QUARTERLY REPORT
at September 30, 2016

EDISON

Contents

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

EDISON AT A GLANCE
(Data refer to June 30,2016)

GROUP PROFILE

The energy of the future becomes more sustainable and smart: renewable sources, energy efficiency, new services for customers, digitalization. A whole new way to look at energy as an indispensable value for the quality of life and the competitiveness of companies.
The key to this future is innovation at the service of our customers. A challenge that Edison is ready to accept, keeping alive the pioneering spirit that guided up to now the development of Europe's oldest energy company.

Edison will continue to be a significant operator in the Italian energy sector, playing an active role in the consolidation process of the retail market and in the development of energy efficiency services. The company currently operates in more than 15 Countries worldwide with a staff of about 5,000 people, including the recently acquired Fenice.

Thanks to a highly efficient and eco-friendly portfolio of electric power generating facilities ranging from CCGT plants to hydroelectric stations, wind farms, solar and biomass systems, Edison produced, in the first half of 2016, 9.1 TWh, accounting for 7% of Italy's electric power production.

In the hydrocarbons business, Edison operates in Italy, in the Mediterranean Area and in Northern Europe, with over 100 concessions and permits for the exploration and production of natural gas and crude oil, and reserves of 257.5 million barrels of oil equivalent at December 31, 2015.
In the first half of 2016, Edison imported 7.3 billion of cubic meters of gas, covering 23% of Italy's total gas imports and contributing to the security of the national energy system.

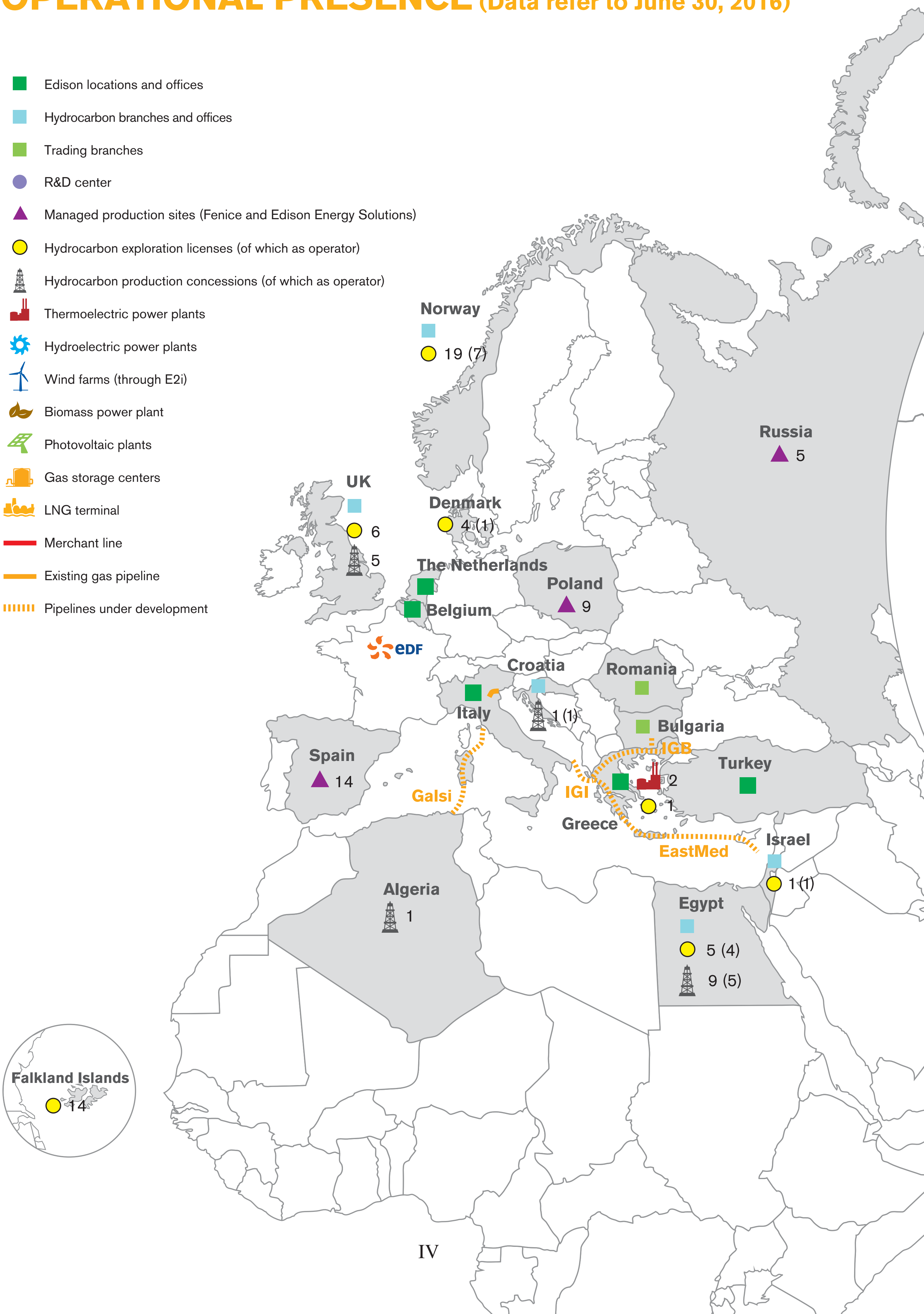
Edison offers electric power and natural gas to end customers, together with energy efficiency services and environmental solutions in particular to industrial clients. In addition supplies over 1 million retail customers in Italy and aims at the growth of its customer base through organic growth and acquisitions.

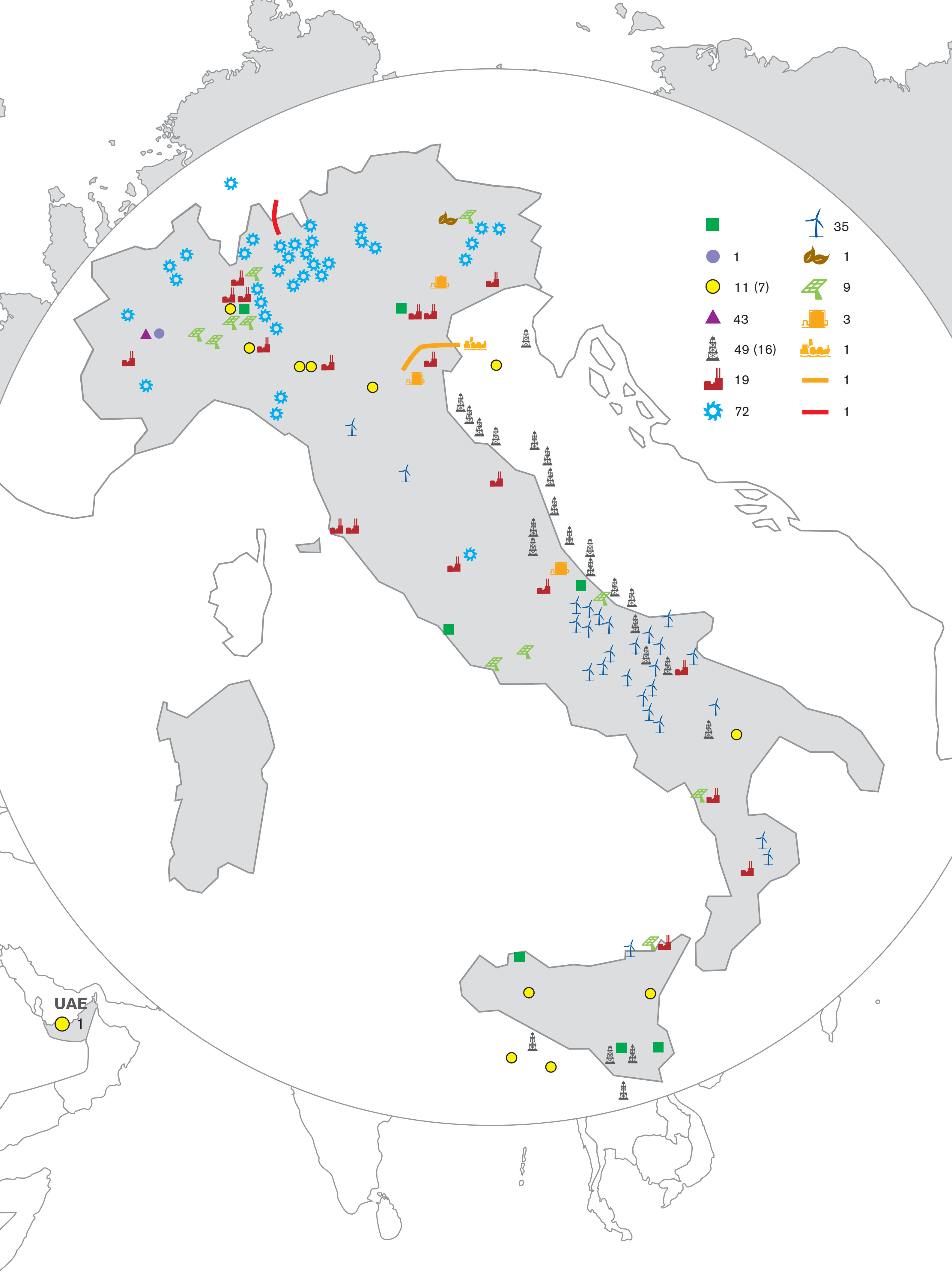
The Group is also committed to contribute to the diversification of gas sources and routes in order to support Italy's energy transition and security. The Company is developing new import infrastructures for Italy and Europe. Moreover Edison, through its subsidiaries, manages the transmission, storage and distribution of natural gas. In addition Edison is engaged in trading activities in electric power, gas and commodities in general.

Since 2012, Edison has been part of the EDF Group. Edison is listed on the Italian Stock Exchange, limited to its saving shares.

OPERATIONAL PRESENCE (Data refer to June 30, 2016)

- Edison locations and offices
- Hydrocarbon branches and offices
- Trading branches
- R&D center
- Managed production sites (Fenice and Edison Energy Solutions)
- Hydrocarbon exploration licenses (of which as operator)
- Hydrocarbon production concessions (of which as operator)
- Thermoelectric power plants
- Hydroelectric power plants
- Wind farms (through E2i)
- Biomass power plant
- Photovoltaic plants
- Gas storage centers
- LNG terminal
- Merchant line
- Existing gas pipeline
- Pipelines under development

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11 (7)
43
49 (16)
19
72
35
1
9
3
1
1
1
UAE
1

VALUE CHAIN (Data refer to June 30, 2016)

ACTIVITY

Upstream

Power assets

ELECTRIC POWER

Management and development of generating electric facilities in Italy and abroad

6.9 GW
net installed capacity

1 HV
merchant power line
(150 MW)

9.1 TWh
net production

72 hydroelectric power plants
21 thermoelectric power plants
35 wind farms
9 photovoltaic systems
1 biomass power plant

257.5 MBoe
hydrocarbon reserves
(at 12.31.2015)

8.4 MBoe
hydrocarbon production
2.2 MBoe Italy
6.2 MBoe abroad

127 concessions, permits and licenses
60 in Italy
67 abroad

HYDROCARBONS

Hydrocarbon exploration, development and production in Italy and abroad

Exploration & Production

Midstream

Energy Management

Dispatching portfolio, optimization and energy trading

45.2 TWh

volumes handled

10.5 bn m^3

Management of long-term procurement contracts, logistics, supply of gas to the thermoelectric and wholesale markets

Gas Midstream, energy management & optimization

Downstream

Marketing & Sales Gas & Power

1,097,000 sites served

5.9 TWh electric power sold to end customers

3.5 bn m^3 gas sold for residential and industrial uses

4 gas pipeline projects

3 storage centers

1 LNG terminal (8 bn m^3/year, 6.4 bn of which used by Edison)

80 km of high pressure gas pipelines

3,626 km of low and medium pressure gas pipelines

Development of gas transmission infrastructures in Italy and abroad

Storage management, gas transmission and distribution in Italy

(Gas regulated assets)

71 managed production sites

47 cogeneration and trigeneration plants

800 client on site facilities

3 client on site photovoltaic systems

Marketing & Sales Energy Services

INFORMATION ABOUT THE EDISON SHARES

Shares at September 30, 2016	number	price
Common shares	5,266,845,824	(*)
Savings shares	110,154,847	0.6634

Shareholders with significant holdings at September 30, 2016	% voting rights	% stake
Transalpina di Energia Spa [(1)]	99.484%	97.446%

(1) 100% indirectly controlled by EDF Electricité de France Sa.
(*) Delisted as of September 10, 2012.

