes to tax rates/Income tax surcharge	10	4.4%	3	3.9%	7
IRAP - regional taxes	25	11.0%	33	42.9%	(8)
IRAP - Tax credit	-	-	(4)	(5.2%)	4
Income taxes attributable to previous years and other differences	(4)	(1.8%)	(4)	(5.2%)	-
Income taxes	**130**	**57.0%**	**41**	**53.2%**	**89**

The table below provides a breakdown of **deferred-tax liabilities** and **deferred-tax assets** and shows the changes that occurred in 2013:

(in millions of euros)	12.31.2012	Additions	Utilizations	Changes to shareholders' equity	Changes in scope of consolidation	Other changes/ Reclassification/ Offsets	12.31.2013
Provision for deferred taxes:							
Valuation differences of property, plant and equipment and intangibles	147	18	(38)	-	29	9	165
Adoption of IAS 17 to value finance leases	23	1	-	-	-	(4)	20
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	2	-	(2)	-	-	-	-
- on shareholders' equity	-	-	-	4	-	-	4
Other	27	9	(7)	5	-	3	37
	199	**28**	**(47)**	**9**	**29**	**8**	**226**
Offsets	(120)	-	-	-	-	(16)	(136)
Provision for deferred taxes net of offsets	**79**	**28**	**(47)**	**9**	**29**	**(8)**	**90**
Deferred-tax assets:							
Tax loss carryforward	16	16	(3)	-	56	1	86
Taxed provisions for risks	156	52	(29)	-	5	(4)	180
Adoption of IAS 39 to value financial instruments with impact:							
- on the income statement	5	10	(13)	-	-	-	2
- on shareholders' equity	11	-	-	(11)	-	-	-
Valuation differences of property, plant and equipment and intangibles	68	26	(1)	-	-	3	96
Other	9	2	(2)	10	-	(1)	18
	265	**106**	**(48)**	**(1)**	**61**	**(1)**	**382**
Offsets	(120)	-	-	-	-	(16)	(136)
Deferred-tax assets net of offsets	**145**	**106**	**(48)**	**(1)**	**61**	**(17)**	**246**

12. Profit (Loss) from discontinued operations

This item had a zero balance at December 31, 2013, as against a net profit of 50 million euros in 2012 referred to the redefinition, net of selling cost, of the disposal of the investment in Edipower Spa (80 million euros), less the negative margin (30 million euros, net of tax) generated by Edipower's tolling operations.

13. Earnings (Loss) per Share

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

(in millions of euros)	2013		2012	
	Common shares	Savings shares [1]	Common shares	Savings shares [1]
Group interest in profit (loss)	96	96	81	81
Profit (Loss) attributable to the different classes of shares (A)	91	5	76	5
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,545,824	110,154,847	5,181,545,824	110,154,847
- diluted (C) [2]	5,181,545,824	110,154,847	5,181,545,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	0.0175	0.0475	0.0147	0.0447
- diluted (A/C) [2]	0.0175	0.0475	0.0147	0.0447

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).
(2) When the Group reports a loss, potential shares are deemed to have no dilutive effect.

NOTES TO THE BALANCE SHEET

Assets

14. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred in 2013:

(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 12.31.2012 (A)	**474**	**3,751**	**142**	**35**	**4**	**7**	**373**	**4,786**
Changes in 2013:								
- Additions	1	93	4	-	1	1	59	159
- Disposals (-)	(1)	(4)	-	-	-	-	-	(5)
- Depreciation (-)	(16)	(321)	(24)	(1)	(1)	(2)	-	(365)
- Writedowns (-)	(5)	(90)	-	-	-	-	-	(95)
- Changes in scope of consolidation	-	69	-	-	-	-	-	69
- Decommissioning costs	-	13	-	-	-	-	-	13
- Other changes	3	152	2	-	(1)	-	(170)	(14)
Total changes (B)	**(18)**	**(88)**	**(18)**	**(1)**	**(1)**	**(1)**	**(111)**	**(238)**
Balance at 12.31.2013 (A+B)	**456**	**3,663**	**124**	**34**	**3**	**6**	**262**	**4,548**
Breakdown:								
- Historical cost	663	7,389	557	41	17	21	291	8,979
- Accumulated depreciation (-)	(162)	(2,918)	(429)	(7)	(14)	(15)	-	(3,545)
- Writedowns (-)	(45)	(808)	(4)	-	-	-	(29)	(886)
Net carrying amount	**456**	**3,663**	**124**	**34**	**3**	**6**	**262**	**4,548**

A breakdown by business segment of **additions** totaling 159 million euros is as follows:

(in millions of euros)	2013	2012
Electric Power Operations	**33**	**95**
broken down as follows:		
- Thermoelectric area	17	29
- Hydroelectric area	11	18
- Renewable sources area (wind power, photovoltaic, etc.)	5	48
Hydrocarbons Operations	**124**	**204**
broken down as follows:		
- Hydrocarbon fields in Italy	67	51
- Hydrocarbon fields outside Italy	27	87
- Transmission and storage infrastructures	30	66
Corporate Activities and Other Segments	**2**	**1**
Total for the Group	**159**	**300**

Projects carried out during the year included the following:

- for the **Hydrocarbons Operations**, mainly in Italy, additional investments in the Exploration & Production area for the Rospo Mare platform and the development of the Tresauro and Fauzia fields; in the gas storage area, San Potito and Cotignola field went into service;
- for the **Electric Power Operations**, the main investments involved the replacement of components at some thermoelectric and hydroelectric power plants and the completion of a district heating greenhouses at the Candela power plant.

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

A more detailed analysis of **depreciation** and **writedowns** is provided in the "Depreciation, amortization and writedowns" note to the Income Statement.

The change in **decommissioning costs** reflects a revision of projected costs for the decommissioning with a net increase of 13 million euros, in particular it should be noted:
- in the **Electric Power Operations** an increase for 10 million euros related to some thermoelectric power plants;
- in the **Hydrocarbons Operations** an increase of 8 million euros for the new San Potito and Cotignola field and a decrease of 5 million euros related to other sites.

Asset transferable at no cost refer to 38 hydroelectric concessions 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 25 million euros, is shown part under "Long-term financial debt and other financial liabilities" (22 million euros) and part under "Short-term financial debt" (3 million euros).

Please note that assets valued at 109 million euros are encumbered as collateral for loans provided by financial institutions.

The **writedowns** of 95 million euros (230 million euros in 2012) mainly reflect the effects of impairment test. A more detailed analysis of **writedowns** is provided in the "Depreciation, amortization and writedowns" note to the Income Statement and in the disclosure "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 18).

Please note that the Group is engaged in negotiations for the sale of a thermoelectric power plant of modest size which is expected to close in the early months of 2014.

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.

15. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes and has a total carrying amount of 6 million euros. The decrease of 3 million euros, compared with December 31, 2012 (9 million euros) is due to the sale of a building for commercial use in Mestre.

The table below shows the changes that occurred in 2013:

(in millions of euros)

Balance at 12.31.2012 (A)	**9**
Changes in 2013:	
- Disposal (-)	(3)
Total changes (B)	**(3)**
Balance at 12.31.2013 (A+B)	**6**
Breakdown:	
- Historical cost	9
- Accumulated depreciation (-)	(1)
- Writedowns (-)	(2)
Net carrying amount	**6**

16. Goodwill

Goodwill totaled 3,231 million euros, unchanged compared with December 31, 2012.

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.

As mentioned in the disclosure provided below (Note 18), this item was tested for impairment in accordance with IAS 16, but no value adjustment was deemed necessary.

17. Hydrocarbons Concessions

Concessions for the production of hydrocarbons for the extraction of hydrocarbon deposits, were valued at 860 million euros. The decrease of 88 million euros, compared with December 31, 2012, mainly reflects the amortization for the 2013 for 84 million euros and the writedown of an Egyptian

concession for 5 million euros. The Group holds 101 mineral leases in Italy and abroad (including 3 storage concessions). In 2013 the Group reported an increase of four licenses arising from the acquisition of EDF Production UK and was awarded seven hydrocarbon exploration concessions in Norway, two in the United Kingdom, two in Israel and one in Egypt.
The table below shows the main changes that occurred in the 2013:

(in millions of euros)

Balance at 12.31.2012 (A)	**948**
Changes in 2013:	
- Amortization (-)	(84)
- Writedowns (-)	(5)
- Reclassification	1
Total changes (B)	**(88)**
Balance at 12.31.2013 (A+B)	**860**
Breakdown:	
- Historical cost	1,459
- Accumulated amortization (-)	(513)
- Writedowns (-)	(86)
Net carrying amount	**860**

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	1	16
Hydroelectric concessions	38	1	29
Distribution concessions	62	2	11
Hydrocarbon concessions	98	(*) 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 2013:

(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 12.31.2012 (A)	**88**	**3**	**-**	**10**	**4**	**105**
Changes in 2013:						
- Additions	9	-	92	1	10	112
- Amortization (-)	(12)	-	(92)	(3)	-	(107)
- Other changes	2	(3)	-	7	(1)	5
Total changes (B)	**(1)**	**(3)**	**-**	**5**	**9**	**10**
Balance at 12.31.2013 (A+B)	**87**	**-**	**-**	**15**	**13**	**115**
Breakdown:						
- Historical cost	237	-	561	20	13	831
- Accumulated amortization (-)	(149)	-	(561)	(3)	-	(713)
- Writedowns (-)	(1)	-	-	(2)	-	(3)
Net carrying amount	**87**	**-**	**-**	**15**	**13**	**115**

Exploration costs for the year, which were amortized in full when incurred, totaled 92 million euros compared with 116 million euros in 2012; this item mainly includes the costs incurred for the activities in Norway (60 million euros), in the Falkland Islands (17 million euros) and in the United Kingdom (12 million euros).

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.

In **Other intangible assets** the item other changes (7 million euros) is referred to the reclassification of assets under construction previously accounted for property, plant and equipment.

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

In 2013, the impairment test performed in accordance with IAS 36 required the recognition of writedowns totaling 100 million euros, broken down as follows:

- 46 million euros for the assets of the Electric Power Operations;
- 54 million euros for the Hydrocarbons Operations.

Specifically with regard to the value of **goodwill,** keeping in mind the strategic and organizational decisions of the Edison group, goodwill was tested by making reference to the two different groups of Cash Generating Units (CGUs) to which goodwill was allocated. These groups of 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)	12.31.2013	12.31.2012
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 2014-2016 medium-term plan reviewed by the Board of Directors, the 2014 Budget part of which was approved by the Board of Directors on December 13, 2013 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 Group's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors on February 12, 2014 which approved the results.

With regard to this, please note that IAS 36 defines the recoverable value of an asset or a CGU as the higher of its fair value, less costs to sell, and its value in use.

In 2013, 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 Group expects to receive from a given asset, determined in the manner specified below.

For the purpose of estimating value in use of the two groups of 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 external sources. In addition, the independent appraiser reviewed previous plans prepared by the Group'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 - the most significant and sensitive to the value being: the valuation assumptions for the capacity payment of the Electric Power Operations, 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 - applying statistical simulation techniques (Montecarlo method).

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

	2013		2012		
	2014-2021 period	From 2022	2013	2014-2020 period	From 2021
Electric Power Operations	6.5%	6.7%	6.6%	6.7%	6.9%
Hydrocarbons Operations	7.8%	7.9%	7.0%	7.1%	7.3%

These rates were increased further when estimating the recoverable value of the cash flows from a CGUs business operations exposed to a country risk at a level appreciably different from that of Italy: specifically, operations located in Greece, Egypt and Croatia.

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 recoverable value surplus was significantly higher for the Hydrocarbons Operations.

In the case of the Electric Power Operations, conservative sensitivity analyses were also performed regarding the capacity payment: in the worst-case scenario, with zero capacity payment, the impact on the value of these operations would be equal to the 2% of their carrying amount.

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 and Hydrocarbons Operations and for natural gas distribution, transmission and storage activities.
These assets were aggregated in 13 CGUs, 8 belonging to the Electric Power Operations and 5 to the Hydrocarbons Operations; the criteria applied to define these CGUs were based on the following 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", "captive", regulated activities, also differentiating between reference countries.

As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on the economic-financial plans for each CGU and on a time horizon equal to the useful lives of its assets, which, until 2016, 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 were 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 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 regulatory change of which is reflected in long-term projections;
- regarding the foreign Thermoelectric CGU, two scenarios were applied reflecting different profitability hypothesis related to the future market trends; a median discount rate of 11.9% was applied;
- regarding the Egypt CGU, two scenarios were applied reflecting a different production phasing timeline taking into account a different mix of reserves.

The impairment test carried out, at the end of 2013, with the process described above showed reductions in recoverable value compared with the carrying amount, as shown in the table below:

Group of CGU	Cash Generating Unit	Median discount rate	Growth rate	Impairment Indicator	Writedowns 2013
					(millions of euros)
Hydrocarbons Operations	Exploration & Production Egypt	11.1%	0%	Reserves reduction	54

In addition, the **merchant Thermoelectric CGU** showed reductions in recoverable value of a thermoelectric power plant due to the cancellation by the customer of a commercial supply contract, for which a writedown of 46 million euros was already recorded in Semiannual Report as at June 30, 2013.

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 183 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (171 million euros) and in RCS Mediagroup Spa (6 million euros).

The table below shows the main changes that occurred in 2013:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2012 (A)	**51**	**194**	**245**
Changes in 2013:			
- Capital increase	1	4	5
- Changes in shareholders' equity reserves	-	(7)	(7)
- Valuations at equity	1	-	1
- Valuations at fair value	-	(8)	(8)
- Other changes	(2)	-	(2)
Total changes (B)	**-**	**(11)**	**(11)**
Balance at 12.31.2013 (A+B)	**51**	**183**	**234**
Breakdown:			
- Historical cost	48	192	240
- Revaluations (+)	12	-	12
- Writedowns (-)	(9)	(9)	(18)
Net carrying amount	**51**	**183**	**234**

Changes for the year include:

- **Capital increase** for 4 million euros related to the investment in RCS Mediagroup Spa.
- **Changes in shareholders' equity reserves**, negative by 7 million euros, which refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.
- The **Valuations at fair value**, negative by 8 million euros which 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)	12.31.2013	12.31.2012	Change
Loan receivables from Ibiritermo (IFRIC 4) (*)	57	70	(13)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	13	1	12
Total other financial assets	**74**	**75**	**(1)**

(*) 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 assumptions that they would be probably realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 245 million euros (145 million euros at December 31, 2012). They are related to:

- taxed provisions for risks of 85 million euros;
- valuation differences of property, plant and equipment and intangibles of 77 million euros;
- a tax-loss carry forward of 64 million euros of which 56 million euros related to the change in the scope of consolidation.

With differences stemming from the adoption of IAS 39 on financial instruments and sundry reversals accounting for the balance. More detailed information is provided in the paragraph "Income Taxes" (Note 11).

22. Other Assets

Other assets totaled 189 million euros or 81 million euros more than December 31, 2012. This account includes:

- 166 million euros (85 million euros at December 31, 2012) in advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses.
- 9 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through December 31, 2013.
- 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)	12.31.2013	12.31.2012	Change
Inventories	489	390	99
Trade receivables	3,176	3,391	(215)
Current-tax assets	26	25	1
Other receivables	664	562	102
Current financial assets	75	99	(24)
Cash and cash equivalents	506	753	(247)
Total current assets	**4,936**	**5,220**	**(284)**

A review of the individual components is provided below:

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

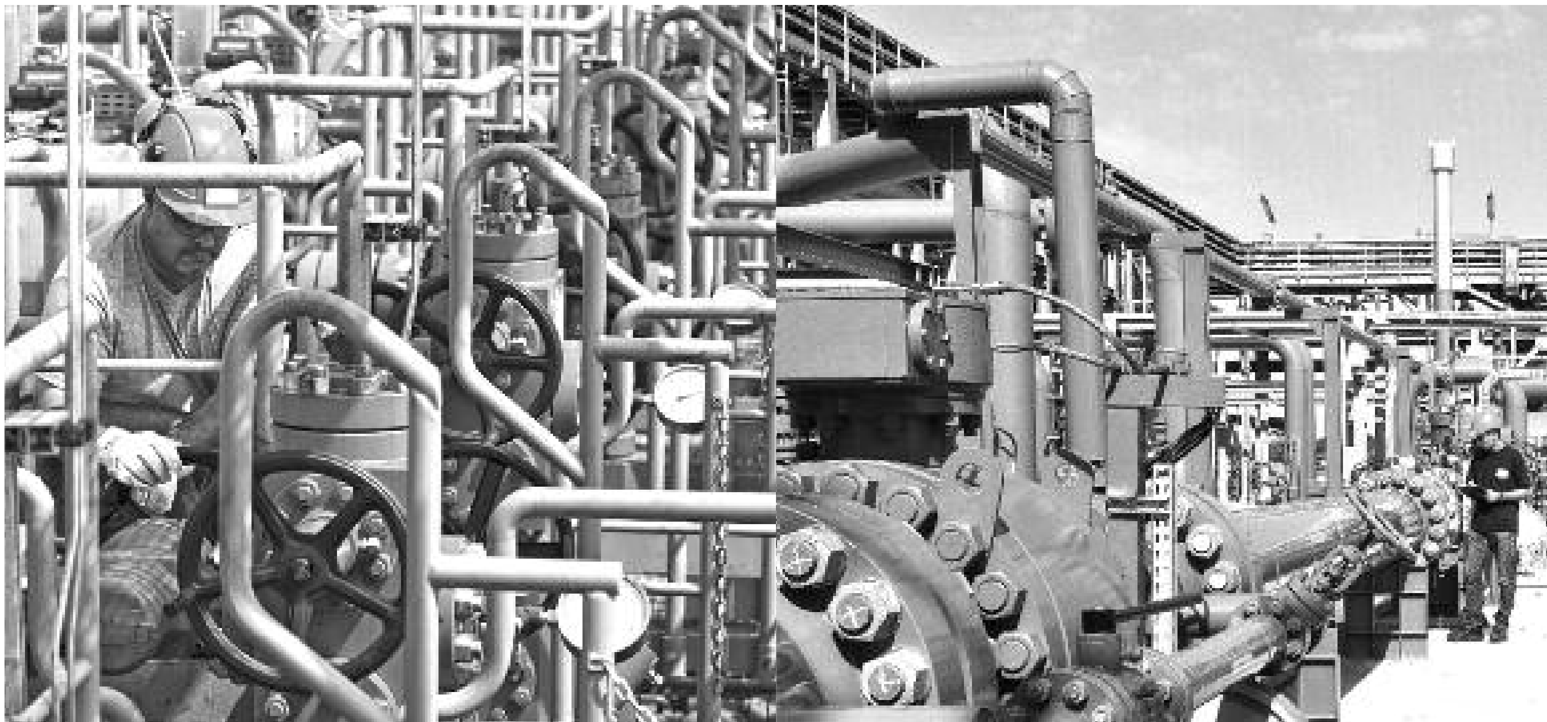
(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Green certificates	Other	Total at 12.31.2013	Total at 12.31.2012	Change
Electric Power Operations	11	-	1	37	39	88	41	47
Hydrocarbons Operations	29	360	12	-	-	401	349	52
Total for the Group	**40**	**360**	**13**	**37**	**39**	**489**	**390**	**99**

The increase for the year refers mainly to the stored natural gas (49 million euros) and to the purchase of Green Certificates (30 million euros). Inventories also include 48 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)	12.31.2013	12.31.2012	Change
Electric Power Operations	1,953	2,002	(49)
Hydrocarbons Operations	1,235	1,404	(169)
Corporate Activities and Other Segments and Eliminations	(12)	(15)	3
Total trade receivables	**3,176**	**3,391**	**(215)**
Of which Allowance for doubtful accounts	**(308)**	**(207)**	**(101)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 222 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios (120 million euros at December 31, 2012).



Edison Stoccaggio, the Edison Group company specialized in the natural gas storage business, is committed to the growth of the energy market through the development of new storage capacity.

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

(in millions of euros)	12.31.2012	Additions	Utilizations	12.31.2013
Allowance for doubtful accounts (*)	**(207)**	**(125)**	**24**	**(308)**

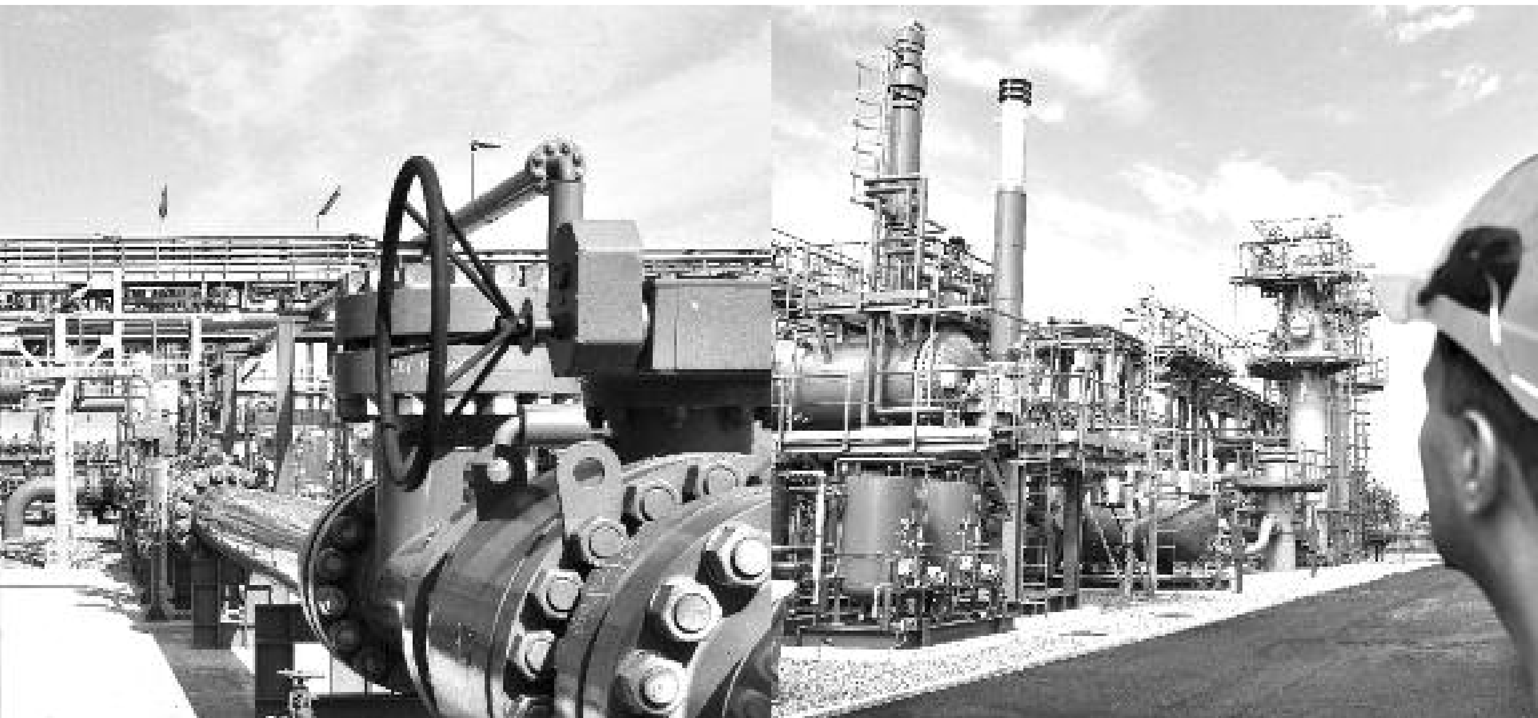
(*) Included default interests.