CORPORATE GOVERNANCE BODIES

At September 30, 2016

Board of Directors [(1)]

Chairman		Jean-Bernard Lévy [(2)]
Chief Executive Officer		Marc Benayoun [(3)]
Directors		Marie-Christine Aulagnon [(4)]
		Béatrice Bigois [(5)]
	Independent Director	Paolo Di Benedetto [(6)]
	Independent Director	Gian Maria Gros-Pietro [(7)]
		Sylvie Jéhanno
	Independent Director	Nathalie Tocci [(8)]
		Nicole Verdier-Naves [(9)]

Secretary to the Board of Directors	Lucrezia Geraci

Board of Statutory Auditors [(10)]

Chairperson	Serenella Rossi
Statutory Auditors	Giuseppe Cagliero
	Leonello Schinasi

Independent Auditor [(11)] — Deloitte & Touche Spa

(1) Appointed by the Shareholders' Meeting of March 22, 2016 for a three-year term to end with the Shareholders' Meeting convened to approve the 2018 financial statements.
(2) Confirmed as Chairman by the Shareholders' Meeting of March 22, 2016.
(3) Confirmed as Chief Executive Officer by the Board of Directors on March 22, 2016.
(4) Member of the Control and Risks Committee.
(5) Chairman of the Control and Risks Committee.
(6) Chairman of the Compensation Committee and member of the Control and Risks Committee, of the Committee of Independent Directors and of the Oversight Board.
(7) Chairman of the Committee of Independent Directors, Lead Independent Director and member of the Control and Risks Committee, the Compensation Committee and the Oversight Board.
(8) Member of the Compensation Committee and of the Committee of Independent Directors.
(9) Member of the Compensation Committee.
(10) Appointed by the Shareholders' Meeting of March 28, 2014 for a three-year term to end with the Shareholders' Meeting convened to approve the 2016 financial statements.
(11) Auditing assignment made by the Shareholders' Meeting of April 26, 2011 for the nine-year period 2011-2019.

REPORT ON OPERATIONS AT SEPTEMBER 30, 2016

HIGHLIGHTS OF THE GROUP

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

2015 full year	**Income statement highlights (millions of euros)**	**9 months 2016**	**9 months 2015**	***% change***	**Q3 2016**	**Q3 2015**	***% change***
11,313	Sales revenues	7,974	8,309	*(4.0%)*	2,506	2,690	*(6.9%)*
1,261	EBITDA	489	272	*79.8%*	149	68	*n.m.*
11.1%	*as a % of sales revenues*	*6.1%*	*3.3%*	-	*5.9%*	*2.5%*	-
(795)	EBIT	(10)	(157)	*93.6%*	(31)	(2)	*n.m.*
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	-	*n.m.*	*n.m.*	-
(980)	Group interest in profit (loss)	(107)	(231)	*53.7%*	(40)	(24)	*(66.7%)*

12.31.2015	**Balance sheet highlights (millions of euros)**	**09.30.2016**	**09.30.2015**	***% change***	**Q3 2016**	**Q3 2015**	***% change***
389	Capital expenditures	217	281	*(22.8%)*	71	93	*(23.7%)*
139	Investments in exploration	57	106	*(46.2%)*	16	37	*(56.8%)*
7,023	Net invested capital (A + B)[(1)]	7,578	8,523	*7.9%*			
1,147	Net financial debt (A)[(1)(2)]	1,206	1,718	*5.1%*			
5,876	Total Shareholders' equity (B)[(1)]	6,372	6,805	*8.4%*			
5,439	Shareholders' equity attributable to Parent Company shareholders [(1)]	6,037	6,338	*11.0%*			

(1) End-of-period data. The changes are computed against the data at December 31, 2015.

(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Review of the Group's Operating Performance and Financial Results.

Rating	**Current**	**12.31.2015**
Standard & Poor's		
- Medium/Long-term rating	BB+	BBB+
- Medium/Long-term outlook	Stable	Negative
- Short-term rating	B	A-2
Moody's		
- Rating	Baa3	Baa3
- Medium/Long-term outlook	Stable	Stable

KEY EVENTS IN THE THIRD QUARTER OF 2016

Edison-RasGas: Agreement for long term gas contract from Qatar

On September 1, 2016, Edison and RasGas signed an agreement to adjust the price of the long term gas supply contract from Qatar to reflect current market conditions.

The agreement settles a commercial discussion started at the end of 2015 and reinforces the spirit of cooperation that the two companies achieved over the long term gas import contract in force since 2009 for a quantity of 6.4 billion cubic meters of gas per year.

Significant Events Occurring After September 30, 2016

Information about events occurring after the end of the three-month period covered by this Report is provided in the section of the Review of the Group's Operating Performance and Financial Results entitled "Significant Events Occurring After September 30, 2016".

EXTERNAL CONTEXT

Economic Framework

The international economic setting in the first nine months of 2016 still showed great weakness as concerned both GDP and trade. The few positive factors, such as the better growth expectations in the United States for 2016 and signs of improvement for certain commodity-exporting countries like Russia and Brazil, were not sufficient to offset the numerous negative factors that weighed on international commerce in goods and kept worldwide production in a state of stagnation.

Hindering the possibility of a new start on the path of global growth were, above all, the enduring global geopolitical tensions that have intensified in recent months. In the international context, the attempted coup in Turkey and the uncertainty on the outcome of the American elections were added to the already familiar instability due to terrorism.

In the European context, however, uncertainty is fuelled by the long negotiations in which the European Union and the United Kingdom will engage following the June vote in favour of Britain's leaving the EU, by the constitutional referendum in Italy set for early December and by the elections to come in France and Germany next year; furthermore, the unresolved question of migratory flows fuels the emergence of populist movements.

From a strictly economic point of view the main factors impinging on recovery in the period were the increase in protectionism, the slowdown in the Chinese economy and in that of emerging countries in general, and the fragility of Japan that prompted its government to announce a new stimulus plan.

All these factors have also heavily influenced the Eurozone, which again shows very weak growth. European financial markets are suffering, in particular, due to the banks' difficult situation. As concerns Italy growth, held back by the historically high public debt, is flagging worse than in its main European partners.

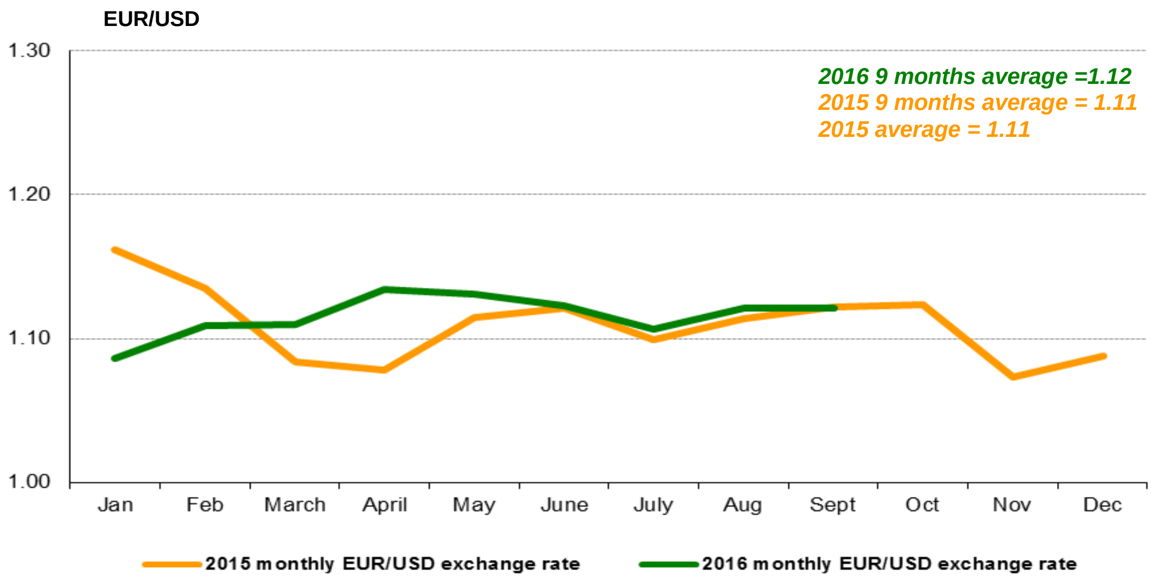
Moreover, both the European Central Bank and the FED, in their September meetings, maintained a wait-and-see attitude, leaving interest rates unchanged, particularly those in Europe, which remain at historic lows.

During the first nine months of 2016 the euro/dollar exchange rate remained largely stable as against the same period in 2015 (+0.1%), standing at 1.12 USD/euro. In analysing the monthly trend one observes a gradual appreciation of the euro in the early months of the year, up to the high reached last April, a subsequent fall between May and July and then a slight appreciation in the last part of the third quarter.

Exchange rate fluctuations over the past nine months have been more restrained than in the same period of last year due to expectations of an intervention, yet to materialise, by the ECB and, especially, by the FED.

Indeed, regarding Europe, the economic conjuncture continues to be negative despite the further effort to stimulate the economy through greater injection of liquidity into the system and extension of the programme of quantitative easing.

Despite the positive signals coming from the United States economy, the FED also deemed the time not yet ripe for a further interest rate increase following that of the end of last year. Thus the opportunity to raise the cost of borrowing in USD was postponed to December, with the awaited outcome of the presidential election adding uncertainty to the context as well.



Oil prices in the first nine months of the year continued to show an upward trend, although during the third quarter they were stable at around 47 USD/barrel. The average value for the first nine months of 2016 stood at 43 USD/barrel, down 24% on the same period in 2015. Brent prices in euros, reflecting the continuing stability of the exchange rate, recorded a 24.3% decrease, at 38.5EUR/barrel.

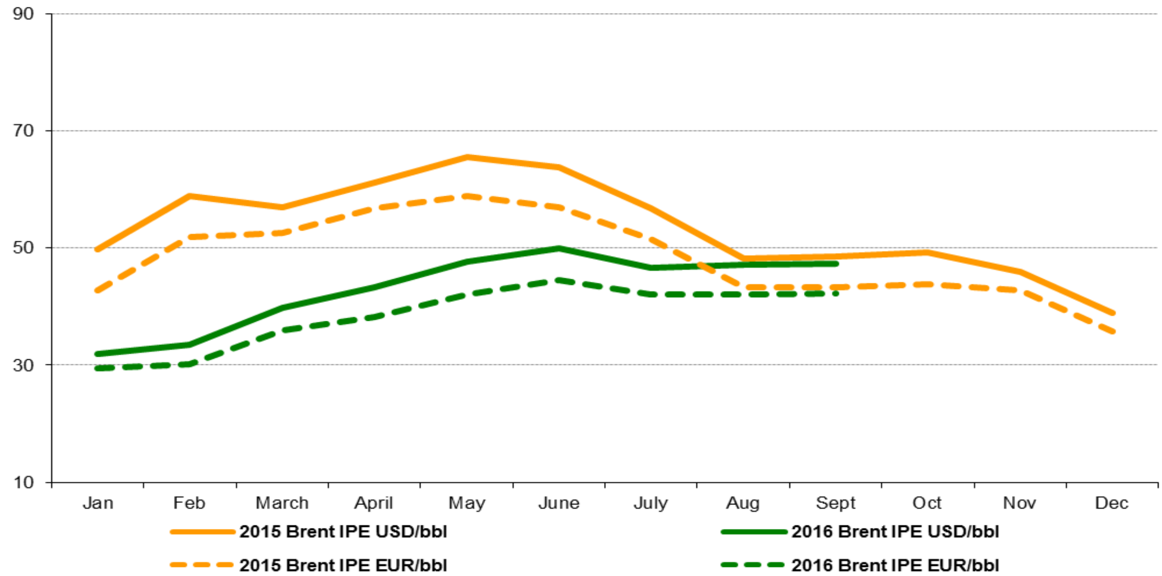
Despite the emergence of bearish factors, amongst which Iran's return to the oil market as of January 2016 and Chinese growth falling short of expectations – implying the possibility of a domino effect on the economies of other developing countries –, in the first nine months of 2016 price growth continued apace, with the exception of the decline of about 3 USD/barrel registered in July. In the first months of the year debates took place on possible across-the-board agreements between OPEC and non-OPEC countries for a cut or freeze of production. Although such expectations were systematically disappointed other bullish factors helped sustain continuing price growth, amongst which the interruptions of output in Kuwait, Canada, Libya and Nigeria, occurring at various times in the second quarter, and the near 10% slackening in American crude oil production as against figures at the start of 2016.

In July, what with the historical records of OPEC production (Saudi Arabia: 10.4 million barrels per day), the high levels of product stocks, especially diesel fuel, and the disappointing American driving season, prices registered a standstill. However, from mid-August the expectations of a possible agreement on production levels between OPEC and non-OPEC countries, Russia in particular, at the World Energy Forum in Algiers helped bring on a rise in prices. Although the discussions in late September did not lead to the signing of an agreement, the OPEC countries offered to assess, at their next internal meeting towards the end of November, a new production ceiling between 32.5 and 33 million barrels per day.

The table and graph below show the average prices per quarter and the monthly trends in the current and previous years:

2015 full year		9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
53.7	Oil price in USD/bbl[1]	43.0	56.7	*(24.0%)*	47.0	51.2	*(8.1%)*
1.11	USD/euro exchange rate	1.12	1.11	*0.1%*	1.12	1.11	*0.4%*
48.4	Oil price in euro/bbl	38.5	50.9	*(24.3%)*	42.1	46.1	*(8.6%)*

(1) Brent IPE



Distilled products followed a tendency similar to that of crude, showing rising prices in the first nine months of the year, but lesser than in the same period in 2015. In particular, diesel stood at 380.5 USD/MT, a decrease of about 29% on the same period in 2015, while fuel oils recorded a fall of approximately 31% for low sulphur products and 33% for high sulphur products.

Also coal prices on the Atlantic market showed upward movement, attaining levels above those of the previous year in August and September. On average, the first nine months of 2016 closed at 51.3 USD/t, down approximately 13% on the same period in 2015, while the third quarter of the year marked growth of 7%, with the level of 60 USD/t reached. The Chinese policy aimed at rebalancing the domestic market showed its first results in bringing on a reduction in the availability of local production and the consequence of higher prices for imported coal. The reduction of Russian and Colombian supplies, diverted towards the more profitable Asian markets, further bolstered prices even in a context of weak European demand.

Unlike those of other energy commodities, gas prices at the principal European hubs exhibited a downward trend: the price of gas at the TTF (principal European hub) stood at 137 EUR/000 cubic meters, down by about 38% compared with the first nine months of 2015, a change in line with trends at the other hubs.

In the European market a situation of oversupply persisted, and was perturbed over the months by various factors: from April to July, in Norway, scheduled and unscheduled maintenance and, towards the end of September, nuclear plant maintenance in some countries.

The VEF-TTF spread stood at 17 EUR/000 cubic meters, a decrease of approximately 23% on the first nine months of 2015. The cost-effectiveness of long-term Brent-indexed contracts led to higher input volumes from the South and a subsequent reduction of imports from Gries Pass, a factor that contributed to reducing the spread with northern Europe.

The European market for CO_2 emission rights continued the downward trend begun in January 2016: the price of CO_2 averaged 5.3 EUR/ton, down by nearly 30% on the first nine months of 2015, while the quarter just ended marked a 43% drop from the 2015 third quarter level. The market was characterised by strong variability in a context of strong structural disequilibrium.

The weakness of the electricity and industrial sectors checked demand in terms of requests for certificates, and the reduction of allowances to set aside in backloading caused an increase in the number thereof in circulation, exacerbating the existing oversupply. In late June and in July the bearish sentiment brought on by the British referendum result and the country's possible withdrawal from the ETS mechanism offset the previous increase in prices occurring at the approach of the annual assessment of compliance with respect to allowances held in the industrial sector. In September, on the other hand, it was the debates at European level on the ratification of the Paris Agreement and on revising Phase 4 of the ETS that entailed price volatility.

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

2015 full year	TWh	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
272.4	Net production:	200.6	207.1	*(3.2%)*	70.9	74.0	*(4.2%)*
182.9	*- Thermoelectric*	*130.3*	*134.6*	*(3.3%)*	*46.5*	*49.9*	*(6.8%)*
46.5	*- Hydroelectric*	*33.7*	*37.3*	*(9.6%)*	*12.2*	*12.5*	*(2.3%)*
22.6	*- Photovoltaic*	*19.0*	*19.2*	*(0.5%)*	*7.8*	*7.5*	*3.7%*
14.7	*- Wind power*	*13.1*	*11.7*	*12.2%*	*3.0*	*2.7*	*10.9%*
5.8	*- Geothermal*	*4.4*	*4.3*	*2.0%*	*1.5*	*1.4*	*0.7%*
46.4	Net imports	31.5	32.9	*(4.0%)*	9.0	10.0	*(9.9%)*
(1.9)	Pumping consumption	(1.7)	(1.4)	*21.4%*	(0.4)	(0.4)	*9.2%*
316.9	**Total demand**	**230.5**	**238.7**	***(3.4%)***	**79.5**	**83.6**	***(4.9%)***

Source: Analysis of 2015 actual data and pre-closing 2016 Terna data, before line losses.

Gross demand for electricity in Italy in the third quarter of 2016 amounted to 79.5 TWh, down 4.9% on the same period last year.

Compared with the exceptionally high temperatures recorded in 2015, resulting in an increase in consumption for the air conditioning of buildings, the weather in the summer of 2016 was characterised by a situation in line with averages for the period. Consequently, both net domestic output and imports were down compared with the third quarter of 2015 (respectively -3.1 TWh and -1.0 TWh).

Domestic output in the period, net of pumping consumption, covered 88.7% of demand, a slight increase on 2015, with net imports covering the remaining 11.3%.

Domestic production saw a reduction in both the thermoelectric sector (-3.4 TWh; -6.8%), particularly sharp for coal-powered plants, and in the hydroelectric sector (-0.3 TWh; -2.3%). Other renewable production showed a slight increase (0.6 TWh; 5.0%), thanks mainly to better performance of wind power installations (+ 10.9%).

Overall, gross demand for electricity in the first nine months of 2016 totalled 230.5 TWh, down 3.4% on the same period last year.

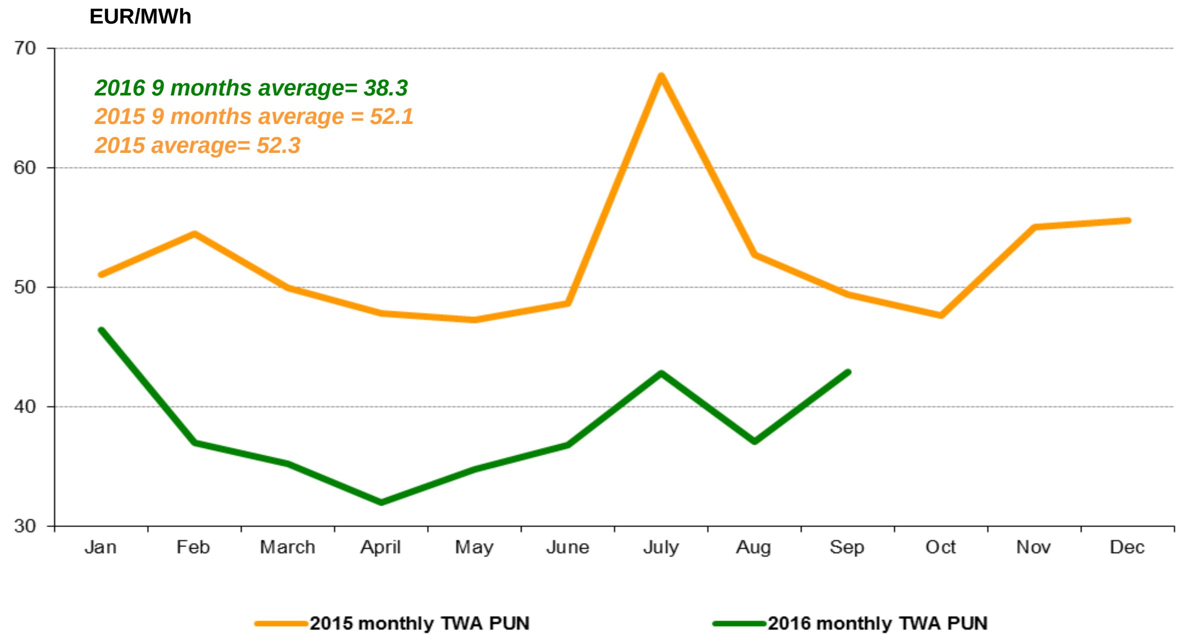
With reference to the price scenario at September 30, 2016, the Time Weighted Average (TWA) for the Single National Price (abbreviated as PUN in Italian) stood at 38.3 EUR/MWh, down 26% on the same period of the previous year (52.1 EUR/MWh).

This marked decline occurred in a context of significant decrease in thermoelectric generation costs (gas, coal and CO_2), lower electricity demand and a larger supply of renewable energy from wind power (approximately 12%).

With regard to the zonal prices, in the first nine months of 2016 there were drops of 29% in the North and 25% in the South. It will be noted that, despite the commissioning of the new Sorgente-Rizziconi power line (May 28, 2016), with a transport capacity of 1,100 MW, the differential between the Sicily-South zones stood at

9 EUR/MWh in the first nine months of 2016 as against 8.3EUR/MWh in the same period last year, due to a cable failure that reduced the transit between the two zones in the course of the third quarter. Still, the effect on the TWA remained small, what with the slight relative importance of the Island's demand.
Observing the monthly TWA trend, the most significant changes were recorded in the months of February, April and July. February and April (-32.2% and -33.1% respectively against last year) were characterised by higher than average temperatures (respectively + 3° and + 1.5° C) and a significant reduction in thermoelectric generation costs. In particular, February showed substantially stable electricity demand and high wind potential, whereas in April there was lower demand for electricity which, combined with increased availability of renewable generation, resulted in an average energy purchase price of 32.0 EUR/MWh, a new low since April 2004, i.e. since the launch of the Italian power exchange.
July 2016 saw a sharp decline (-36.8%) against July of last year, a month characterised by exceptionally hot weather causing a record level of energy demand, with a peak of approximately 60 GW.
In the first nine months of 2016 a decrease of approximately 26% was registered across the F1, F2 and F3 hourly time period, a phenomenon most evident in the aforesaid months of February, April and July.

The monthly trend as compared with that in the previous year is shown by the graph below:



Similarly, prices in other countries showed a general reduction. France closed the first nine months of 2016 at 29 EUR/MWh (-23% on the same period last year). In the face of a significant reduction in electricity demand the series of national strikes against labour law reform, leading to the shutdown of several nuclear and thermoelectric power plants, did not offer sufficient bolstering of prices. Germany closed at 26.1 EUR/MWh (-16% compared with the same period in 2015) due to significant wind source generation.
The differential between Italy and France was reduced by 34.4% against the first nine months of 2015, standing at 9.3 EUR/MWh, while that with Germany closed at 12.3 EUR/MWh (-41.5%).

Demand for Natural Gas in Italy and Market Environment

2015 full year	in billions of cubic meters	9 months 2016	9 months	% change	Q3 2016	Q3 2015	% change
28.3	Services and residential customers	18.2	18.8	*(3.0%)*	2.1	1.9	9.1%
15.9	Industrial users	12.3	11.9	*2.7%*	3.7	3.6	*2.7%*
20.8	Thermoelectric power plants	16.1	15.2	*6.1%*	5.9	6.0	*(0.6%)*
2.0	System usage and leaks	1.4	1.4	*2.7%*	0.6	0.5	*2.0%*
66.9	**Total demand**	**48.0**	**47.3**	***1.5%***	**12.3**	**12.0**	***2.0%***

Source: 2015 and preliminary 2016 data Snam Rete Gas, Ministry for Economic Development and Edison estimates.

During the third quarter of 2016 demand for natural gas in Italy registered an increase of 2% over the same period last year, standing at approximately 12.3 billion cubic meters, with a total increase of approximately 0.3 billion cubic meters.

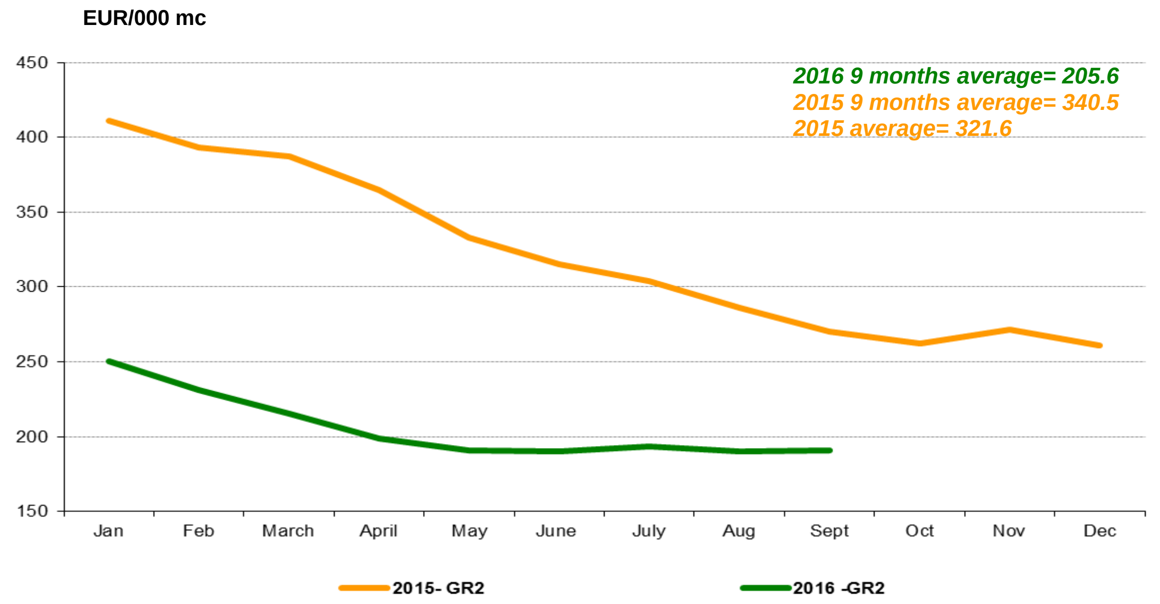
This trend was due to a slight rise in demand compared with the same period in 2015 in both the consumer sector (+0.2 billion cubic meters; + 9.1%) and the industrial sector (+0.1 billion cubic meters; + 2.7%). Despite a sharp drop in electricity demand, gas consumption in the thermoelectric sector stayed at 2015 levels, albeit with a slight decline of 0.6% due to a significant decrease in electricity output by coal plants.