The additions to the allowance reflect the result of an assessment, performed consistent with the Group's policy, of the different status of the receivables, taking into account each customer segment, the corresponding past-due receivables and aging; utilizations for 18 million euros were recognized for receivables deemed uncollectible during the year.

It is worth mentioning that the Group executes on a regular basis transactions involving the irrevocable assignment of receivables without recourse on a monthly revolving basis and on a spot basis, consistent with a policy aimed at controlling and minimizing credit risks. These transactions totaled 5,795 million euros in the year (5,047 million euros at December 31, 2012). The residual risk of recourse associated with these receivables is about 2 million euros.

- **Current-tax assets** of 26 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by Group companies that are not included in the consolidated income tax return filed by WGRM, the controlling company.
- A breakdown of **other receivables**, which totaled 664 million euros, is provided in the table below:

(in millions of euros)	12.31.2013	12.31.2012	Change
Receivables arising from the valuation of derivatives	246	154	92
Amounts owed by partners and associates in hydrocarbon exploration projects	70	94	(24)
Advances to suppliers	47	6	41
Amounts owed by the controlling companies in connection with the filing of the consolidated income tax return	93	81	12
VAT credit	20	3	17
Sundry items	188	224	(36)
Total other receivables	**664**	**562**	**102**



The increase shown for **receivables arising from the valuation of derivatives**, should be analyzed in conjunction with the corresponding liability included in **Current liabilities** (increased from 191 million euros to 275 million euros). These effects reflect the changes in the forward market price scenario compared with December 31, 2012, more specifically the Brent crude oil price slight arose and the currency markets reported a depreciation of USD against EUR.

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

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

(in millions of euros)	12.31.2013	12.31.2012	Change
Loans receivable	9	5	4
Derivatives	60	89	(29)
Equity investments held for trading	6	5	1
Total current financial assets	**75**	**99**	**(24)**

- **Cash and cash equivalents** of 506 million euros (753 million euros at December 31, 2012) consist of short-term deposits in bank and postal accounts and they include the current account established with EDF Sa with a positive balance for 245 million euros.

24. Assets held for sale

Assets held for sale had a zero balance compared with December 31, 2012 (1 million euros) due to the effect of the sale of a gas distribution concession which did not generate a significant economic effect.

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 7,126 million euros, or 71 million euros more than at December 31, 2012 (7,055 million euros). This increase is mainly due to the net profit for the year (96 million euros) and the positive change in the Cash Flow Hedge reserve (16 million euros), effects partially offset by the dividend distribution on savings shares (17 million euros) and by the negative effect of the translation in foreign currencies (12 million euros).

The shareholders' equity attributable to minority shareholders decreased to 126 million euros, or 6 million euros less than at December 31, 2012 (132 million euros), mainly due to the effect of dividend distribution resolution by companies with minority shareholders (7 million euros).

A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity". Please note that in accordance with IAS 19 revised, it is included the effect of actuarial gains (losses) on employee severance indemnities, negative for about 1 million of euros in the changes of the year.

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

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

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

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2012	(27)	11	(16)
Changes in 2013	31	(15)	16
Reserve at December 31, 2013	**4**	**(4)**	**-**

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, 2012	4	-	4
Changes in 2013	(4)	-	(4)
Reserve at December 31, 2013	**-**	**-**	**-**

26. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 36 million euros, increasing of 1 million euros compared with December 31, 2012, reflect the accrued severance indemnities and other benefits owed to employees. The actuarial gains (losses) are recorded in equity; the relevant amount at December 31, 2012 was less than 1 million euros. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

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

- Technical annual discount rate 3.50% (3.95% in 2012);
- Annual inflation rate 2.00% (2.00% in 2012).

The table below shows the changes that occurred in 2013:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2012 (A)	**35**	**-**	**35**
Changes in 2013:			
- Financial expense	1	-	1
- Actuarial (gains) losses (-/+)	1	-	1
- Utilizations (-)/Other changes	(1)	-	(1)
Total changes (B)	**1**	**-**	**1**
Total at 12.31.2013 (A+B)	**36**	**-**	**36**

27. Provision for Deferred Taxes

The balance of 90 million euros (79 million euros at December 31, 2012) 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 and intangibles. 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)	12.31.2013	12.31.2012	Change
Deferred-tax liabilities:			
- Valuation differences of property, plant and equipment and intangibles	165	147	18
- Adoption of IAS 17 to value finance leases	20	23	(3)
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	2	(2)
- on shareholders' equity	4	-	4
- Other	37	27	10
Total deferred-tax liabilities (A)	**226**	**199**	**27**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	95	94	1
- Tax-loss carryforward	22	8	14
- Adoption of IAS 39 to value financial instruments with impact:			
- on the income statement	-	3	(3)
- Valuation differences of property, plant and equipment and intangibles	19	11	8
- Other	-	4	(4)
Total deferred-tax assets (B)	**136**	**120**	**16**
Total provision for deferred taxes (A-B)	**90**	**79**	**11**

Provision for deferred taxes increased for 29 million euros for changes in the scope of consolidation. More detailed information is provided in the paragraph "Income Taxes" (Note 11).

28. Provisions for Risks and Charges

The provisions for risks and charges, totaled 903 million euros, for an increase of 40 million euros compared with December 31, 2012 (863 million euros).
The table below shows the changes that occurred in the 2013:

(in millions of euros)	12.31.2012	Additions	Utilizations	Change in scope of consolidation	Other changes	12.31.2013
Risks for disputes, litigation and contracts	139	6	(3)	-	(3)	139
Charges for contractual guarantees on sale of equity investments	74	-	-	-	1	75
Environmental risks	42	24	(3)	-	(1)	62
Disputed tax items	13	-	-	-	-	13
Other legal risks	48	9	(4)	-	-	53
Total for legal and tax disputes	**316**	**39**	**(10)**	**-**	**(3)**	**342**
Provisions for decommissioning and remediation of industrial sites	415	19	(6)	46	13	487
Provisions for CO_2 emission rights	-	-	-	-	6	6
Other risks and charges	132	21	(82)	-	(3)	68
Total for the Group	**863**	**79**	**(98)**	**46**	**13**	**903**

In particular:

"**Provisions for legal and tax disputes**" amounted to 342 million euros, for a net increase of 26 million euros in 2013, mainly due to additions of 20 million euros for environmental risks related to non-core business activities.
More detailed information about the issues that resulted in the current composition of these provisions is provided in the paragraph entitled "Risks and contingent liabilities associated with legal and tax disputes".

"**Provisions for decommissioning and remediation of industrial sites**", totaling 487 million euros, for a net increase of 72 million euros in 2013, and reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities and also the change in the scope of consolidation for the EDF Production UK acquisition (46 million euros). For more details about this transaction please note the section entitled "Disclosure pursuant to IFRS 3".

"**Provisions for other risks and charges**", totaling 68 million euros, included 61 million euros for possible future charges related to the Electric Power operations and 7 million euros for risk hedges of abroad activities.
In 2013, it should be noted:

- **Additions**, totaling 21 million euros, are mainly related to provision for risk in Electric Power operations.
- **Utilizations**, totaling 82 million euros, include 29 million euros to cover charges incurred mainly by the Electric Power operations and 53 million euros in reversals made possible by the derecognition of contingent liabilities.

29. Bonds

The balance of 1,098 million euros (1,796 at December 31, 2012) represents the noncurrent portion of the bonds; the decrease compared with December 31, 2012 is due to the reclassification of the loan maturing on July 22, 2014 (face value of 700 million euros) into current liabilities.

The table below shows the balance outstanding at December 31, 2013 and indicates the fair value of each bond issue:

(in millions of euros)							Carrying value			
	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Non-current portion	Current portion	Total	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	07.22.2014	-	721	721	728
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	500	17	517	528
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	598	34	632	679
Total for the Group			**1,800**				**1,098**	**772**	**1,870**	**1,935**

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)	12.31.2013	12.31.2012	Change
Due to banks	212	134	78
Due to other lenders	823	40	783
Total for the Group	**1,035**	**174**	**861**

The line item **due to other lenders** (823 million euros) include the loans granted by EDF Investissement Groupe Sa in April 2013 (7 year maturity, face value: 800 million euros), to allow the repayment of syndicated stand-by credit line of Edison Spa (face value of 1,500 million euros).

For an overview, please refer to the section “Group Financial Risk Management”.

31. Other Liabilities

Other liabilities totaled 7 million euros (31 million euros at December 31, 2012); 23 million euros of the decrease compared with the previous year is due to the reversal into earnings of the gain generated on the sale, in 2008, of a 51% interest in Dolomiti Edison Energy Srl, following the expiration of exercisable call options.

32. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	12.31.2013	12.31.2012	Change
Bonds	772	104	668
Short-term financial debt	282	1,461	(1,179)
Trade payables	2,240	2,440	(200)
Current taxes payable	43	11	32
Other liabilities	680	692	(12)
Total current liabilities	**4,017**	**4,708**	**(691)**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 772 million euros, include the bond issue maturing on July 22, 2014 (face value of 700 million euros) and the total accrued interest at December 31, 2013;

- **Short-term financial debt**, which totaled 282 million euros, essentially includes:
  - 147 million euros due to banks, 14 million euros of which represent the effect of measuring interest rate derivatives at fair value; please note that the total amount at December 31, 2012 included 1,150 million euros for the utilization of a syndicated stand-by credit line held by Edison Spa, refunded on April 11, 2013;
  - 119 million euros due to other lenders, included accruals of loans with EDF Companies;
  - 12 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,240 million euros. A breakdown by business segment is provided below:

(in millions of euros)	12.31.2013	12.31.2012	Change
Electric Power Operations	1,278	1,448	(170)
Hydrocarbons Operations	933	978	(45)
Corporate Activities and Other Segments and Eliminations	29	14	15
Total trade payables	**2,240**	**2,440**	**(200)**

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 180 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios (107 million euros at December 31, 2012).

- **Current taxes payable** of 43 million euros represent the income taxes liability of Group companies that are not included in the consolidated tax return filed by the controlling company (WGRM). These taxes are paid directly by the companies upon which they are levied.

- A breakdown of **other liabilities**, which totaled 680 million euros, is as follows:

(in millions of euros)	12.31.2013	12.31.2012	Change
Amounts owed to shareholders	7	12	(5)
Amount owed to the controlling company in connection with the filing of a consolidated tax return	107	119	(12)
Amounts owed to joint holders of permits for hydrocarbon exploration	119	137	(18)
Payables for consulting and other services	31	43	(12)
Payables owed to Tax Administration (other than current tax payables)	36	58	(22)
Amount owed to employees	31	27	4
Liabilities stemming from the measurement at fair value of derivatives	275	191	84
Payables owed to social security institutions	24	22	2
Sundry items	50	83	(33)
Total other liabilities	**680**	**692**	**(12)**

NET FINANCIAL DEBT

At December 31, 2013, net financial debt totaled 2,549 million euros, or 64 million euros less than the 2,613 million euros owed at December 31, 2012.