As regards supply sources, the third quarter of 2016 recorded, compared with the corresponding period in 2015:

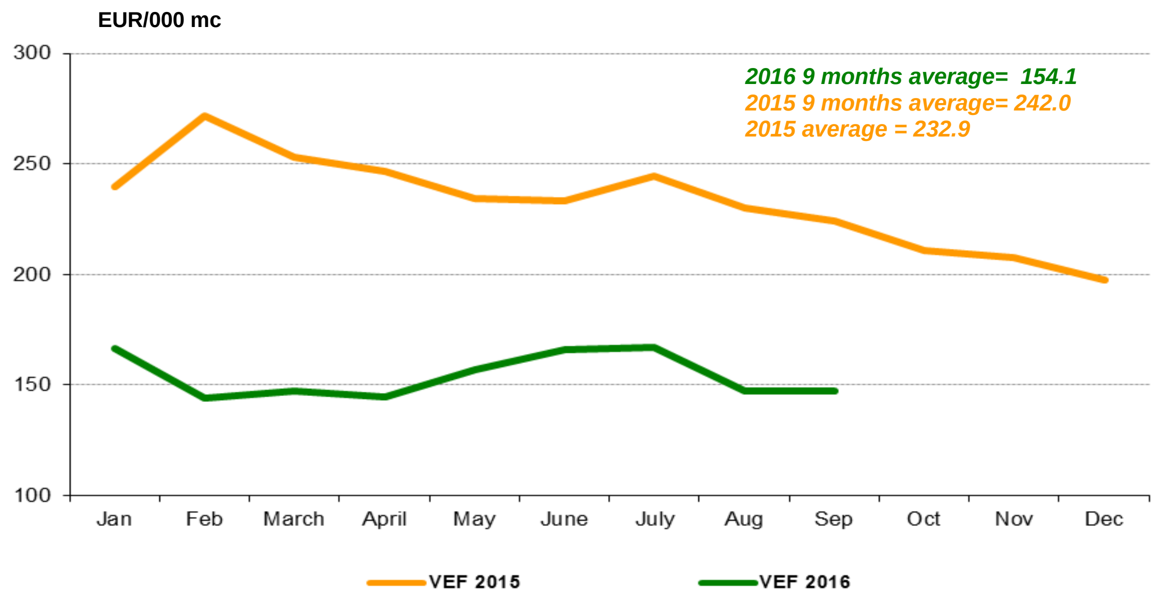
- a decline in domestic production (-16%);
- increased gas imports (+0.5 billion cubic meters; +3%);
- a similar volume added to storage.

In the first nine months of the year demand for natural gas amounted to 48 billion cubic meters, an increase of 0.7 billion cubic meters (+1.5%) on the same period in 2015.

In the first nine months of 2016 the indexed gas price (represented in the following graph, which takes as its reference the Gas Release 2 formula) stood at 205.6 EUR/000 cubic meters, a decrease of almost 40% from the same period in 2015. Up to April the formula was adversely affected by the downward movements registered on Brent and on distilled products between the second half of 2015 and the first quarter of 2016. Progressively, although the trend was essentially stable, only from May onwards did the effect of recovery of the oil market make itself felt.



Over the first nine months of 2016 the Virtual Exchange Facility (VEF) recorded an average of 154.1 EUR/000 cubic meters, marking a drop of approximately 36% against the same period in 2015. The monthly trend in gas prices on the spot market (shown in the graph below) departed, as it had done in 2015, from the seasonal trend that sees prices heading downward during the summer months and then upward, in view of the start of the new thermal year. Whilst in the first quarter of 2016 falling prices reflected a market hit with oversupply, in the subsequent three months prices again began to rise, as at other European hubs, given the succession of scheduled and unscheduled maintenance works in the production fields of Northern Europe. The reversal of the trend noted in the May-July period was also aided by an increase of demand for gas to be added to stocks. Conversely, in the third quarter it was indeed the high levels of stock and of domestic output that, despite the slight increase in demand on the previous quarter (+0.7%), entailed a new lowering of prices.



Legislative and Regulatory Framework

The main legislative and regulatory measures enacted in the third quarter of 2016 that concerned the Group's various businesses are reviewed below.

Electric Power

Retail market

Process of removal of price protection in the electricity sector - "Protection 2.0": with its resolution 369/16/R/eel of July 7, 2016, the Authority for electric power, gas and water systems (the Authority) established the instrument of "Similar Protection" for the electricity sector to be introduced on January 1, 2017. The measure was issued at the conclusion of the procedure begun in February 2016 with consultation document 75/2016, containing the final guidelines with respect to restatement of the conditions of the services of protection in the electric power sector for residential and small business customers, in accordance with the process of removal of protection under discussion at parliamentary level (*DDL Concorrenza*).

With respect to the "Similar Protection", it has been prescribed that the residential customers and small businesses served with "Greater Protection" market may voluntarily request to be served on that market through the central site managed by the Single Buyer which will put customers and preselected suppliers in contact with one another.

In order to provide "Similar Protection", operators must satisfy requisites of integrity, economic and financial soundness as well as requisites of an operational nature, and will be able to serve an initial maximum of 500,000 customers.

The contract shall be of a term of one year without possibility of extension and shall concern only the supply of electricity. As for the economic conditions applied, the price in "Similar Protection" shall be composed of the following:

- a one-off bonus (in euros/delivery point) paid in a single instalment as per the first invoice, the level of which (differentiated by type of customer) shall be established by each supplier at the time of the admission procedure. In the event of early termination of the contract the supplier may demand payment in a measure proportional to the period between the cessation of the contract and the original expiry date thereof (a term which shall not apply in cases wherein the customer withdraws due to the supplier's failure to respond to a complaint within the conditions prescribed, or should the contract be interrupted due to the supplier's loss of required characteristics);
- the PED consideration and the DISPBT component charged to customers within the protected status;
- the PCR consideration, specially introduced for the "Similar Protection" so as to ensure coverage of the risks related to energy supply (to be determined by a subsequent measure);
- the PCV consideration charged to the "Similar Protection" customers (to be determined by a subsequent measure).

Reform of invoicing: the Authority, following resolution 100/2016/R/com of March 10, 2016, regulating the issuing of the closing invoice, published resolution 463/2016/R/com of August 4, 2016, concerning the Integrated Invoicing Provisions (TIF). That resolution, which contains the new regulation for regular and closing invoicing, also confirms the obligation for all free market vendors to provide, probably as of January 2018, a standard offering. The document is applicable to all customers connected in low tension (excluding

public lighting) for the electricity sector and to customers using less than 200,000 scm/year of gas for the gas sector, whether served under the protected status systems or on the free market. The Authority’s main decisions concern the timings of invoice issuing, the frequency of invoicing, the prohibition of issuing mixed invoices in specific cases, automatic reading, automatic compensation payable to customers either by distributors or vendors, and metering of gas and electricity by distributors.
The TIF will enter into force on January 1, 2017.

Hydrocarbons

Rates and Market

Implementation of EU Regulation 312/2014 regarding gas balancing: the Authority, with consultation document 469/2016/R/gas of August 4, 2016, launched a second consultation process on the incentives scheme for the responsible for balancing aimed at establishing the incentive parameters defined by the Integrated Gas Balancing Provisions (TIB) intended for Snam Rete Gas’s pursuit of balancing actions consistent with the economical and efficient operation of the transport network.
In September the Authority, with resolution 487/2016/R/gas, approved the proposal for an updating of the Stogit Code for implementing resolution 193/2016/R/gas which introduces, with the start of the new balancing system, assignments at auction for storage capacity on monthly, weekly and daily (day-ahead) bases, as well as the over-nomination (intra-day) mechanism for the management of contractual congestions in the utilisation of storage capacity.
Moreover, the GME has updated, in line with the terms of resolution 312/2016/R/gas of June 16, 2016, the regulations of the PB-Gas platform and of the M-Gas regulated market, prescribing a trial period.
With respect to the Rovigo regasification terminal, from October 1, 2016, Adriatic ALNG will proceed with the introduction of a new infra-day flexibility service, in addition to the current previous-day service flexibility, with the aim of offering users another instrument with which to seize the opportunities of the new balancing system.

Completion of the congestion management system at points of interconnection with other countries: with resolution 464/2016/R/gas of August 4, 2016, the Authority completed the process of implementation of the European provisions on congestion management at points of interconnection with other countries contained in annex I to Regulation 715/2009 (CMP – Congestion Management Procedures).
The measure confirms the guidelines already stated by the Authority in the consultation phase. In particular, it prescribes the introduction of the use-it-or-lose-it mechanism on a day-ahead basis, for the management of the contractual congestions noted at the interconnection points of Tarvisio, Gries Pass and Gorizia. Under this measure, network users will be bound by more stringent constraints for the utilisation of contracted capacity, in order to free up more capacity for the market. The mechanism indeed calls for the application of restrictions on the daily renomination rights of continuous transport capacity holders, thus allowing third parties to utilise unused capacity. As a consequence of the measure, Snam Rete Gas will prepare and submit for consultation a proposal for the updating for its network code with a view to implementing the aforesaid provision.

Issues affecting multiple business segment

ADR (Alternative Dispute Resolution): in abidance with the requirements of Legislative Decree no. 130 of August 6, 2015, implementing directive 2013/11/EU on alternative resolution of consumer disputes, on September 27, 2016, Edison Energia and the 19 consumer associations of the CNCU (National Council of Consumers and Users) signed the protocol for establishing the ADR (Alternative Dispute Resolution) joint conciliation body with a view to ensuring an effective protection of consumers' rights.

The ADR body's joint conciliation procedure is free of charge for the customer and will ensure efficiency, transparency, impartiality, competence and independence.

The ADR body will be made up, in equal proportions, of Edison and CNCU consumers' associations representatives and will pursue the objective of promptly settling any disputes.

Following the signing of the Protocol, the ADR body submitted its application to the Authority for definitive enrolment in the register of acknowledged ADR bodies.

ECONOMIC AND FINANCIAL RESULTS AT SEPTEMBER 30, 2016

Sales Revenues and EBITDA of the Group and by Business Segment

2015 full year	(millions of euros)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
	Electric power operations[1]						
6,529	Sales revenues	4,063	4,997	*(18.7%)*	1,413	1,713	*(17.5%)*
360	Reported EBITDA	289	325	*(11.1%)*	100	122	*(18.0%)*
276	Adjusted EBITDA[2]	182	287	*(36.6%)*	60	79	*(24.1%)*
	Hydrocarbons operations[1]						
5,512	Sales revenues	4,362	3,873	*12.6%*	1,251	1,156	*8.2%*
995	Reported EBITDA	260	16	*n.m.*	67	(31)	*n.m.*
1,079	Adjusted EBITDA[2]	367	54	*n.m.*	107	12	*n.m.*
	Corporate Activities and Other Segments[3]						
49	Sales revenues	37	36	*2.8%*	12	12	-
(94)	EBITDA	(60)	(69)	13.0%	(18)	(23)	21.7%
	Eliminations						
(777)	Sales revenues	(488)	(597)	*18.3%*	(170)	(191)	*11.0%*
	Edison Group						
11,313	**Sales revenues**	**7,974**	**8,309**	***(4.0%)***	**2,506**	**2,690**	***(6.9%)***
1,261	**EBITDA**	**489**	**272**	***79.8%***	**149**	**68**	***n.m.***
11.1%	***as a % of sales revenues***	***6.1%***	***3.3%***		***5.9%***	***2.5%***	

(1) See the Value Chain on page VI.
(2) Adjusted EBITDA reflect the reclassification of the results of commodities and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains and losses attributable to them. This reclassification is being made to provide an operational presentation of the industrial results.
(3) Includes those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies.

In the third quarter of 2016 the Group's sales revenues totalled 2,506 million euros, down 6.9% from the same period last year.
EBITDA for the third quarter amounted to 149 million euros (68 million euros in the third quarter of 2015), an increase of 81 million euros on the third quarter of 2015.

See the following sections for a more in-depth analysis of performance in the period in the individual business segments.

Electric Power Operations

Sources

2015 full year	GWh (*)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
18,481	**Edison's Production:**	**14,456**	**14,339**	***0.8%***	**5,377**	**5,370**	***0.1%***
14,116	*- Thermoelectric*	11,703	*10.874*	*7.6%*	4.443	*4,161*	*6.8%*
3,378	*- Hydroelectric*	1,920	*2.673*	*(28.2%)*	746	*1,033*	*(27.8%)*
987	*- Wind power and other renewables*	833	*792*	*5.2%*	188	*176*	*7.0%*
70,952	**Other purchases (wholesalers, IPEX, etc.)(1)**	**54,085**	**53,314**	***1.4%***	**17,963**	**18,225**	***(1.4%)***
89,433	**Total sources in Italy**	**68,541**	**67,653**	***1.3%***	**23,340**	**23,595**	***(1.1%)***

(1) Before line losses and excluding the trading portfolio.
(*) One GWh is equal to one million kWh, referred to physical volumes.