Consistent with the practice followed at the end of 2012, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See Note	12.31.2013	12.31.2012	Change
Bonds - non-current portion	29	1,098	1,796	(698)
Non-current bank loans	30	212	134	78
Amounts due to other lenders - non-current portion	30	823	40	783
Other non-current financial assets (*)	20	(57)	(70)	13
Non-current net financial debt		**2,076**	**1,900**	**176**
Bonds - current portion	32	772	104	668
Short-term financial debt	32	282	1,461	(1,179)
Current financial assets	23	(75)	(99)	24
Cash and cash equivalents	23	(506)	(753)	247
Current net financial debt		**473**	**713**	**(240)**
Net financial debt		**2,549**	**2,613**	**(64)**

(*) Included the long-term portion of financial receivables by the adoption of IFRIC 4.

On the net decrease (64 million euros) had significant impact the cash flow from operating activities, partially offset by the following factors:

- outlays for the year's capital expenditures (271 million euros);
- direct taxes paid (221 million euros);
- effect of change in scope of consolidation for the acquisition of EDF Production UK (56 million euros);
- advances paid due to the activation of take-or-pay clauses in natural gas procurement contracts and increase in operating working capital.

Net financial debt includes the loans outstanding with EDF group companies for about 800 million euros and cash and cash equivalents totaling 245 million euros held in current account with EDF Sa. The balance also includes 16 million euros in current financial debt owed to unconsolidated Group subsidiaries.

DISCLOSURE PURSUANT TO IFRS 3

EDF Production UK Ltd

On October 2, 2013, Edison International Holding NV completed the acquisition of the 100% of EDF Production UK Ltd from EDF International SAS (an EDF Group company); the total amount paid was 81 million euros.
EDF Production UK Ltd engages in the exploration, development and production of hydrocarbons in the North Sea.

The acquired company was valued in accordance with IFRS 3 revised, measuring the acquired assets, liabilities and contingent liabilities at their fair value at the acquisition date. It is worth mentioning that these amounts should be viewed as provisional amounts, since, pursuant to IFRS 3 revised, the valuation becomes final 12 months after the date of acquisition.

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

(in millions of euros)	Original values	Fair Value of acquired assets and liabilities
Non-current assets		
Property, plant and equipment	69	69
Deferred-tax asset	61	61
Current assets		
Inventories	1	1
Trade receivables	6	6
Cash and cash equivalents	25	25
Total assets	**162**	**162**
Non-current liabilities		
Provision for deferred tax	29	29
Provision for risks and charges	46	46
Current liabilities		
Trade payables	5	5
Other liabilities	1	1
Total liabilities	**81**	**81**
Fair Value of net acquired assets	**81**	**81**
- % attributable to Edison (100%)		*81*
Total acquisition cost		**81**
Goodwill generated by the acquisition		**-**
Cash and cash equivalents acquired		**(25)**
Total outlay		**56**

In 2013 EDF Production UK contributes to Edison group EBITDA for about 7 million euros.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments

(in millions of euros)	12.31.2013	12.31.2012	Change
Guarantees provided	1,318	1,276	42
Collateral provided	173	192	(19)
Other commitments and risks	170	699	(529)
Total for the Group	**1,661**	**2,167**	**(506)**

Guarantees provided totaled 1,318 million euros at December 31, 2013. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes, inter alia, 79 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits (89 million euros at December 31, 2012). 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 173 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 (109 million euros).

Other commitments and risks, which totaled 170 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (111 million euros). Please also note the following:

- With regard to long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay the quantity not collected beneath a predetermined threshold, please note that 414 million euros accounted for Commitments at December 31, 2012, are fully liquidated in 2013 and advances to suppliers for 166 million euros, are included in "Other Asset" (Note 22) at December 31, 2013. 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 2013-2020 period, Edison Spa signed Amended Agreements to the original Emission Reductions Purchase Agreements (ERPA) to purchase CERs in China for up to 26 million euros. These new agreements represent extensions of contracts already held by Edison Spa and originally signed for the 2008-2013 period.
- At December 31, 2013, the Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013, did not result in delivery of certificates. This provision has come to its natural end.
- Management Agreement with EDF Trading Ltd (EDF Carbon Fund) is finished on June 30, 2013.

Edison Spa granted to:

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

Unrecognized Commitments and Risks

Significant commitments and risk non included in the amount listed above are reviewed below:

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Algeria and Qatar, for a total maximum nominal supply of 14.4 billion cubic meters of natural gas a year. The duration of these contracts ranges between 6 and 21 years. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natuaral gas	Billions of m^3	11.1	51.2	140.1	**202.4**

The economic data are based on prospective pricing formulas.

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

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

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

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

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

Risks and contingent liabilities associated with legal and tax disputes

A review, based on information currently available, of the main legal and tax disputes outstanding at December 31, 2013 is provided in this paragraph, listing separately actions involving Edison Spa and actions involving other Group companies, subdividing further between those that could give rise to a probable liability, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and those that could give rise to a contingent liability, which is dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the notes to the financial statements.

Probable liabilities associated with legal disputes

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

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

Edison Spa

Stava Dam Disaster

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

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

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

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

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

Insofar as the criminal proceedings are concerned, the oral argument phase is in progress in the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989. At the latest hearing, held on June 19, 2012, the Public Prosecutor introduced different facts, never mentioned before, either in the preliminary hearing phase or during oral arguments, that have the potential of altering the charges against the defendants. In

A bird's-eye view of the Candela (FG) thermoelectric power plant.

response to this development, the Company objected stating that this request was inadmissible, asking instead that the proceedings go forward based on the facts described in the indictment. However, by an order dated January 22, 2013, the Court denied the motion filed by the counsel for the defendants, ordering a continuation of the investigative hearings that is still continuing.
As for the administrative proceedings the following is noted.
On October 22, 2012, Edison was served with an order by the Provincial Administration of Mantua instructing it to submit a project for the specific purpose of reestablishing safe conditions at the site called "Versalis area, former chlorine sodium production facility". Late in December 2012, the Company challenged this order, filing a motion to stay its enforcement with the Regional Administrative Court of Lombardy - Brescia. This motion was denied by the court in February 2013 and by the Council of State in appeal. The Company then began discussions with the Provincial Administration to stipulate the methods, terms and conditions governing the implementation of the order.
In addition, on October 16, 2013, the Mantua Provincial Administration informed Edison of the start of proceeding aimed at identifying the party responsible for exceeding the Contamination Concentration Thresholds at the "Area L mercury Mud Landfill" included in the "Laghi di Mantova e Polo Chimico" National Interest Site. The company challenged these proceedings, in an appeal filed with the Regional Administrative Court of Lombardy - Brescia, notified in December 2013, because they already contained an "intimation" pursuant to Article 244 of Legislative Decree No. 152/2006.
Crotone Plant - Criminal Proceedings for Personal Injuries Caused by Exposure to Asbestos
In the proceedings stemming from investigations occurred in the relatively distant past launched by the Public Prosecutor of the Court of Crotone targeting eight former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with involuntary manslaughter and personal injuries caused by exposure to asbestos. The oral argument phase got under way in January 2012 and is still continuing.
Crotone Plant - Criminal Proceedings for Environmental Damages
The Public Prosecutor of the Court of Crotone launched an investigation targeting 35 individuals, including five former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with environmental crimes (unauthorized waste management, disaster and poisoning of the aquifer) for activities carried out from 1986 to 1990, while operating a local plant formerly owned by Montecatini. In connection with these proceedings, the Public Prosecutor filed a motion asking to be allowed to introduce evidence developed during the discovery phase. During the first hearing, which was held on May 3, 2012 before the Judge for Preliminary Investigations, expert appraiser were appointed, who are expected to file their expert opinion in the next months.

Brindisi Petrochemical Facility - Administrative Proceedings

On February 25, 2013, the Brindisi Provincial Administration notified to Edison and other parties an order pursuant to Article 244, Section 2, of Legislative Decree No. 152/2006 (the "Environmental Code") concerning an alleged landfill adjacent to the Brindisi Petrochemical Facility. Edison challenged this order before the Apulia Regional Administrative in Lecce. A hearing for oral arguments has not yet been scheduled.

Belvedere di Spinello Mineral Concession

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

For completeness of information, please note also that:

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, covered by the provision for risk. Against the ruling Edison filed an appeal before the Milan Court of Appeal and the hearing for the conclusions is scheduled for February 20, 2014.

Claims for Damages Caused by Exposure to Asbestos

In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at

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

Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

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

The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg (now Nuova Cisa), Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of these properties, proceeded through the various levels of the judicial system.

* * * * *

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

Edison Spa

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they filed a series of administrative complaints with the Regional Administrative Court of Latium - Rome seeking, among other remedies, a stay and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. In March 2011, the Regional Administrative Court of Latium handed down a decision ruling that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints. In June 2011, Solvay Chimica Bussi and Solvay Solexis appealed this decision to the Council of State and Edison joined these proceedings putting forth the objections it already raised before the lower court.

It is also worth mentioning that at the end of September 2013 the Company received a letter from the Ministry of the Environment containing an injunction concerning the removal of any and all waste material present in landfills located inside and outside the plant. In December 2013, Edison

challenged this injunction before the Regional Administrative Court of Abruzzo - Pescara.
As to the criminal proceedings filed by the Public Prosecutor of the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer, which is also used as a supply of drinking water, it is worth mentioning that these proceedings have gone through several stages in the judicial process, as a result of which, following an initial indictment, the proceeding reverted to the Court's preliminary hearing phase.
On April 18, 2013, at the preliminary hearing, the Preliminary Hearing Judge of the Court of Pescara denied a motion for summary judgment put forth by the defense counsels and indicted all defendants before the Chieti Lower Court.
The defendants' counsels, however, filed an appeal to the Court of Cassation for abnormity of the decision by which the judge had rejected the request for summary judgment. The Court of Cassation dismissed the action by a decision handed down on December 18, 2013, believing the decision of the judge, on one side, did not suffer from abnormity, but, on the other hand, was erroneous, and indicated that it was possible to repurpose the request for admission to the summary trial at the first hearing before the Lower Court of Chieti, which was scheduled for January 31, 2014.
On this occasion, the counsels of the defendants have repeated the request for admission to the summary trial, which the Lower Court upheld with an order issued on February 7, 2014. As a result of this, Edison has been excluded from the trial, as civil liable, pursuant to art. 87, subsection 3, of the Code of Criminal Procedure.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger by absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as a liable (or jointly liable) party in the abovementioned proceedings. Further to understandings reached earlier, Edison participates in the Service Conferences, as they are convened from time to time.
Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.
In these proceedings, the Preliminary Hearings Judge, by a decree dated January 16, 2012, indicted several individuals, including three former Montedison (now Edison) executives, for crimes against public safety and environmental crimes, ordering them to stand for trial before the Court of Alessandria. The trial before the Court of Alessandria began on October 17, 2012 and the preliminary phase is currently in progress.

Solvay - Edison Arbitration

On May 7, 2012, Edison received a notice that Solvay Sa and Solvay Specialty Polymers Italy Spa filed for arbitration on May 4, 2012 due to alleged violations of certain representations and environmental warrantees provided in a contract signed on December 21, 2001 by which Ausimont Spa was sold by Montedison Spa and Longside International Sa to Solvay Solexis Sa (now Solvay Specialty Polymers) and regarding the industrial sites of Bussi sul Tirino and Spinetta Marengo.
Edison Spa joined the arbitration proceeding on July 6, 2012, contesting the claims put forth by Solvay Sa and Solvay Specialty Polymers Italy Spa and filing a counterclaim.
The arbitration proceedings are governed by the Arbitration Rules of the International Chamber of Commerce, located in Geneva, and will be decided in accordance with substantive Italian law.
With regard to these proceedings, please note that, on July 31, 2013, following the filing of initial briefs by the parties in 2013, the Board of Arbitrators decided to bisect the proceedings to address in advance certain prejudicial and preliminary exceptions put forth by Edison, separately from the

action filed by Solvay Sa and Solvay Specialty Polymers Italy Spa. Edison expect a decision on the abovementioned exceptions during the first half of 2014.

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

Edison Spa

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

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

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

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

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

In June 2013, the City of Milan served Edison with a summons to appear before the Court of Milan to provide compensation for damages allegedly related to the remediation costs for the "former Officine del Gas" site in Milan's Bovisa district, quantified at about 20 million euros. At this site, Montedison Spa carried out a gas production and distribution business from 1966 to 1981. The damage claim is also for the damage allegedly suffered by the City of Milan for the loss of value of assets it owns, estimated at about 10 million euros. Edison joined the proceedings filing a brief in December 2013. The first hearing has been scheduled for February 14, 2014.

* * * * *

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

Edison Spa

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

In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison,

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

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Contingent liabilities associated with legal disputes

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

Environmental Legislation

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

Therefore, taking into account the current and past scope of the industrial operations of the Company and the Group, particularly in the chemical industry, which were carried out in full compliance with the statutes then in force, it cannot be excluded that, in light of current legislation, new allegations of contaminations may arise, in addition to those currently subject to administrative and judicial proceedings. For more specific considerations on the legislation applicable in Italy, please see the comprehensive disclosure provided in the Consolidated Financial Statements at December 31, 2012.

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 Turin Court of Appeals 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. At a hearing held on March 5, 2013, the Court of Cassation upheld the acquittal decision handed down by the Turin Court of Appeals.

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

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

Pagnan vs Edison

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

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

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

View of the Altomonte (CS) combined-cycle thermoelectric power plant.

summoned to appear. With regard to these proceedings, it is worth mentioning that, following the closing of the Modica Court pursuant to recent legislation, territorial jurisdiction over the proceedings was transferred to the Court of Ragusa, where the preliminary hearing is expected to resume.

Meraklon/Edison - Edison Energia Spa Dispute

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

Angelo Rizzoli/Edison et al.

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

aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.
The losing party is challenging this decision before the Milan Court of Appeals and a hearing for closing arguments is scheduled for October 20, 2014.

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

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Probable liabilities associated with tax disputes

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

Edison Spa

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

Old Calcestruzzi Spa - Income Tax Assessments for 1991 and 1992
In November 2012, the Company filed a challenge with the Court of Cassation, asking it to review the decisions handed down in July 2012 by the Regional Tax Commission of Emilia Romagna, to which the proceedings had been returned pursuant to an earlier decision by the Court of Cassation concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years. A hearing for arguments before the Court has not yet been scheduled.
Specifically, in the review phase, the Regional Commission found that the transaction involving the beneficial ownership of shares executed at the intercompany level could not be used a shield against the Revenue Administration and upheld in full the penalties, but voided some other minor recoveries.
Consequently, the Company asked that this decision be reviewed specifically with regard to the penalties and the computation of the taxes resulting from the disallowance of the beneficial ownership transaction for tax purposes. The Office of the Solicitor General, as representative of the Revenue Agency, joined the proceedings without filing an incidental appeal for one of the two years.
In December 2012, the Company paid the taxes resulting from the decisions handed down by the Regional Commission, plus penalties and interest, the collection of which had become enforceable.
However, the payment of taxes and penalties, covered with a provision for risks recognized, 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.
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.

IRES and IRAP Assessments

The general audit of Edison Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2010 (up to the starting date of the audit) launched by the Milan Tax Police Unit was completed at the end of May 2011.
Based on the issues raised in an excerpted tax audit report 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 and 2006, contesting, for both years, the deductibility of costs incurred with black-listed suppliers (mainly Swiss), thereby dissenting in part with the conclusions reached by the Revenue Police, and, for 2006, expenses found to be “not attributable” to the year in which they were deducted, but nevertheless deductible in another tax period.
The IRES notice of assessment for 2006 was also served on Transalpina di Energia Srl (TdE) in its capacity as the lead company in the consolidated return.
Further to the challenges filed by the Company and TdE, the consolidating entity, all of which were combined into a single complaint, in May 2013, the Milan Provincial Tax Commission issued a decision favorable to the Company upholding all challenges and voiding in full the notices of assessment. In December 2013, the Revenues Agency appealed this decision.
In December 2012, Edison was served with IRES and IRAP notices of assessment for 2007 (TdE, Edison’s controlling company, was also served with a similar 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, after unsuccessfully attempting to reach a negotiated settlement, filed challenges against these assessments seeking recognition of the lawfulness of its action and the deductibility of the costs it incurred. The challenges filed with regard to IRES and IRAP were combined before the Milan Provincial Tax Commission, which upheld them in a decision handed down in January 2014, by which it voided the assessments in their entirety.
In December 2013, notices of assessment were served for IRES (also to the controlling company TdE), the IRES surcharge (Robin Hood Tax) and IRAP for 2008, with findings similar to those of previous years. In this case as well, the company intends to initially seek a negotiated settlement in order to minimize legal costs and taking into account the favorable outcomes it obtained thus far. In general, for all audited tax years that were the source of disputes, it must be mentioned that virtually all audited, or otherwise contested, costs were found to have been actually incurred and pertinent both by the Revenue Police and the Revenue Agency. The Company, as part of the process of unsuccessfully attempting to reach a negotiated settlement and within the framework of the corresponding disputes, already produced exhaustive documentation and provided ample clarifications as support and evidence of the economic logic of the transactions it executed. Consequently, comforted in part by the recent decision of the Provincial Commission, it is confident that the documents and arguments it produced will result in the final cancellation of the abovementioned assessments.
The provisions recognized in response to the findings of the Audit Report takes into account the possible charges that may be incurred if the smaller revenues recoveries were to be upheld.

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

The Company, like other companies in its industry, is a party to disputes concerning assessments for municipal property taxes (ICI) issued by some municipalities where its power plants are located and to some disputes in which the Territorial Agency (now Revenue Agency) is contesting the proposed assessed values.
In view of possible out-of-court settlements with the various municipal administrations on pending or potential disputes, the Company recognized a provision to cover the possible costs.

Other Group Companies

Edison Trading Spa - IRES and IRAP Assessments for 2005

The IRES and IRAP assessments for 2005, which were notified in December 2010 and concerned mainly expenses found to be "not attributable" to the year in which they were recognized and deducted, but were nevertheless inherent and effective, were challenged by the Company before the Milan Provincial Tax Commission. The hearing for oral arguments has not yet been scheduled.
In 2012, the Provincial Tax Commission voided the Level II assessments notified to Edison Spa and Edison Trading in 2011. This decision was confirmed by the Regional Tax Commission in a decision handed down in January 2014 denying the appeal filed by the Revenue Agency.
The notice of the imposition of penalties related to the IRES assessment was also challenged, following the rejections of the defensive arguments put forth. The Provincial Tax Commission upheld the challenge and voided the penalties.
A provision to cover charges that potentially could be incurred with regard to minor items has been recognized in the financial statements.

Edison Trading Spa - General Audit by the Revenue Police

Edison Trading Spa was the subject of a general audit concerning income taxes and indirect taxes launched by the Milan Tax Police Unit which was completed in August 2011.
The findings of the tax audit report included IRES and IRAP mentions for the years from 2006 to 2009 concerning the costs incurred with black-listed suppliers.
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 2012 for the years from 2007 to 2009.
The Revenue Agency notified in December 2012 notices of assessment for IRES and IRAP (and IRES notices to Transalpina di Energia Srl, the consolidating entity), for the 2006 and 2007 tax years, with revenues recoveries significantly reduced compared with the initial amounts exhibited in the tax audit report. The notices of assessment were settled after completion of a procedure for negotiated settlement in May 2013, with payment of a total amount of 1,165,000 euros, including penalties and interest.
At the end of November 2013, the company (and its parent TdE) was served with notices of assessment for IRES, the IRES surcharge (the Robin Hood Tax) and IRAP for 2008, with revenue recoveries consistent with the amounts agreed upon in the negotiated settlement for the 2007 tax year. In December 2013, with the aim of settling the tax liability for the year in question, the company paid the assessed taxes, penalties and interest for a reduced amount totaling 938,000 euros, which was covered in full by the corresponding provision in the financial statements. The company is currently considering the possibility of reaching a negotiated settlement also for the 2009 tax year, which is also the subject of an audit.
The provision recognized in the financial statements covers any charges that could potentially arise from the findings of the audit and the resulting dispute or negotiated settlement.

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Contingent liabilities associated with tax disputes

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

Edison Spa

Tax Assessments for 2002

There was no change during 2013 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.

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

On November 9, 2012 Edison Spa was served with a payment notice for registration mortgage and cadastral fees, totaling about 17 million euros, levied by the Rho Revenue Agency based on the presumed requalification of a transaction involving the conveyance of business operations (consisting of the assets and liabilities attributable to the CET2 and CET3 thermoelectric power plants in Taranto) to Taranto Energia Srl and the subsequent sale of the equity interest in this company to ILVA Spa.

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

The deadline for appeal by the Revenue Agency has not yet expired.

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

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

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

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

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

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, and a challenge was also filed against the 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.

Other Group Companies

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

In March 2013, the Court of Cassation reviewed the challenge filed by the Company in the dispute concerning the Customs VAT assessments for 2001, 2002 and 2003 for EDF Energia Italia, later absorbed by the Company, following a decision unfavorable for Edison Energia handed down in 2011 by the Regional Tax Commission. A decision has not yet been handed down by the Court.

Following the payment of additional taxes and accrued interest made provisionally in 2011 pending the resolution of the dispute, the Company filed an application for refund both with the Customs Agency and the Revenue Agency, invoking the deductibility of the VAT it paid, should the disputed assessment be confirmed by a final decision. The Revenue Agency denied the refund application and, consequently, the Company challenged this decision reaffirming its request vis-a-vis both Agencies.
Any charges resulting from this dispute are covered by contractual guarantees provided by EDF International.

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.
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. In 2013, the Revenue Agency filed a formal motion to end the pending disputes due to the absence of disputed issues.
Consequently, all risks related to these disputes and the findings of the audits are no longer applicable.

Contingent assets

As required by IAS 37, Edison discloses that the issues involving its more valuable contingent asset, i.e., the **antitrust proceedings concerning Ausimont**, for its involvement in a cartel concerning the price of peroxides and perborates, reached a positive conclusion in December 2013.
Specifically, the European Court of Justice, by decision No. C-446/11 of December 5, 2013, denied the appeal filed by the Commission, upholding the decision handed down by the European Union Tribunal on June 16, 2011 and, consequently, permanently voiding the fine levied on Edison, in its capacity as Ausimont's former controlling company until 2002, for violations of antitrust laws committed by Ausimont.
As a result of these developments, the Company recognized a gain of 37 million euros in 2013.

In tax disputes please also note the following:

Dispute for Registration Fees on Transactions Requalified as Disposal of Business Operations (CIP 6/92 plants)
In July 2010, Edison Spa was served with a payment notice for additional registration, mortgage and cadastral fees, totaling about 11 million of euros, in connection with a transaction executed in 2008 involving the conveyance of business operations (five CIP 6/92 power plants), followed by the sale of the corresponding equity investment to Cofatech Spa.
While the proceedings are in progress and lacking an order staying the collection process, the Company paid the additional taxes owed in order to avoid prejudicial collection actions.
In June 2011, the Milan Provincial Tax Commission upheld in its entirety the appeal filed by the Company, finding that the payment notice was improper and, on the merit, that the choices made by the Company were correct.
In December 2012, further to an appeal filed by the Revenue Agency in January 2012, the Regional Tax Commission upheld the Agency's challenge and confirmed the payment notice issued by the Agency. The Company challenged this decision before the Court of Cassation asking it to find that its actions were both valid and proper. A date has not yet been set for a hearing to present the challenge before the Court.