Uses

2015 full year	GWh (*)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
17,108	**End customers (1)**	**8,800**	**13,276**	***(33.7%)***	**2,878**	**4,203**	***(31.5%)***
72,325	**Other sales (wholesalers, IPEX, etc.)(2)**	**59,741**	**54,377**	***9.9%***	**20,462**	**19,392**	***5.5%***
89,433	**Total uses in Italy**	**68,541**	**67,653**	***1.3%***	**23,340**	**23,595**	***(1.1%)***

(1) Before line losses.
(2) Excluding trading portfolio.
(*) One GWh is equal to one million kWh.

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

Within the scope of that model Edison's net production in Italy in the third quarter of 2016 amounted to 5,377 GWh, unchanged from the third quarter of 2015; in particular, thermoelectric generation showed an increase of 6.8%, a reflection of the national trend for gas-fired plants, despite the sale of Termica Milazzo carried out on August 1, 2016. As for hydroelectric production, performance in the third quarter of 2016 featured a significant drop in output (-27.8%) from 2015 levels due to the respective availability of water resources in the two periods and, in part, to the deconsolidation of the firm Hydros (with effect from January 1, 2016, as already foreseen in the governance agreements with the associate firm SEL) only partly attenuated by the contribution of the Cellina Energy and IDREG Piemonte plants acquired at the end of May 2016.
On the other hand, an increase of 7% in wind power and other renewable output was recorded, thanks mainly to greater windiness in the period.

Sales to end customers were down 31.5% due mainly to lower volumes sold to the business segment.
Other purchases in the third quarter of 2016 were slightly lower than in the same period last year, while Other sales registered a slight increase; however it will be recalled that this item includes, in addition to transactions on the wholesale market, purchases and sales on the IPEX, characterized by a lower unit margin, since they are tied to the plants' operational bidding modes, balancing of portfolios and make-or-buy activity.

During the first nine months of 2016:
• Edison's net productions totalled 14,456 GWh (+ 0.8% over the first nine months of 2015);
• the Group's overall sales amounted to 68,541 GWh (+ 1.3%), in the context of which retail sales amounted to 8,800 GWh, down 33.7% from the first nine months of 2015 by reason of the aforementioned decrease in the business segment.

Income Statement data

2015 full year	(millions of euros)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
6,529	Sales revenues	4,063	4,997	*(18.7%)*	1,413	1,713	*(17.5%)*
276	Adjusted EBITDA (1)	182	287	*(36.6%)*	60	79	*(24.1%)*

(1) See note on page 15.

Sales revenues in the third quarter of 2016 amounted to 1,413 million euros and, despite the presence of the Fenice sales revenues (88 million euros), were 17.5% lower than in the same period in 2015 as a result of the decline in average selling prices, weighed down by the scenario (TWA -28%).

Adjusted EBITDA, which includes Fenice's contribution of 18 million euros, totalled 60 million euros (79 million in the third quarter of 2015), a decrease of 24.1%. In particular, in the thermoelectric segment a further contraction of the spreads was registered for forward sales made in the OTC market and for sales on MGP/MSD, whilst the hydroelectric segment was characterized by the negative effects of volumes and scope, as well as scenario.

Overall, in the first nine months of the year sales revenues amounted to 4,063 million euros, down 18.7% from the same period in 2015, confirming the downward trend of average selling prices commented on heretofore with respect to the first six months and third quarter of 2016.
Adjusted EBITDA, totalling 182 million euros, registered a fall of 105 million euros compared with the first nine months of 2015, mainly ascribable to the thermoelectric segment for the contraction of generation margins commented on heretofore with respect to the third quarter of 2016, in addition to the effect of the phasing of certain maintenance works and to the income for green certificates for certain of the Group's plants.
The results in the hydroelectric generation segment were substantially stable thanks to the non-recurring positive effect of the transaction resulting in the exchange of Edison's shares in Hydros and Sel Edison for Alperia's stake in Cellina Energy, which offset the reduction of margins linked to the fall in the TWA and the negative effect of the deconsolidation of Hydros.

Hydrocarbons Operations

Sources of Natural gas

2015 full year	in millions of m^3 of natural gas	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
485	Production[1]	384	373	*3.0%*	143	120	*19.4%*
12,722	Imports (Pipeline + LNG)	10,825	9,235	*17.2%*	3,516	3,039	*15.7%*
4,172	Other purchases	4,422	2,355	*87.8%*	1,508	1,100	*37.1%*
197	Change in stored gas inventory [2]	(88)	106	*n.m.*	(162)	(233)	*30.5%*
17,576	**Total sources in Italy**	**15,543**	**12,069**	***28.8%***	**5,005**	**4,026**	***24.3%***
1,508	**Production outside Italy[3]**	**1,114**	**1,135**	***(1.9%)***	**356**	**355**	***0.2%***

(1) Net of self-consumption and at Standard Calorific Power. It includes the production from the Izabela concession in Croatia imported into Italy.
(2) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.
(3) Counting volumes withheld as production tax.

Uses of Natural gas

2015 full year	in millions of m^3 of natural gas	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
2,648	Residential use	1,668	1,713	*(2.6%)*	165	124	*33.0%*
3,385	Industrial use	2,890	2,445	*18.2%*	907	789	*14.9%*
5,671	Thermoelectric fuel use	4,928	4,046	*21.8%*	1,862	1,623	*14.7%*
5,872	Other sales	6,057	3,865	*56.7%*	2,071	1,489	*39.1%*
17,576	**Total uses in Italy**	**15,543**	**12,069**	***28.8%***	**5,005**	**4,026**	***24.3%***
1,508	**Sales of production outside Italy[1]**	**1,114**	**1,135**	***(1.9%)***	**356**	**355**	***0.2%***

(1) Counting volumes withheld as production tax.

Gas production in the third quarter in Italy and abroad amounted to 499 million cubic metres, an increase of 5% over the same period last year. Production marketed in Italy registered an increase of 19.4%, thanks to the Clara Nord-ovest field, commencing production in April 2016 and more than offsetting the other fields' natural depletion; production abroad, on the other hand, was in line with that of the third quarter of last year.
Total gas imports (increasing by 477 million cubic metres) and Other purchases (increasing by 408 million cubic metres) were both up sharply in order to meet the needs of higher sales for the period.
Gas volumes sold totalled 5,005 million cubic metres (+ 24.3% on the third quarter of 2015), driven by sales to thermoelectric users (up 14.7% due to greater gas consumption by the thermoelectric plants of the Group and of third parties) and industrial users (+ 14.9% thanks to the acquisition of new clients), as well as by increased sales on the wholesale and spot markets (up 39.1%).

In progressive terms, Edison's sources/uses balance in the first nine months stood at more than 15.5 billion cubic metres (28.8% above that of the same period of 2015) thanks to a significant rise in sales in all segments except residential uses (-2.6%), affected by milder weather compared with the first nine months of 2015.

Crude Oil Production

2015 full year	in thousands of barrels	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
2,546	Production in Italy	1,677	1,953	*(14.1%)*	552	633	*(12.7%)*
1,808	Production outside Italy (1)	1,554	1,253	*24.0%*	454	448	*1.4%*
4,354	**Total production**	**3,231**	**3,206**	***0.8%***	**1,006**	**1,080**	***(6.9%)***

(1) Counting volumes withheld as production tax.

Crude oil production in the third quarter of 2016 showed an overall fall in volumes of 6.9%, wholly attributable to the output of existing fields in Italy suffering the effects of natural depletion; on the other hand production abroad was substantially in line with the third quarter of 2015.

On the contrary, in progressive terms production remained in line with 2015 volumes, thanks to the contribution of the Scott and Telford fields (UK) acquired in May 2015, which offset the decline recorded in Italian production (down 276 thousand barrels).

Income Statement data

2015 full year	(millions of euros)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
5,512	Sales revenues	4,362	3,873	*12.6%*	1,251	1,156	*8.2%*
1,079	*Adjusted EBITDA* (1)	367	54	*n.m.*	107	12	*n.m.*
836	- *of which gas activities*	*221*	*(138)*	*n.m.*	*41*	*(35)*	*n.m.*
243	- *of which Exploration & Production*	*146*	*192*	*(24.0%)*	*66*	*47*	*40.4%*

(1) See note on page 15.

Sales revenues in the third quarter of 2016 amounted to 1.251 billion euros, an 8.2% increase on the same period in 2015, thanks to the growth of volumes sold which more than offset the drop in average sales prices reflecting lower oil prices which, although making a slight recovery, remained below 2015 levels.
Adjusted EBITDA for the third quarter of 2016 amounted to 107 million euros, an increase of 95 million euros on the third quarter of 2015 thanks to the margin achieved by the natural gas buying and selling activity, which again began recording positive results by the combined effect of greater sales volumes and the revision of the purchase cost of gas imported from Libya following the conclusion of arbitration and the subsequent agreement with Eni from October 2015; the change in the Exploration & Production segment was also positive, benefitting in the third quarter of 2016 from non-recurring income from the sale of certain facilities (22 million euros).

Also in the first nine months of 2016, the significant increase in volumes sold more than offset the price decrease, producing sales revenues of 4,362 million euros, up 12.6% on the same period in 2015.

Adjusted EBITDA were up 313 million euros as a result of two opposing trends:

- regarding gas activities, adjusted EBITDA totalled 221 million euros, in sharp contrast to the negative figures of the first nine months of 2015, in which business had not yet benefited from the revision of the purchase cost for gas imported from Libya.
- conversely, Exploration & Production activities, amounting to 146 million euros, showed a 24% drop due to the price trends of both Brent and the hub-indexed indicators, which over the first nine months of the year were on average significantly below 2015 levels.

Corporate Activities and Other Segments

Income Statement data

2015 full year	(millions of euros)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
49	Sales revenues	37	36	*2.8%*	12	12	-
(94)	EBITDA	(60)	(69)	*13.0%*	(18)	(23)	*21.7%*

Corporate Activities and Other segments include those operations of Edison Spa, the Group's Parent Company, that engage in central and transversal, i.e., activities that are not directly tied to a specific business, and certain holding companies and real estate companies.

Sales revenues both in the third quarter of 2016 and in the first nine months of the year were largely unchanged on the same periods of 2015.

EBITDA, negative by 18 million euros in the quarter and by 60 million euros in the first nine months 2016, improved on last year, thanks in part to the effects of the programme implemented for the containment of operating costs and in part to a different phasing of those expenses.

Other Components of the Group's Income Statement

2015 full year	(millions of euros)	9 months 2016	9 months 2015	% change	Q3 2016	Q3 2015	% change
1,261	**EBITDA**	**489**	**272**	***79.8%***	**149**	**68**	***n.m.***
161	Net change in fair value of derivatives (commodities and foreign exchange)	(133)	43	*n.m.*	(56)	91	*n.m.*
(2,194)	Depreciation, amortization and writedowns	(360)	(450)	*20.0%*	(119)	(150)	*20.7%*
(23)	Other income (expense), net	(6)	(22)	*72.7%*	(5)	(11)	*54.5%*
(795)	**EBIT**	**(10)**	**(157)**	***93.6%***	**(31)**	**(2)**	***n.m.***
(29)	Financial income (expense), net	(69)	(22)	*n.m.*	(9)	(28)	*67.9%*
(38)	Income from (Expense on) equity investments	7	(1)	*n.m.*	4	2	*100.0%*
(97)	Income taxes	(21)	(28)	*25.0%*	(1)	12	*n.m.*
(959)	**Profit (Loss) from continuing operations**	**(93)**	**(208)**	***55.3%***	**(37)**	**(16)**	***n.m.***
(980)	**Group interest in profit (loss)**	**(107)**	**(231)**	***53.7%***	**(40)**	**(24)**	***(66.7%)***

Negative EBIT of 10 million euros reflect depreciation, amortization and writedowns for 360 million euros, the net change in fair value regarding hedging activities on commodities and on foreign exchange (negative change of 133 million euros, compared with 43 million euros in 2015) and other net expenses of 6 million euros.

Depreciation and amortization in the period decreased by 90 million euros, a change attributable mainly to lesser depreciations as a consequence of the asset impairments recognized in 2015, lesser exploration investments (49 million euros) and greater net depreciation related to the aforementioned changes in scope for Fenice and Hydros (- 21 million euros).

The net result from Continuing Operations, negative by 93 million euros (negative by 208 million euros in first nine months of 2015), reflects net financial expense of 69 million euros and income taxes of 21 million euros.

Despite a lower level of average debt and a lower cost of debt, ascribable to a different mix of financial resources, the net financial expense was much exacerbated by the net foreign exchange losses recorded in the first nine months of 2016 (the same period in 2015 showed exceptionally positive net gains) as well as by 20 million euros in breakage cost for early repayment of long-term financing of a residual value of 400 million euros granted to Edison Spa by EDF IG Sa.

It will also be recalled that taxes on the income of the first nine months of 2015 included the negative effect of 68 million euros following the ruling of unconstitutionality of the Robin Hood tax, after which the deferred tax assets and the provision for deferred taxes recognized on the 6.5% IRES surcharge were eliminated.

Net Financial Debt and Cash Flows

Net financial debt at September 30, 2016 stood at 1,206 million euros (1,718 million euros at September 30, 2015), an increase of 59 million euros on the 1,147 million recorded at the end of December 2015.

More detailed analysis of the main components is provided in the "Net Financial Debt" section of the Review of the Group's Operating Performance and Financial Results.

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

2015 full year	(millions of euros)	September 30, 2016	September 30, 2015
(1,766)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD**	**(1,147)**	**(1,766)**
1,261	EBITDA	489	272
38	Elimination of non-cash items included in EBITDA	(59)	20
(45)	Net financial expense paid	(44)	(17)
(120)	Net income taxes paid (-)	(232)	(53)
8	Dividends collected	12	5
(16)	Other items from operating activities	(49)	(83)
1,126	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**117**	**144**
19	Change in operating working capital	416	521
40	Change in non-operating working capital	(72)	(137)
(535)	Net investments (-)	(405)	(396)
650	**C. CASH FLOW AFTER NET INVESTMENTS AND CHANGES IN WORKING CAPITAL**	**56**	**132**
(93)	Dividends paid (-)	(49)	(61)
62	Other items	(66)	(23)
619	**D. NET CASH FLOW FOR THE PERIOD**	**(59)**	**48**
(1,147)	**E. NET FINANCIAL (DEBT) AT END OF PERIOD**	**(1,206)**	**(1,718)**

In addition to the EBITDA effect reviewed above, the main cash flows for the period derived from:

- the change in working capital, which registered a strong improvement thanks mainly to the collection of the residual receivable resulting from the arbitration with ENI concerning Libyan gas, amounting to over 500 million euros;
- the change in net investments, which absorbed cash amounting to 405 million euros mainly related to:
  - investments in electricity generation of approximately 58 million euros, particularly in the hydroelectric sector, with the purchase of 9 mini-hydro power plants from IDREG Piemonte for 36 million euros;
  - the focus on the energy services business, for approximately 184 million euros in total, in particular through the consolidation of Fenice for 159 million euros;
  - investments in Exploration & Production activities of 134 million euros, net of the sale of some facilities for 22 million euros. In particular, investments in Italy concerned the development of the Clara North West field (16 million euros) and Ibleo (3 million euros).

    Investments abroad concerned: Algeria, for development activities at the Reggane concession (56 million euros), the Egyptian concession of Abu Qir, where construction works on the NAQ PIII platform continued (38 million euros), the Egyptian exploration licences of North Thekah, South Idku and North Port Fouad (10 million euro increase in the participation fee), the Norwegian concession of Zidane (2 million euros), the building of the Polarled pipeline, which will connect Zidane to the mainland (8 million euros) and Great Britain, for development activities on the Scott and Telford oil fields (7 million euros).
  - Moreover, exploration investments totalling approximately 57 million euros were made: in Egypt (18 million euros) for exploration in the East Med areas and the onshore Nile Delta, in Norway for the drilling of the Aurelia exploration well (16 million euros) and of the Ornen well (2 million euros), in the

Falkland Islands for hydrocarbon prospecting in the North and South areas (2 million euros), and in Greece for studies regarding the exploration licence in the Gulf of Patras (3 million euros).

Finally, during the first nine months of the year, in the context of the strategic review of the Group's activities, certain portfolio restructuring transactions were carried out, that resulted in the sale of the holdings in Fenice Russia and in Termica Milazzo Srl, as well as the deconsolidation of Hydros and the subsequent closing of the transaction consisting in the exchange of Edison Spa's stakes in Hydros and Sel Edison for Cellina Energy, owned by Alperia, with a net positive effect of 38 million euros.

Outlook and Expected Year-End Results

Taking into account the results for the first 9 months and considering current market conditions, we confirm the 2016 EBITDA forecast of approximately 650 million euros, including the Fenice contribution from April 1 of around 60 million euros. It should be recalled that 2016 EBITDA will not benefit from the extraordinary items recorded in 2015 (Libyan contract arbitration).

RISKS AND UNCERTAINTIES

Please consult the "Group Financial Risk Management" section of the Review of the Group's Operating Performance and Financial Results, which explains the risk management activities of the Edison Group.

OTHER INFORMATION

Related-Party Transactions

In the Review of the Group's Operating Performance and Financial Results, please consult the section entitled "Intercompany and Related-Party Transactions," which provides information on material transactions with related parties.

Additional Information

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

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL RESULTS

at September 30, 2016

Income Statement

(in millions of euros)	See Note	9 months 2016	of which related parties	9 months 2015	of which related parties	3rd quarter 2016	3rd quarter 2015
Sales revenues	1	7,974	472	8,309	298	2,506	2,690
Other revenues and income	2	151	3	101	1	55	31
Total net revenues		**8,125**	**475**	**8,410**	**299**	**2,561**	**2,721**
Raw materials and services used (-)	3	(7,426)	(301)	(7,968)	(245)	(2,337)	(2,596)
Labor costs (-)	4	(210)		(170)		(75)	(57)
EBITDA	5	**489**		**272**		**149**	**68**
Net change in fair value of commodity derivatives	6	(133)		43		(56)	91
Depreciation, amortization and writedowns (-)	7	(360)		(450)		(119)	(150)
Other income (expense), net	8	(6)		(22)		(5)	(11)
EBIT		**(10)**		**(157)**		**(31)**	**(2)**
Net financial income (expense)	9	(69)	(3)	(22)	69	(9)	(28)
Income from (Expense on) equity investments	10	7	1	(1)	(4)	4	2
Profit (Loss) before taxes		**(72)**		**(180)**		**(36)**	**(28)**
Income taxes	11	(21)		(28)		(1)	12
Profit (Loss) from continuing operations		**(93)**		**(208)**		**(37)**	**(16)**
Profit (Loss) from discontinued operations		-		-		-	-
Profit (Loss)		**(93)**		**(208)**		**(37)**	**(16)**
Broken down as follows:							
Minority interest in profit (loss)		14		23		3	8
Group interest in profit (loss)		**(107)**		**(231)**		**(40)**	**(24)**
Earnings (Loss) per share (in euros)	12						
Basic earnings (loss) per common share		(0.0212)		(0.0455)			
Basic earnings per savings share		0.0375		0.0375			
Diluted earnings (loss) per common share		(0.0212)		(0.0455)			
Diluted earnings per savings share		0.0375		0.0375			

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	9 months 2016	9 months 2015	3rd quarter 2016	3rd quarter 2015
Profit (Loss)		**(93)**	**(208)**	**(37)**	**(16)**
Other components of comprehensive income:					
A) Change in the Cash Flow Hedge reserve	24	**440**	**(57)**	**153**	**(246)**
- Gains (Losses) arising during the period		645	(84)	221	(360)
- Income taxes		(205)	27	(68)	114
B) Change in reserve for available-for-sale investments		-	-	-	**(1)**
- Gains (Losses) not realized		-	-	-	(1)
- Income taxes		-	-	-	-
C) Differences on the translation of assets in foreign currencies		**12**	**2**	**1**	**(13)**
- Gains (Losses) not realized		14	7	4	(13)
- Income taxes		(2)	(5)	(3)	-
D) Pro rata interest in other components of comprehensive income of investee companies		-	-	-	-
E) Actuarial gains (losses) (*)		**(2)**	**1**	-	-
- Actuarial gains (losses)		(2)	1	-	-
- Income taxes		-	-	-	-
Total other components of comprehensive income net of taxes (A+B+C+D+E)		**450**	**(54)**	**154**	**(260)**
Total comprehensive profit (loss)		**357**	**(262)**	**117**	**(276)**
Broken down as follows:					
Minority interest in comprehensive profit (loss)		14	23	3	8
Group interest in comprehensive profit (loss)		**343**	**(285)**	**114**	**(284)**

(*) Items not reclassificable in Income Statement.

Balance Sheet

(in millions of euros)	See Note	09.30.2016	of which related parties	12.31.2015	of which related parties
ASSETS					
Property, plant and equipment	*13*	4,152		3,678	
Investment property	*14*	5		6	
Goodwill	*15*	2,355		2,355	
Hydrocarbon concessions	*16*	437		480	
Other intangible assets	*17*	124		118	
Investments in associates	*18*	76	76	67	67
Available-for-sale investments	*18*	160		167	
Other financial assets	*19*	106	78	31	4
Deferred-tax assets	*20*	567		702	
Other assets	*21*	254		280	
Total non-current assets		**8,236**		**7,884**	
Inventories		236		253	
Trade receivables		1,761	34	2,367	50
Current-tax assets		9		20	
Other receivables		1,338	65	1,654	28
Current financial assets		41	6	113	83
Cash and cash equivalents		238	54	279	-
Total current assets	*22*	**3,623**		**4,686**	
Assets held for sale	*23*	**-**		**212**	
Eliminations of assets from and to discontinued operations		**-**		**-**	
Total assets		**11,859**		**12,782**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,377		5,292	
Reserves and retained earnings (loss carryforward)		980		1,790	
Reserve for other components of comprehensive income		(213)		(663)	
Group interest in profit (loss)		(107)		(980)	
Total shareholders' equity attributable to Parent Company shareholders		**6,037**		**5,439**	
Shareholders' equity attributable to minority shareholders		335		437	
Total shareholders' equity	*24*	**6,372**		**5,876**	
Provision for employee severance indemnities and provisions for pensions	*25*	44		31	
Provision for deferred taxes	*26*	51		32	
Provisions for risks and charges	*27*	1,145		1,123	
Bonds	*28*	600		599	
Long-term financial debt and other financial liabilities	*29*	226	70	640	467
Other liabilities	*30*	114		315	
Total non-current liabilities		**2,180**		**2,740**	
Bonds		36		28	
Short-term financial debt		623	458	306	170
Trade payables		1,378	41	1,623	51
Current taxes payable		7		25	
Other liabilities		1,263	60	2,177	202
Total current liabilities	*31*	**3,307**		**4,159**	
Liabilities held for sale	*32*	**-**		**7**	
Eliminations of liabilities from and to discontinued operations		**-**		**-**	
Total liabilities and shareholders' equity		**11,859**		**12,782**	

Cash Flow Statement

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

(in millions of euros)	See Note	9 months 2016	of which related parties	9 months 2015	of which related parties
Profit (Loss) before taxes		**(72)**		**(180)**	
Depreciation, amortization and writedowns	*7*	360		450	
Net additions to provisions for risks		(35)		(7)	
Interest in the result of companies valued by the equity method (-)		(1)	(1)	4	4
Dividends received from companies valued by the equity method		7	7	3	3
(Gains) Losses on the sale of non-current assets		(55)		2	
Change in the provision for employee severance indemnities and provisions for pensions	*25*	(2)		(1)	
Change in fair value recorded in EBIT		137		(37)	
Change in operating working capital		416	6	521	(4)
Change in non-operating working capital		(72)	(8)	(137)	29
Change in other operating assets and liabilities		14		(65)	
Net financial (income) expense	*9*	69	3	22	(69)
Net financial income (expense) paid		(44)	2	(17)	73
Net income taxes paid		(232)	(171)	(53)	
A. Cash flow from continuing operations		**490**		**505**	
Additions to intangibles and property, plant and equipment (-)	*13-17*	(274)		(387)	
Additions to non-current financial assets (-)		-		(6)	(6)
Net price paid on business combinations		(4)		(7)	
Cash and cash equivalents from contribution in kind		52		-	
Proceeds from the sale of intangibles and property, plant and equipment		50	24	-	
Proceeds from the sale of non-current financial assets		4		-	
Repayment of capital contribution by non-current financial assets		4		4	
Change in other current financial assets		(5)		1	2
B. Cash used in investing activities from continuing operations		**(173)**		**(395)**	
Receipt of new medium-term and long-term loans	*28, 29, 31*	151	150	400	400
Redemption of medium-term and long-term loans (-)	*28, 29, 31*	(583)	(570)	(761)	(250)
Other net change in financial debt		123	62	88	148
Dividends paid to controlling companies or minority shareholders (-)		(49)	(4)	(61)	-
C. Cash used in financing activities from continuing operations		**(358)**		**(334)**	
D. Net currency translation differences		**-**		**-**	
E. Net cash flow for the period from continuing operations (A+B+C+D)		**(41)**		**(224)**	
F. Net cash flow for the period from discontinued operations		**-**		**-**	
G. Net cash flow for the period (continuing and discontinued operations) (E+F)		**(41)**		**(224)**	
H. Cash and cash equivalents at the beginning of the year from continuing operations		**279**	-	**473**	
I. Cash and cash equivalents at the beginning of the year from discontinued operations		**-**		**-**	
L. Cash and cash equivalents at the end of the period (continuing and discontinued operations) (G+H+I)		**238**	54	**249**	
M. Cash and cash equivalents at the end of the period from discontinued operations		**-**	-	**-**	
N. Cash and cash equivalents at the end of the period from continuing operations (L-M)		**238**	54	**249**	