GROUP FINANCIAL RISK MANAGEMENT

This Section describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions rights, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7, consistent with Report on Operations, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

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

Consistent with its Energy Risk Policies, the Group may use hedging derivatives to minimize or contain this 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 approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
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, 2013, 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

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.

(e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year. Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.

As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges) while others qualify as Economic Hedges, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding derivative contracts, the farthest maturity of which is currently 2015. For derivative contracts maturing in 2014, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility and correlations of the spot markets. For derivative contracts maturing after 2014, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves at the end of the reporting period are used as a reference level. Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding derivative contracts over the length of a reporting year with a level of probability conventionally set at 97.5%.

Based on the method explained above, the table below shows the maximum negative variance in the fair value of outstanding derivatives expected over the time horizon of the 2014, with a 97.5% probability, compared with the fair value determined at December 31, 2013, which is 328,6 million euros (259.2 million euros at December 31, 2012).

Profit at Risk (PaR)	12.31.2013		12.31.2012	
	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%**	**328.6**	**97.5%**	**259.2**

In other words, compared with the fair value determined for derivatives contracts outstanding at December 31, 2013, the probability of a negative variance greater than 328,6 million euros by the end of 2014 is limited to 2.5% of the scenarios.

The increase, compared with the level measured at December 31, 2012, is due primarily to a higher net volume of financial derivatives executed to hedge forward sales not only for 2014 but also for 2015. The hedging strategy deployed during the year enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in 2013 by the Industrial Portfolio would have been equal to 89% of the approved limit (66% in 2012), with a peak of 160% in January 2013 (132% in November 2012) (and the approved limit was exceeded by an average of 37% during 2013 against 28% in 2012). With hedging, the average Economic Capital absorption in 2013 by the Industrial Portfolio was 59% (42% in 2012), with a peak of 98% in January 2013 (74% in January 2012).

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

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

with a 95% probability on the Trading Portfolios is 3,7 million euros at December 31, 2013 (3.9 million euros at December 31, 2012), with a stop loss limit of 19.5 million euros (20.2 million euros at December 31, 2012). The VaR limit was 50% utilized at December 31, 2013 (75% at December 31, 2012), with an average utilization of 44% for the year (48% in 2012).
As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for potentially illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 58,6 million euros (60.5 million euros at December 31, 2012). This limit was 57% utilized at December 31, 2013 (81% at December 31, 2012), with an average utilization of 49% for the year (54% in 2012).

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 Policies; the exposure to economic and transaction risk arising from exchange rate is managed in accordance with specific limits and strategies.

3. Interest Rate Risk

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

Gross Financial Debt	12.31.2013			12.31.2012		
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)	2,638	2,061	65%	1,847	1,279	36%
- variable rate portion	549	1,126	35%	1,688	2,256	64%
Total gross financial debt (*)	**3,187**	**3,187**	**100%**	**3,535**	**3,535**	**100%**

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

As shown in the table above, in 2013, Edison consolidated the portion of its indebtedness that is not affected by fluctuations in market rates thanks to a term loan it received from EDF Investissements Groupe in the amount of 800 million euros that accrues interest at a fixed rate, hedged for the term of the loan (seven-year IRS). Instead, the two new revolving credit lines, respectively stipulated with EDF Sa in April 2013 for 600 million euros and with a pool of banks in July 2013 for 500 million euros, are indexed to the Euribor (applicable to the utilization period). As at December 31, 2013 both credit lines are entirely available (see the subsequent paragraph "Liquidity Risk").

The hedging strategy deployed for the Edison bond issues did not change in 2013 (see the following paragraph entitled "Default Risk and Debt Covenants"), as it was deemed adequate given the trend in market interest rates. The strategy originally pursued was to transform a part of bond issue from fixed-rate debt into variable-rate debt (six-month Euribor), using Interest Rate Swaps; subsequently, a

The “Pioneers” photography show, on display at Via Dante, in Milan, and at Edison’s Foro Buonaparte headquarters, celebrates our 130 years of activity with images from our past and our present, on a path built on emotions and record achievements.

structure was negotiated to ensure that the variable rate could fluctuate only within a contractually predetermined interval. In this way, Edison fully benefited from the economic advantage provided by the low interest rates that prevailed in recent years, while still being able to hedge the risk of a rise in interest rates above a predefined level.
Thanks to these derivatives, the “synthetic” rate, which expresses the effective cost for Edison, was lower than the fixed coupon rate of each of the bond issues outstanding.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders’ equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2013 and provides a comparison with the same period in 2012.

Sensitivity analysis	**2013**			**12.31.2013**		
(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	**78**	**68**	**53**	**-**	**-**	**-**

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	-	-	-

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 revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions in the year totaled 5,795 million euros (5,047 million

euros in 2012). At December 31, 2013, the amount of receivables that were exposed to the risk of recourse is about 2 million euros.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Edison Group deals only with entities with a high credit rating. At December 31, 2013, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties.

The table below provides an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The size of the allowance for doubtful accounts is determined conservatively according to the different underlying credit status or - specifically for receivables owed by residential customers - taking into account the relative age of the past-due receivables. At December 31, 2013, the decrease in receivables outstanding compared with the previous year was not significant because the amount at the end of 2012 included a large nonrecurring receivable, later collected. On the other hand, the increase in receivables in arrears reflects primarily the fact that average collection times continue to be longer than contractually stipulated terms in the Retail and Public Administration segments and abroad. About the 23% of the receivables more than 12 months in arrears are related to Public Administration.

(in millions of euros)	**12.31.2013**	12.31.2012
Gross trade receivables	3,484	3,598
Allowance for doubtful accounts (-)	(308)	(207)
Trade receivables	**3,176**	**3,391**
Guarantees held (*)	538	643
Receivables less than 6 months in arrears	463	442
Receivables 6 to 12 months in arrears	142	200
Receivables more than 12 months in arrears	542	384

(*) Including 122 million euros to hedge receivables outstanding at December 31, 2013.

With references to foreign activities, which were adversely affected by the local political and economic situation, it is worth noting that the past-due receivables owed in Egypt at December 31, 2013 by the

Egyptian General Petroleum Corporation (EGPC) (235 million euros), increased by 80 million euros compared with December 31, 2012, further to the formal execution during the period of commercial agreements in force since last year. Please also note that the Group negotiated extended payment terms with EGPC for past-due receivables, which were discounted taking also into account Egypt's country risk.

With regard to Greece, the receivables position and the status of past-due receivables improved, in fact the gross trade receivables decreased from 97 million euros (Edison's pro rata share at December 31, 2012) to 73 million euros and the relevant past-due receivables fell to 50 million euros compared with 69 million euros at the end of 2012.

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. 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	12.31.2013			12.31.2012		
(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	753	1,186	16	53	1,955
Financial debt and other financial liabilities	67	90	1,161	24	1,239	129
Trade payables	2,211	29	-	2,418	22	-
Total	**2,294**	**872**	**2,347**	**2,458**	**1,314**	**2,084**
Guarantees provided to third parties (*)	**400**	**302**	**616**	448	433	395

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

The liquidity risk management policy pursued in 2013 enabled the Group to obtain sufficient financing to meet financial obligations maturing over the short term and consolidate its sources of funds, while lengthening the average maturity of its debt.

The refinancing plan launched this past April with the signing of agreements for two new facilities for a total face amount of 1,400 million euros, provided, respectively, by EDF Investissements Groupe Sa (for 800 million euros, drawn down for the full amount and repayable in a lump sum at maturity), with seven-year maturity, and by EDF Sa (for 600 million euros on a rotating basis), with two-year maturity.

On July 10, 2013, Edison executed with a group of banks an agreement for a new Club Deal revolving credit facility in the amount of 500 million euros, maturing on January 7, 2015, to increase its financial flexibility.

The full amount (1,100 million euros) of the revolving credit lines was still available at December 31, 2013; in addition to the cash availability (up to 199 million euros) provided by EDF Sa to Edison Spa under the centralized cash management contract.

Lastly, please note that Edison Group held liquid assets totaling 506 million euros at December 31, 2013.

The gross financial debt maturing within one year, which totaled 926 million euros, consists mainly of

the bond with a face value of 700 million euros, with maturity date at July 22, 2014. At December 31, 2013, the liquidity situation was more than adequate, which, however, does not exclude the possibility that an appropriate assessment may be made, early in 2014, to determine whether new financial transactions may be appropriate.
The non-current financial debts (2,347 million euros) mainly include the bond issues totaling 1,186 million euros (face value: 1,100 million euros) and the loan from EDF Investissements Groupe Sa (face value: 800 million euros). It also includes the utilizations of a medium/long-term direct credit line provided by the European Investment Bank (EIB), to finance gas storage projects, which totaled 137 million euros at December 31, 2013, including 100 million euros used starting on December 16, 2013.

In December 2013, the EIB approved a loan of up to 200 million euros to support Edison in some investment projects in the Exploration & Production sector in Italy. This facility is expected to be finalized in the first half of 2014.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2013. 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)	12.31.2014	12.31.2015	12.31.2016	12.31.2017	12.31.2018	After 5 years	Total
Bonds	772	499	(1)	600	-	-	1,870
Financial debt and other financial liabilities:							
- due to banks	147	66	9	13	12	113	360
- due to other lenders	135	4	4	4	5	805	957
Gross financial debt	**1,054**	**569**	**12**	**617**	**17**	**918**	**3,187**

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, 2013:

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%

The Group is also a party to agreements for non-syndicated facilities totaling 1,637 million euros, 605 million euros of which were still unused at December 31, 2013, and syndicated facilities amounting to 561 million euros, of which 501 million euros were still unused at December 31, 2013.

Both loan agreements, with banks and EDF Group companies, and the bonds indentures contain clauses that are standard for a prime borrower in international financial markets: for example, the obligation of the borrower to reserve 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.
Neither the loan agreements nor the bond indentures contain clauses allowing early termination of the loan if the credit rating assigned to Edison Spa by the rating agencies is downgraded or withdrawn. Moreover, Edison Spa is not required, under the terms of any of its credit lines, to comply with specific

financial statement ratios that limit the level of debt based on economic performance (financial covenants).
Finally, please note that the medium-long term direct line of European Investment Bank (EIB) up to 250 million euros, addressed to the financing of storage projects, has been used for 137 million euro. This line is subject, in addition to the usual clauses in long-term direct loans, even to the limitations in the use for which the EIB provides funding 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 either included in EBIT, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
    b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 13

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At this time, the group holds a category of instruments classified at this level. Please note that, in the third quarter of 2013, a financial instrument was reclassified from Level 3 to Level 2, in conjunction with the regular quarterly revaluations, as it is a linear combination of instrument of level 2; the amount reclassified is immaterial.

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, 2013

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value at 12.31.2013 (**)	Cumulative impact on the income statement at 12.31.2013 (***)	Notional amount at 12.31.2012 (*)	Balance sheet value at 12.31.2012 (**)
		due within 1 year	due between 2 and 5 years	due after 5 years	Total			Total	
Interest rate risk management:									
- Cash Flow Hedges in accordance with IAS 39	2	1	-	-	1	-	-	3	-
- Fair Value Hedges in accordance with IAS 39	2	500	825	-	1,325	56	56	1,325	86
- contracts that do not qualify as hedges in accordance with IAS 39	2	523	239	-	762	(10)	(10)	770	(26)
Total interest rate derivatives		**1,024**	**1,064**	**-**	**2,088**	**46**	**46**	**2,098**	**60**

		due within 1year		due between 2 and 5 years		due after 5 years	Total				Total		
		receivable	payable	receivable	payable		receivable	payable			receivable	payable	
Foreign exchange rate risk management:													
- contracts that qualify as hedges in accordance with IAS 39:													
- on commercial transactions	2	2,720	(385)	1,162	(15)	-	3,882	(400)	(137)	(1)	3,048	(567)	(107)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:													
- on commercial transactions	2	238	(251)	5	-	-	243	(251)	(7)	(7)	504	(14)	(4)
- on financial transactions	2	-	-	-	-	-	-	-	-	-	12	-	-
Total foreign exchange rate derivatives		**2,958**	**(636)**	**1,167**	**(15)**	**-**	**4,125**	**(651)**	**(144)**	**(8)**	**3,564**	**(581)**	**(111)**

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

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 12.31.2013 (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2013 (***) (in millions of euros)	Notional amount at 12.31.2012 (*)	Balance sheet value at 12.31.2012 (**) (in millions of euros)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total			Total	
Price risk management for energy products										
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:							**156**	**16**		**80**
- Natural Gas	2	Millions of therms	(395.16)	(9.62)	-	(404.78)	(3)	-	(353.20)	1
- LNG and oil	2	Barrels	21,899,928	15,265,600	-	37,165,528	160	16	24,180,895	79
- CO_2	2	Millions of tons	5.11	3.18		8.29	(1)	-	-	-
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39							**-**	**-**	**-**	**-**
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margins:							**(26)**	**(26)**	**-**	**(8)**
- Electric power	3	TWh	8.37	-	-	8.37	(2)	(2)	3.55	(2)
- Natural Gas	2	Millions of therms	(424)	(1,158)	-	(1,582)	(39)	(39)	(9.01)	(1)
- LNG and oil	2	Barrels	3,260,398	477,400	-	3,737,798	15	15	62,100	3
- CO_2	2	Millions of tons	-	-	-	-	-	-	7.19	(8)
TOTAL							**130**	**(10)**		**72**

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

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)					Balance sheet value at 12.31.2013 (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2013 (***) (in millions of euros)	Notional amount at 12.31.2012 (*)	Balance sheet value at 12.31.2012 (**) (in millions of euros)
		Unit of measure	Due within one year	Due within two years	Due after two years	Total			Total	
Derivatives							**(16)**	**(16)**		**2**
- Electric power	1/2	TWh	15.31	0.02	-	15.33	(15)	(15)	4.85	(1)
- Natural Gas	2/3	Millions of therms	4.55	-	-	4.55	(1)	(1)	69.57	3
- LNG and oil	2	Barrels	(50,000)	-	-	(50,000)	-	-	-	-
- CO_2	1/2	Millions of tons	(3.74)	(0.13)	-	(3.87)	-	-	(0.05)	-
Physical contracts							**42**	**42**		**13**
- Electric power	2/3	TWh	(7.64)	(0.26)	-	(7.90)	41	41	(15.76)	16
- Natural gas	2/3	Millions of therms	40	(7)	-	33	1	1	101	(3)
TOTAL							**26**	**26**		**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 13."

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2013

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at December 31, 2013, including the effects of physical energy commodity contracts.

(millions of euros)

	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.2012 (B)	Portion of (B) contracts realized during the period (B1)	**Fair value recognized for contracts outstanding at 12.31.2013 (C)**	Change in fair value in 2013 (D)=(C-B)	**Amounts recognized in earnings at 12.31.2013 (A+D)**	Amounts recognized in earnings at 12.31.2012
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) (**)	130	-	-	17	17	147	124
- not definable as hedges pursuant to IAS 39	46	4	4	28	24	70	(3)
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (**)	-	1	1	-	(1)	(1)	1
- not definable as hedges pursuant to IAS 39	3	-	-	2	2	5	4
Margin on physical trading activities							
- Sales revenues from physical contracts included in the Trading Portfolios (***)	3,979	120	101	222	102	4,081	4,968
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(3,930)	(107)	(95)	(180)	(73)	(4,003)	(4,939)
Total margin on physical trading activities	*49*	*13*	*6*	*42*	*29*	*78*	*29*
Total (A)	**228**	**18**	**11**	**89**	**71**	**299**	**155**
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) (**)	(61)	-	-	(1)	(1)	(62)	(103)
- not definable as hedges pursuant to IAS 39	(50)	(12)	(4)	(55)	(43)	(93)	(13)
Exchange risk hedges for commodities							
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(98)	(1)	(1)	-	1	(97)	(60)
- not definable as hedges pursuant to IAS 39	(10)	-	-	(8)	(8)	(18)	(7)
Margin on financial trading activities							
- Other revenues and income from derivatives included in the Trading Portfolios (****)	51	25	25	29	4	55	45
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(58)	(23)	(23)	(45)	(22)	(80)	(44)
Total margin on financial trading activities	*(7)*	*2*	*2*	*(16)*	*(18)*	*(25)*	*1*
Total (B)	**(226)**	**(11)**	**(3)**	**(80)**	**(69)**	**(295)**	**(182)**
TOTAL INCLUDED IN EBIT (A+B)	**2**	**7**	**8**	**9**	**2**	**4**	**(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)	71	86	11	56	(30)	41	72
- not definable as hedges pursuant to IAS 39	17	3	-	4	1	18	10
Total financial income (C)	**88**	**89**	**11**	**60**	**(29)**	**59**	**82**
Financial expense							
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(42)	-	-	-	-	(42)	(20)
- not definable as hedges pursuant to IAS 39	(31)	(29)	-	(14)	15	(16)	(30)
Total financial expense (D)	**(73)**	**(29)**	**-**	**(14)**	**15**	**(58)**	**(50)**
Margin on interest rate hedging transactions (C+D)=(E)	**15**	**60**	**11**	**46**	**(14)**	**1**	**32**
Foreign exchange rate hedges broken down as follows:							
Foreign exchange gains							
- definable as hedges pursuant to IAS 39	32	-	-	1	1	33	-
- not definable as hedges pursuant to IAS 39	34	-	-	1	1	35	43
Total foreign exchange gains (F)	**66**	**-**	**-**	**2**	**2**	**68**	**43**
Foreign exchange losses							
- definable as hedges pursuant to IAS 39	(34)	-	-	(1)	(1)	(35)	-
- not definable as hedges pursuant to IAS 39	(27)	(4)	(4)	(2)	2	(25)	(53)
Total foreign exchange losses (G)	**(61)**	**(4)**	**(4)**	**(3)**	**1**	**(60)**	**(53)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**5**	**(4)**	**(4)**	**(1)**	**3**	**8**	**(10)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 8 to the Income Statement)	**20**	**56**	**7**	**45**	**(11)**	**9**	**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 "Raw materials and sercices used" (Note 3 to the Income Statement) under margin on financial trading activities.
(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was virtually nil at 12.31.2013.

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)	12.31.2013		12.31.2012	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	16	(159)	10	(121)
Interest rate transactions	60	(14)	89	(29)
Commodity transactions	452	(296)	264	(177)
Fair value recognized as current assets or current liability (a)	**528**	**(469)**	**363**	**(327)**
Broken down recognized as follows:				
- "Trade receivables and payables"	222	(180)	120	(107)
- "Other receivables and payables"	246	(275)	154	(191)
- "Current financial assets" and "Short-term financial debt"	60	(14)	89	(29)
IFRS 7 potential offsetting (b)	**(216)**	**216**	**(146)**	**146**
Potential net Fair Value (a+b)	**312**	**(253)**	**217**	**(181)**

With regard to these items, please note that a positive Cash Flow Hedge reserve amounting to 4 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements (at December 31, 2013, and for comparative purpose, at December 31, 2012) showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 13. The last column in the table shows, if applicable, the fair value of financial instruments at end of period.

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

Situation at December 31, 2013

(in millions of euros)

Criteria applied to value financial instruments in the financial statements

Financial instrument type	**Financial instruments valued at fair value**							**Financial instruments valued at amortized cost (B) (d)**	**Equity investments valued at cost (C) (e)**	**Carrying value at 12.31.2013 (A+B+C)**	Fair Value at 12.31.2013
	with change in fair value recognized in:			**Total Fair Value (A)**	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity									
	(a)	(b)	(c)		1	2	3 (m)				
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	172	-	-	**172**	-	-	172	**-**	**5**	**177**	n.a.
- listed securities	-	6	-	**6**	-	-	-	**-**	**-**	**6**	6
										183	
Other financial assets (g) (l)	-	-	-	**-**	-	-	-	**74**	**-**	**74**	74
Other assets (l)	-	-	-	**-**	-	-	-	**189**	**-**	**189**	189
Trade receivables (i) (l)	222	-	-	**222**	-	215	7	**2,954**	**-**	**3,176**	3,176
Other receivables (f) (l)	80	166	-	**246**	19	227	-	**418**	**-**	**664**	664
Current financial assets (f) (h) (l)	66	-	-	**66**	6	60	-	**9**	**-**	**75**	75
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**506**	**-**	**506**	506
LIABILITIES											
Bonds (current and non-current)	1,845	-	-	**1,845**	-	1,845	-	**25**	**-**	**1,870**	1,935
Financial debt (current and non-current) (f) (l)	14	-	-	**14**	-	14	-	**1,303**	**-**	**1,317**	1,347
Trade payables (i) (l)	180	-	-	**180**	-	171	9	**2,060**	**-**	**2,240**	2,240
Other liabilities (f) (l)	113	162	-	**275**	22	251	2	**405**	**-**	**680**	680

(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 57 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 -2 million euros as part of the physical trading margin included in Sales revenues (7 million euros as revenues and 9 million euros as costs) and for -2 million euros in Raw materials and services used.

Situation at December 31, 2012

(in millions of euros)

Criteria applied to value financial instruments in the financial statements

Financial instrument type	Financial instruments valued at fair value – with change in fair value recognized in: earnings (a)	equity (b)	equity (c)	Total Fair Value (A)	Fair Value Hierarchy (notes a, b, c) 1	2	3 (m)	Financial instruments valued at amortized cost (B) (d)	Equity investments valued at cost (C) (e)	Carrying value at 12.31.2012 (A+B+C)	Fair Value at 12.31.2012
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 other revenues and 2 million euros as costs).

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at December 31, 2013 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

(in millions of euros)	Related Parties pursuant to IAS 24					
	With unconsolidated Edison Group companies	With controlling companies	With other EDF Group companies	Total for related parties	Total for financial statements line item	Impact %
Balance Sheet transactions:						
Investments in associates	51	-	-	**51**	**51**	**100.0%**
Trade receivables	1	-	119	**120**	**3,176**	**3.8%**
Other receivables	-	93	3	**96**	**664**	**14.5%**
Trade payables	2	2	87	**91**	**2,240**	**4.1%**
Other payables	-	109	1	**110**	**680**	**16.2%**
Long-term financial debt and other fin. Liab.	-	-	795	**795**	**1,035**	**76.8%**
Short-term financial debt	16	-	5	**21**	**282**	**7.4%**
Cash and cash equivalents	-	245	-	**245**	**506**	**48.4%**
Income Statement transactions:						
Sales revenues	1	-	492	**493**	**12,335**	**4.0%**
Other revenues and income	-	-	3	**3**	**715**	**0.4%**
Raw materials and services used	11	19	273	**303**	**11,815**	**2.6%**
Financial expense	-	4	16	**20**	**216**	**9.3%**
Net foreign exchange translation gains (losses)	-	(3)	-	**(3)**	**1**	**n.m.**

A) Intercompany Transactions and with Controlling Companies

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

- commercial transactions involving the buying and selling of electric power, natural gas, green certificates and CO_2 certificates;
- transactions involving the provision of services (technical, organizational, legal and administrative) by headquarters staff of Edison Spa;
- financial transactions involving hedging exchange rate risk, lending and current account facilities established within the framework of the Edison Group's centralized cash management system of Edison Spa with its subsidiaries and of EDF Sa with Edison Spa;
- transactions required to file a consolidated VAT return for the Edison Group (so-called VAT Pool);
- transactions required to file the consolidated IRES return with its controlling company Transalpina di Energia for the years up to 2012 and with WGRM Holding 4 Spa (WGRM) from 2013;
- transactions with EDF Sa involving the provision of services (mainly financial and insurance).