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income					Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
			Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Actuarial gains (losses)				
Balance at December 31, 2014	5,292	1,746	(458)	-	11	-	(4)	40	6,627	510	7,137
Appropriation of the previous year's profit (loss)	-	40	-	-	-	-	-	(40)	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(66)	(66)
Other changes	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Total comprehensive profit (loss)	-	-	(57)	-	2	-	1	(231)	(285)	23	(262)
of which:											
- Change in comprehensive income	-	-	(57)	-	2	-	1	-	(54)	-	(54)
- Profit (Loss) from 01.01.2015 to 09.30.2015	-	-	-	-	-	-	-	(231)	(231)	23	(208)
Balance at September 30, 2015	5,292	1,782	(515)	-	13	-	(3)	(231)	6,338	467	6,805
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(27)	(27)
Other changes	-	8	-	-	-	-	-	-	8	(1)	7
Total comprehensive profit (loss)	-	-	(162)	-	2	-	2	(749)	(907)	(2)	(909)
of which:											
- Change in comprehensive income	-	-	(162)	-	2	-	2	-	(158)	-	(158)
- Profit (Loss) from 10.01.2015 to 12.31.2015	-	-	-	-	-	-	-	(749)	(749)	(2)	(751)
Balance at December 31, 2015	5,292	1,790	(677)	-	15	-	(1)	(980)	5,439	437	5,876
Appropriation of the previous year's profit (loss)	-	(980)	-	-	-	-	-	980	-	-	-
Dividends and reserves distributed	-	-	-	-	-	-	-	-	-	(49)	(49)
Increase of share capital and reserves	85	162	-	-	-	-	-	-	247	-	247
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	(68)	(68)
Other changes	-	8	-	-	-	-	-	-	8	1	9
Total comprehensive profit (loss)	-	-	440	-	12	-	(2)	(107)	343	14	357
of which:											
- Change in comprehensive income	-	-	440	-	12	-	(2)	-	450	-	450
- Profit (Loss) from 01.01.2016 to 09.30.2016	-	-	-	-	-	-	-	(107)	(107)	14	(93)
Balance at September 30, 2016	5,377	980	(237)	-	27	-	(3)	(107)	6,037	335	6,372

NOTES TO THE QUARTERLY REPORT AT SEPTEMBER 30, 2016

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Edison Group's Quarterly Report at September 30, 2016 was prepared in accordance with IAS 34 - Interim Financial Reporting, consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the Official Journal of the European Union (O.J.E.U.), although the Group defined the semester as the reference period in accordance with the above accounting standard.

Methods applied to the Preparation of the Financial Statements

Please note that the international accounting principles applied are consistent with those used for the 2015 Consolidated Financial Statements, which should be referenced for additional details.
It is worth of mentioning that, with the reference to the "Financial Instruments", the Group, whenever possible, uses hedge accounting, provided the transactions comply with the requirements of IAS 39. In the period some Cash Flow Hedge hedging relationships on commodity have been revoked and, in certain cases, have been carried out, prospectively, new hedging relationships both Cash Flow Hedge and, for the first time, Fair Value Hedge; this in the light of indexing formula and risk factor included. It should be noted that the fair value recorded at the date of revocation was maintained in the Cash Flow Hedge Reserves and from time to time reflected in the income statement in line with the effects of the hedged item.

The Board of Directors, meeting on November 2, 2016, authorized the publication of the Edison Group's Quarterly Report at September 30, 2016, which was not audited.

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

Use of Estimated Values

The preparation of Edison Group's Quarterly Report at September 30, 2016 and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates. The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. Generally the use of estimates is particularly significant for amortization and depreciation, valuation of derivatives, provision for risks and allowance for doubtful accounts, advances paid under long-term natural gas supply contracts (take-or-pay) as well as the impairment test.
For a more detailed description of the valuation processes with a more significant impact on the Group, unchanged compared to previous year, please consult the section of the 2015 Consolidated Financial Statements entitled "Use of Estimated Values".

Significant assumptions in determining control in accordance with IFRS 12

With regard to the definition of control set forth in IFRS 10, please note that the Edison Group consolidates line by line two companies even though it does not hold a majority equity stake; more specifically, Dolomiti Edison Energy Srl, owned at 49%, in the hydroelectric area and E2i Energie Speciali Srl, owned at 30% through Edison Partecipazioni Energie Rinnovabili Srl, in the renewable energy area. A more detailed description of these issues is provided in the 2015 Consolidated Financial Statements.
The company Hydros (owned at 40% at December 31, 2015) from January 1, 2016 has been deconsolidated and valued by the equity method because the requirements for control have been expired pursuant to IFRS 10; it was then sold on May 31, 2016 as described in the following disclosures.

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

Electric Power:

- On March 22, 2016, the Extraordinary Shareholders' Meeting of Edison Spa approved a share capital increase in kind, to be subscribed by the contribution in Edison Spa, by its controlling shareholder Transalpina di Energia, of 100% of equity stake in Fenice Qualità per l'Ambiente Spa (an EDF Group company specialized in energy and environmental services); the contribution was carried out with effect from April 1, 2016. Since that latter date Fenice Group is consolidated line by line in Edison Group.
- On May 31, 2016, with effect from June 1, 2016, Edison and Alperia have completed the transaction to swap Edison stakes in Hydros (40%) and Sel Edison (42%) (already considered as Disposal Group at December 31, 2015) with Alperia participation in Cellina Energy, the company which owns Cellina hydroelectric plants in the Friuli Venezia Giulia Region; Cellina Energy is fully consolidated from June 1, 2016.
- On May 25, 2016 Edison acquired a branch of business by the bankruptcy of IDREG Piemonte Spa which mainly includes small-size hydroelectric power plants. The branch of business was acquired in its factual and legal status which it is without any guarantees by the bankruptcy. It also worth of mentioning that the inherited liabilities related to the bankruptcy remaining to be borne by itself.
- Merger by incorporation into Edison Spa of Shen Spa, already held at 100%, effective vis-à-vis third parties as of March 1, 2016; this transaction had not impact on the Group.
- On August 1, 2016 the transfer of the shareholding held in the company Termica Milazzo, previously consolidated line by line, was completed.
- In September 2016, the company Fenice transferred the 100% of its equity stake in the company Fenice Russia to Dalkia (an EDF Group company).

Information pursuant to IFRS 3 revised

The first nine months of 2016 were characterized by some business combination's transactions related to:

- Fenice;
- Cellina Energy Spa;
- Branch of business IDREG Piemonte;

These transactions are reflected in the consolidated financial statements in accordance with IFRS 3 revised "Business Combinations," recognizing the acquired assets, liabilities and contingent liabilities at fair value at the acquisition date.

For the detailed analysis of the transactions and of the carrying values please refer to what described in detail in the Semiannual Report at June 30, 2016.

The contribution of Fenice group at income statement level from April 1, 2016 to September 30, 2016 was the following:

INCOME STATEMENT

(in millions of euros)	9 months 2016
Sales revenues	182
EBITDA	36
Depreciation, amortization and writedowns (-)	(32)
EBIT	4
Net financial income (expense)	(3)
Income taxes	(2)
Profit (Loss)	(1)

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

SEGMENT INFORMATION

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

INCOME STATEMENT (in millions of euros)	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	9 months 2016	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015
Sales Revenues	**4,063**	**4,997**	**4,362**	**3,873**	**37**	**36**	**(488)**	**(597)**	**7,974**	**8,309**
- third parties sales revenues	4,037	4,984	3,933	3,321	4	4	-	-	7,974	8,309
- Intra-Group sales revenues	26	13	429	552	33	32	(488)	(597)	-	-
EBITDA	**289**	**325**	**260**	**16**	**(60)**	**(69)**	**-**	**-**	**489**	**272**
as a % of sales revenues	*7.1%*	*6.5%*	*6.0%*	*0.4%*	*n.m.*	*n.m.*			*6.1%*	*3.3%*
Net change in Fair Value of Commodity derivatives	5	7	(138)	36	-	-	-	-	(133)	43
Depreciation, amortization and writedowns	(155)	(174)	(200)	(271)	(5)	(5)	-	-	(360)	(450)
Othet income (expense),net	-	-	-	-	(6)	(22)	-	-	(6)	(22)
EBIT	**139**	**158**	**(78)**	**(219)**	**(71)**	**(96)**	**-**	**-**	**(10)**	**(157)**
as a % of sales revenues	*3.4%*	*3.2%*	*(1.8%)*	*(5.7%)*	*n.m.*	*n.m.*			*(0.1%)*	*(1.9%)*
Net financial income (expense)									**(69)**	**(22)**
Interest in result of companies valued by equity method									**1**	**(4)**
Income taxes									**(21)**	**(28)**
Profit (Loss) from continuing operations									**(93)**	**(208)**
Profit (Loss) from discontinued operations									**-**	**-**
Minority interest in profit (loss)									**14**	**23**
Group interest in profit (loss)									**(107)**	**(231)**

BALANCE SHEET (in millions of euros)	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	09.30.2016	12.31.2015	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015
Total current and non-current assets	**6,139**	**5,672**	**5,346**	**6,861**	**3,937**	**3,445**	**(3,563)**	**(3,408)**	**11,859**	**12,570**
Assets held for sale	-	**212**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	212
Total assets	**6,139**	**5,884**	**5,346**	**6,861**	**3,937**	**3,445**	**(3,563)**	**(3,408)**	**11,859**	**12,782**
Total current and non-current liabilities	**1,782**	**1,586**	**3,905**	**5,056**	**2,238**	**2,699**	**(2,438)**	**(2,442)**	**5,487**	**6,899**
Liabilities held for sale	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	7
Total liabilities	**1,782**	**1,593**	**3,905**	**5,056**	**2,238**	**2,699**	**(2,438)**	**(2,442)**	**5,487**	**6,906**
Net Financial Debt									**1,206**	**1,147**

OTHER INFORMATION (in millions of euros)	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	9 months 2016	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015	**9 months 2016**	9 months 2015
Capital expenditures	47	22	150	207	2	1	-	-	**199**	**230**
Investments in exploration	-	-	57	106	-	-	-	-	**57**	**106**
Investments in intangibles	1	1	15	49	2	1	-	-	**18**	**51**
Total capital investments	**48**	**23**	**222**	**362**	**4**	**2**	**-**	**-**	**274**	**387**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Adjustments		EDISON GROUP	
	09.30.2016 (*)	12.31.2015 (**)	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015	**09.30.2016**	12.31.2015
Number of employees	**2,908**	***1,030***	**1,386**	**1,414**	**626**	**622**	**-**	**-**	**4,920**	**3,066**

(*) Includes 1,975 employees referred to Fenice Group.

(**) Includes 76 employees of companies classified as Assets held for sale and sold on May 31, 2016.

The Group does not view **geographic area** segment information as meaningful. At September 30, 2016 the net non-current assets of its foreign operations, referred to the Hydrocarbons Operations, totaled 1,125 million euros and accounted for about 14.8% of net invested capital. Specifically abroad it is worth of mentioning the Exploration & Production activities located in Egypt.
The contribution of the Exploration & Production business, although significant, was penalized by the trend in the reference scenario compared with the same period of previous year.

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Sales revenues	**310**	383	(73)	(19.1%)
EBITDA reported	**152**	192	(40)	(20.8%)
as % of sales revenues	*49.0%*	*50.1%*		
EBIT	**(36)**	(61)	25	41.0%
as % of sales revenues	*(11.6%)*	*(15.9%)*		

Major customers as defined by IFRS 8

The Group's sales are generally not concentrated. In the Electric Power Operations there is one major customer with sales revenues totaling about 822 million euros in the period, equal to 20.2% of the total sales revenues of the Electric Power Operations and to 10.3% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

In the first nine months of 2016, the scenario is still unfavorable and the macroeconomic situation is in slight recovery, the national demand for electricity decreased compared with the first nine months of 2015 (-3.4%); the reduced availability of water resources in the period compared with the nine months of 2015 resulted in a sharp reduction of hydroelectric generation, in addition the effect of the thermoelectric sources which is also in decrease. Italian consumption of natural gas increased by 1.5% compared with the same period of the previous year, mainly due to the combined effects of higher thermoelectric consumption and lower consumption for services and residential uses.

In this scenario, Group **EBITDA** were positive by 489 million euros (272 million euros in the same period of the previous year), more specifically:

- The adjusted EBITDA[1] of the **Electric Power Operations**, amounting to 182 million euros, which included the contribution of Fenice group from April 1, 2016 (36 million euros) and the non-recurring positive results generated by the transactions of hydroelectric activities reorganization, decreased compared with the same period last year (287 million euros) including the contribution of Hydros, as a consequence of the reduction in generation margins, in particular in thermoelectric sector, of the reduction in hydroelectric generation due to a reduced availability of water resources during the period and of the decrease in sales price.
- The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 367 million euros, compared with the first nine months of 2015 (54 million euros). The performance for the period benefited from the improved margin realized by the activities engaged in the procurement and sale of natural gas, thanks to the successful conclusion of the arbitration with ENI for the contract to import natural gas from Libya occurred in November 2015 and to the a new agreement occurred in the period. The contribution of Exploration & Production activities, although significant, continue to be penalized as a result of the persisting negative scenario of the oil market; moreover in the period some facilities were sold with a positive effect of about 22 million euros.