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for December 31, 2013 showed a credit of 17 million euros.

Consolidated IRES Return

Further to the changes in the stock ownership of the controlling company Transalpina di Energia Srl (TdE) that occurred in 2012, which led EDF SA to acquire control of Edison, the entire share capital of TdE was acquired by WGRM an Italian sub-holding of the EDF Group, which also controls the equity stake held by Fenice Spa.

Consequently, starting in 2013, TdE opted to be included in the consolidated corporate income tax (IRES) return filed by WGRM, its controlling company.

Similarly, for the three-year period from 2013 to 2015, Edison Spa and its principal subsidiaries agreed to be included in the consolidated corporate income tax (IRES) return filed by WGRM.

In June, Notices of Dissolution of the preexisting consolidated return were formally given by TdE, which opted to join a new 2013-2015 consolidated return filed by WGRM. In the same month of June, further to the resolutions adopted by the companies involved, new agreements governing transactions between the companies included in the new scope of IRES consolidation, which basically incorporate the existing stipulation, were formalized.

The companies that agreed to be included in the consolidated IRES return will determine their IRES liability in coordination with their parent company.

Effective January 1, 2014, TdE was merged by absorption into WGRM, which concurrently changed its name in Transalpina di Energia and will continue to be the lead company of the IRES consolidated return for the three-year period from 2013 to 2015.

Please note that Group companies that operate primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a corporate income tax surcharge, which has been set at 10.5% also for 2013. The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return. From 2014, the tax surcharge applicable will again be set at 6.5%.

Centralized Cash Management System by EDF Sa

It is worth mentioning that on September, 27 2012, EDF Sa and Edison Spa executed a framework agreement for centralized cash management services, pursuant to which EDF manage the surplus cash and cash needs of the Edison Group, with the aim of optimizing short-term cash flows. At December 31, 2013, the current account established with EDF Sa has a positive balance for 245 million euros, which includes 30 million held by the subsidiary EDF Production UK acquired in October 2013.

Loan by EDF Sa

It is worth mentioning that in April EDF Sa granted to Edison Spa a credit line, for a face amount of 600 million euros and with maturity on April 9, 2015, entirely non utilized at December 31, 2013. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to 19 million euro.

B) Transactions with other EDF Group Companies

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

1) Commercial Transactions

Transactions executed are the following:

- With Fenice Spa, sales revenues of about 37 million euros, mainly from sales of natural gas.
- With EDF Trading Ltd, energy and gas sales revenues of 428 million euros and costs of 267 million euros stemming from sales and purchases of commodities.
- With EDF Trading Ltd revenues of 420 million euros and costs of 393 million euros stemming from transactions executed during the period as part of the physical trading activity, these amounts are included

in "Sales revenues" on a net basis; as part of the financial trading activity for 6 million euros as revenues and 12 million euros as costs, amounts recorded in "Raw materials and services used" on a net basis.

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

2) Financial Transactions

Nonrecurring transactions

Acquisition of EDF Production UK Ltd

In October 2013, Edison Group, trough Edison International Holding NV**,** completed the acquisition of the 100% of EDF Production UK from EDF International SAS (belonging to the EDF Group); the price of acquisition amounted to 81 million euros (please see also the section "Disclosure pursuant to IFRS 3").

Other financial transactions

Loan by EDF Investissement Groupe Sa

It is worth mentioning that in April 2013 EDF Investissement Groupe SA, an EDF Group company that handles long-term funding for Group companies, provided Edison Spa with a long-term loan for a face amount of 800 million euros and with maturity on April 9, 2020, which had been drawn down in full at December 31, 2013. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

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

- in April 2013 the Paris Court of Arbitration of the ICC - International Chamber of Commerce - has decided the award related to the dispute between Edison and Sonatrach for the revision of the price of the long term gas procurement contract from Algeria;
- the agreements renegotiating the long-term contracts to supply natural gas from Qatar and Algeria were signed in July 2013 as part of the second cycle of renegotiations.

These operations generated a total positive effect on EBITDA, including the retrospective benefits, amounting to about 813 million euros.

Transactions Resulting from Atypical and/or Unusual Activities

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

ADDITIONAL DISCLOSURE ABOUT NATURAL GAS AND OIL (unaudited)

1) Reserves of Natural Gas and Oil

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

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

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

Estimates of proven and probable reserves of natural gas and crude oil at December 31, 2013 were certified in January 2014 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 2013 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 12.31.2012 (A)	**9.05**	**35.78**	**16.60**	**13.45**	**7.44**	**0.53**	**33.09**	**49.76**
Changes in 2013:								
- revision of previous estimates	(0.36)	4.57	(0.16)	(0.06)	0.70	(0.13)	0.18	4.38
- purchases or sales of mineral rights	-	-	-	-	0.54	-	0.54	-
- extensions, discoveries and other increases	-	-	-	-	0.13	4.50	0.13	4.50
- production	(0.44)	(1.94)	(1.78)	(1.64)	(0.04)	-	(2.26)	(3.58)
Total changes (B)	**(0.80)**	**2.63**	**(1.94)**	**(1.70)**	**1.33**	**4.37**	**(1.41)**	**5.30**
Reserves at 12.31.2013 (A+B)	**8.25**	**38.41**	**14.66**	**11.75**	**8.77**	**4.90**	**31.68**	**55.06**

(*) 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 19.3 billion cubic meters equivalent, of which about 28% is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

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

Capitalized costs at December 31, 2013 relating to hydrocarbons production assets

(in millions of euros)	Italy	Egypt	Other countries (*)	Total
Gross capitalized costs	1,227	1,674	319	3,220
Accum. deprec., amortiz. and writedowns	(628)	(610)	(70)	(1,308)
Total net capitalized costs	**599**	**1.064**	**249**	**1,912**

(*) The amounts include the data of EDF Production UK.

3) Costs Incurred in 2013 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 2013 for acquisitions, exploration and development

(in millions of euros)	Italy	Egypt	Norway	Falkland	Other countries (*)	Total
Acquisitions	-	-	-	-	69	69
Exploration costs	1	-	60	17	14	92
Development costs	67	8	18	-	1	94
Total incurred costs	**68**	**8**	**78**	**17**	**84**	**255**

(*) The amounts include the data of EDF Production UK.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2013

No significant events requiring disclosure occurred after December 31, 2013.

Milan, February 12, 2014

The Board of Directors
By Bruno Lescoeur
Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2013

The Company holds 32 wind farms.

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2013

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
				12.31.2013	12.31.2012	% (b)	by				
A) Investments in companies included in the scope of consolidation											
A.1) Companies consolidated line by line											
Group Parent Company											
Edison Spa	Milan (IT)	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
CSE Srl (single shareholder) - Electric Power Activities	Pavia (IT)	EUR	12,440	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
DS Smith Paper Italia Srl (single shareholder)	Milan (IT)	EUR	10,000	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 Energy Solutions Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	3,000,000	100.00	-	100.00	Edison Energia Spa (single shareholder)	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Gas and Power Romania Srl - Electric Power Activities	Bucuresti (RO)	RON	8,400,000	100.000	100.00	99.00 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)
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
CSE Srl (single shareholder) - Hydrocarbons Activities	Pavia (IT)	EUR	12,440	100.00	-100.00	100.00	Edison Spa	-	-	S	(i)
Edf Production UK Ltd	Richmond Upon Thames Surrey (GB)	GBP	81,867,411	100.00	-	100.00	Edison International Holding Nv	-	-	S	-
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	3,000,000	100.00	-	100.00	Edison Energia Spa (single shareholder)	-	-	S	(i)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	12.31.2012	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Edison Gas and Power Romania Srl - Hydrocarbons Activities	Bucuresti (RO)	RON	8,400,000	100.00	100.00	99.00	Edison International Holding Nv	-	-	S	-
						1.00	Edison Spa				
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	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)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa	-	-	-	-
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (I)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Development Bv (ex Edison International Exploration & Production Bv)	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	12.31.2012	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Elpedison Energy 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	12,517,320	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) 12.31.2012	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
B) Investments in companies valued by the equity method											
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	0.6	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	3.0	AC	-
Energia Senales Scarl - 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	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	-	-	4.3	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	20.0	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37419,179		20.82	Edison Spa	-	-	17.5	AC	-
Total investments in companies valued by the equity method									**48.6**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2012	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
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	(iv)
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	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Edison Spa	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2013	Interest held in share capital % (b)	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											
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.5	NG	-
Amsc-American Superconductor	Devens (US)	USD	631,248		0.25	Edison Spa	-	-	0.2	NG	-
Hera Spa	Bologna (IT)	EUR	1,421,342,617		0.21	Edison Spa	-	-	4.9	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.76	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	475,134,602.10		0.88	Edison Spa	1.10	1.10	6.2	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	-	-	171.8	NG	-
Total investments in other companies valued at fair value									**189.5**		
Total equity investments									**240.5**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital at 12.31.2013	Consolidated Group
Companies added to the scope of consolidation in the year ended 12.31.2013				
Acquired companies				
EDF Production UK Ltd	Richmond Upon Thames - Surrey (Gb)	GBP	81,867,411	100.00
Newly established companies				
DS Smith Paper Italia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00
Edison Energy Solutions Spa (single shareholder)	Milan (IT)	EUR	3,000,000	100.00

Company name	Head office	Currency	Share capital at 12.31.2012	Consolidated Group interest at 2013	Consolidated Group interest at 12.31.2012
Companies removed from the scope of consolidation in the year ended 12.31.2013					
Companies sold					
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00
Liquidated companies					
Ecofuture Srl (in liquidation) (single shareholder)	Milano (IT)	EUR	10,200	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.

(iv) Company subject to the oversight and coordination of Sistemi di Energia Spa.

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, 2013:

   - 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.

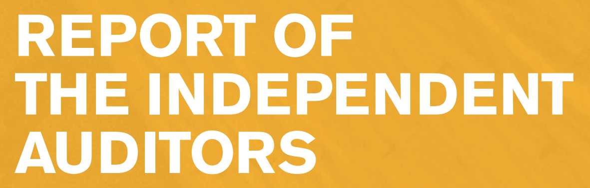
Milan, February 12, 2014

Chief Executive Officer

Bruno Lescoeur

"Dirigenti Preposti alla redazione
dei documenti contabili societari"
Didier Calvez
Roberto Buccelli

The Santa Giustina Dam of the Taio hydroelectric power plant is 152 meters high.



REPORT OF THE INDEPENDENT AUDITORS

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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, 2013 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 adjusted 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 February 14, 2013. These modifications 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, 2013.

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, 2013, 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
Palermo Parma Roma Torino Treviso Verona

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Codice Fiscale/Registro delle imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

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, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
February 13, 2014

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

This document is also available on the
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