The **Group's interest in the net result** was negative by 107 million euros (negative by 231 million euros in the first nine months of 2015).
In addition to the industrial margin dynamics discussed above, the main factors affecting the result for the period included:

- a net negative change in the fair value of derivatives amounting to 133 million euros (positive by 43 million euros in the first nine months of 2015);
- depreciation, amortization and writedowns for 360 million euros (450 million euros in the same period of 2015);
- net financial expenses of 69 million euros, compared to net financial expenses of 22 million euros recorded in the first nine months of 2015 which benefited of extraordinary positive effect on exchange rates.

Moreover it should be noted that income taxes in the first nine months of 2015 were affected by the negative one-off effect related to the application of the repeal of the Robin Hood tax (68 million euros).

[1] Adjusted EBITDA reflect the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas from the Hydrocarbons Operations to the Electric Power Operations for the portion of gains and losses attributable to them (-107 million euros in 2016, +38 million euros in 2015). This reclassification is being made to provide an operational presentation of the industrial results.

1. Sales Revenues - 7,974 million euros

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Electric power	3,152	3,797	(645)	(17.0%)
Natural gas	2,920	2,897	23	0.8%
Steam	41	46	(5)	(10.9%)
Oil	110	144	(34)	(23.6%)
Green certificates	6	124	(118)	(95.2%)
Other sales revenues	9	15	(6)	(40.0%)
Sub-total	**6,238**	**7,023**	**(785)**	**(11.2%)**
Transmission revenues	715	1,039	(324)	(31.2%)
Realized commodity derivatives	753	128	625	n.m.
Margin on trading activities	6	3	3	100.0%
Storage services	60	68	(8)	(11.8%)
Revenues from services provided	7	7	-	-
Other revenues from sundry services	195	41	154	n.m.
Total for the Group	**7,974**	**8,309**	**(335)**	**(4.0%)**

Breakdown by Business Segment	9 months 2016	9 months 2015	Change	% change
Electric Power Operations	4,063	4,997	(934)	(18.7%)
Hydrocarbons Operations	4,362	3,873	489	12.6%
Corporate and Other Segments	37	36	1	2.8%
Eliminations	(488)	(597)	109	(18.3%)
Total for the Group	**7,974**	**8,309**	**(335)**	**(4.0%)**

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

The sales revenues of the **Electric Power Operations**, which from April 1, 2016 include the contribution of Fenice Group (182 million euros), decreased by 18.7% compared with the previous year, mainly due to a decline in average sales prices, driven by the benchmark scenario.

The sales revenues of the **Hydrocarbons Operations,** which were up by 12.6% compared with the first nine months of 2015, reflect an increase in sales volumes to industrial and thermoelectric users that offset the reduction of sales prices.

The income from **Realized commodity derivatives**, 753 million euros, which should be analyzed together with the corresponding item included in **Raw materials and services used** (1,084 million euros), primarily reflects the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used by the Edison Group's facilities portfolios and gas earmarked for direct sales.

Margin on Trading Activities

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Margin on physical contracts included in trading portfolios				
Sales revenues	1,627	2,162	(535)	(24.7%)
Raw materials and services used	(1,612)	(2,143)	531	(24.8%)
Total included in sales revenues	**15**	**19**	**(4)**	**n.m.**
Margin on financial contracts included in trading portfolios				
Sales revenues	46	42	4	9.5%
Raw materials and services used	(55)	(58)	3	(5.2%)
Total included in sales revenues	**(9)**	**(16)**	**7**	**(43.8%)**
Total margin on trading activities	**6**	**3**	**3**	**100.0%**

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

2. Other Revenues and Income - 151 million euros

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Recovery of costs from partners in hydrocarbon exploration projects	17	21	(4)	(19.0%)
Net reversals in earnings of provisions for risks on receivables and other risks	17	1	16	n.m.
Gains on disposals	56	-	56	n.m.
Out of period and sundry items	61	79	(18)	(22.8%)
Total for the Group	**151**	**101**	**50**	**49.5%**

3. Raw Materials and Services Used - 7,426 million euros

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Natural gas	2,268	2,911	(643)	(22.1%)
Electric power	2,135	2,588	(453)	(17.5%)
Green certificates	1	-	1	n.m.
CO_2 emissions rights	23	26	(3)	(11.5%)
Utilities and other materials	68	60	8	13.3%
Sub-total	**4,495**	**5,585**	**(1,090)**	**(19.5%)**
Transmission of electric power and natural gas	1,266	1,554	(288)	(18.5%)
Maintenance	158	121	37	30.6%
Regasification fee	87	87	-	0.0%
Professional services	68	84	(16)	(19.0%)
Writedowns of trade and other receivables	56	51	5	9.8%
Realized commodity derivatives	1,084	138	946	n.m.
Additions to provisions for miscellaneous risks	19	11	8	72.7%
Change in inventories	12	81	(69)	(85.2%)
Use of property not owned	68	80	(12)	(15.0%)
Sundry items	113	176	(63)	(35.8%)
Total for the Group	**7,426**	**7,968**	**(542)**	**(6.8%)**

Breakdown by Business Segment	9 months 2016	9 months 2015	Change	% change
Electric Power Operations	3,736	4,652	(916)	(19.7%)
Hydrocarbons Operations	4,118	3,851	267	6.9%
Corporate Activities and Other Segments	68	69	(1)	(1.4%)
Eliminations	(496)	(604)	108	17.9%
Total for the Group	**7,426**	**7,968**	**(542)**	**(6.8%)**

4. Labor Costs - 210 million euros

The increase of 40 million euros compared with the first nine months of 2015 (170 million euros) reflects the consolidation of Fenice Group from April 1, 2016 (48 million euros).

5. EBITDA - 489 million euros

(in millions of euros)	9 months 2016	as a % of sales revenues	9 months 2015	as a % of sales revenues
Reported EBITDA				
Electric Power Operations	289	7.1%	325	6.5%
Hydrocarbons Operations	260	6.0%	16	0.4%
Corporate Activities and Other Segments	(60)	n.m.	(69)	n.m.
Total for the Group	**489**	**6.1%**	**272**	**3.3%**
Adjusted EBITDA				
Electric Power Operations	182	4.5%	287	5.7%
Hydrocarbons Operations	367	8.4%	54	1.4%
Corporate Activities and Other Segments	(60)	n.m.	(69)	n.m.
Total for the Group	**489**	**6.1%**	**272**	**3.3%**

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

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

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

6. Net Change in Fair Value of Commodity Derivatives – (133) million euros

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Change in fair value in hedging the price risk on energy products:	**49**	**41**	**8**	**19,5%**
- definable as hedges pursuant to IAS 39 (CFH) (*)	29	(15)	44	n.m.
- definable as hedges pursuant to IAS 39 (FVH)	126	-	126	n.a
- not definable as hedges pursuant to IAS 39	(106)	56	(162)	n.m.
Change in fair value in hedging the foreign exchange risk on commodities:	**(75)**	**2**	**(77)**	**n.m.**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(11)	(6)	(5)	83,3%
- definable as hedges pursuant to IAS 39 (FVH)	(18)	-	(18)	n.a
- not definable as hedges pursuant to IAS 39	(46)	8	(54)	n.m.
Change in fair value in physical contracts	**(107)**	**-**	**(107)**	**n.a**
Total for the Group	**(133)**	**43**	**(176)**	**n.m.**

(*) Referred to the ineffective portion.

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

It is worth of mentioning that, in the period, some hedging relationships have been revoked in order to carry out prospectively new hedging relationship of Fair Value Hedge.

7. Depreciation, Amortization and Writedowns – 360 million euros

(in millions of euros)	9 months 2016	9 months 2015	Change	% change
Depreciation and amortization of:	**360**	**439**	**(79)**	**(18.0%)**
- property, plant and equipment	251	269	(18)	(6.7%)
- exploration costs	57	106	(49)	(46.2%)
- hydrocarbon concessions	40	51	(11)	(21.6%)
- other intangible assets	12	13	(1)	(7.7%)
Writedowns of:	**-**	**11**	**(11)**	**n.m.**
- property, plant and equipment	-	11	(11)	n.m.
Total for the Group	**360**	**450**	**(90)**	**(20.0%)**

Breakdown by Business Segment	**9 months 2016**	9 months 2015	Change	% change
Electric Power Operations:	**155**	**174**	**(19)**	**(10.9%)**
- depreciation and amortization	155	174	(19)	(10.9%)
Hydrocarbons Operations:	**200**	**271**	**(71)**	**(26.2%)**
- depreciation and amortization	200	260	(60)	(23.1%)
- writedowns of property, plant and equipment	-	11	(11)	n.m.
Corporate Activities and Other Segments:	**5**	**5**	**-**	**-**
- depreciation and amortization	5	5	-	-
Total for the Group	**360**	**450**	**(90)**	**(20.0%)**

The net decrease reflects, *inter alia*, the depreciation and amortization of Fenice Group (32 million euros from April 1, 2016), and also the effects of the writedowns resulting from impairment test performed in December 2015.

8. Other Income (Expense), Net – (6) million euros

This item had negative balance by 6 million euros (net expense of 22 million euros in the first nine months of 2015). They reflect nonrecurring items that are not directly related to the current Group's industrial operations.

9. Net Financial Income (Expense) – (69) million euros

(in millions of euros)	9 months 2016	9 months 2015	Change
Financial income			
Financial income from financial derivatives	5	16	(11)
Interest earned on bank and postal accounts	3	-	3
Interest earned on trade receivables	4	14	(10)
Other financial income	9	11	(2)
Total financial income	**21**	**41**	**(20)**
Financial expense			
Interest accrued on bond issues	(18)	(22)	4
Fair Value Hedge adjustment on bonds	10	9	1
Financial expense from financial derivatives	(4)	(13)	9
Interest accrued to banks	(1)	(3)	2
Fees	(9)	(19)	10
Financial expense on decommissioning projects and provisions for risks	(21)	(20)	(1)
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(36)	(25)	(11)
Other financial expense	(1)	(6)	5
Total financial expense	**(81)**	**(100)**	**19**
Net foreign exchange translation gains (losses)	**(9)**	**37**	**(46)**
Net financial income (expense) for the Group	**(69)**	**(22)**	**(47)**

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

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

(in millions of euros)	9 months 2016	9 months 2015	Change
Income from Equity Investments			
Dividends	5	3	2
Capital gain from investments disposal	1	-	1
Revaluations and valuations of investments by the equity method	6	11	(5)
Total income from equity investments	**12**	**14**	**(2)**
Expenses on Equity Investments			
Writedowns and valuations of investments by the equity method	(5)	(15)	10
Total expenses on equity investments	**(5)**	**(15)**	**10**
Total Group income from (expenses on) equity investments	**7**	**(1)**	**8**

11. Income Taxes - 21 million euros

(in millions of euros)	9 months 2016	9 months 2015	Change
Current taxes	28	36	(8)
Net deferred-tax liabilities (assets)	(7)	-	(7)
Income taxes attributable to previous years and other taxes	-	(8)	8
Total for the Group	**21**	**28**	**(7)**

It should be noted that the net deferred tax liabilities and assets of the first nine months of 2015 included the one-off negative effect, for 68 million euros, as result of the application of the repeal, decision handed down on February 11, 2015, of the Robin Hood tax, an IRES surcharge levied on companies in the oil and energy sector.

12. Earnings (Loss) per Share

	9 months 2016		9 months 2015	
(in millions of euros)	**Common shares**	**Savings shares (1)**	Common shares	Savings shares (1)
Group interest in profit (loss)	(107)	(107)	(231)	(231)
Profit (Loss) attributable to the different classes of shares (A)	(111)	4	(235)	4
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,266,845,824	110,154,847	5,181,545,824	110,154,847
- diluted (C) (2)	5,266,845,824	110,154,847	5,181,545,824	110,154,847
Earnings (Loss) per share (in euros)				
- basic (A/B)	(0.0212)	0.0375	(0.0455)	0.0375
- diluted (A/C) (2)	(0.0212)	0.0375	(0.0455)	0.0375

(1) 5% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in profit (loss).

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

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment - 4,152 million euros

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost (*)	Assets acquired under finance leases (**)	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2015 (A)	**384**	**2,740**	**54**	**4**	**3**	**7**	**486**	**3,678**
Changes in 2016:								
- Additions	1	42	-	-	-	1	155	199
- Additions (IFRS 3 revised)	65	369	97	-	-	2	34	567
- Disposals (-)	-	(2)	-	-	-	-	-	(2)
- Depreciation (-)	(9)	(230)	(9)	-	(1)	(2)	-	(251)
- Changes in scope of consolidation	(3)	(25)	-	-	-	-	-	(28)
- Other changes	(2)	77	-	-	1	-	(87)	(11)
Total changes (B)	**52**	**231**	**88**	**-**	**-**	**1**	**102**	**474**
Balance at 09.30.2016 (A+B)	**436**	**2,971**	**142**	**4**	**3**	**8**	**588**	**4,152**

(*) Referred to 50 hydroelectric concessions, of which 19 acquired through IFRS 3.
(**) Recorded as required by IAS 17 revised; the relative financial debt is exposed in "Long-term financial debt and other financial liabilities" (about 3 million euros) and in "Short-term financial debt" (less than 1 million euros).

Breakdown of the additions by Business Segment	**9 months 2016**	9 months 2015
Electric Power Operations	**47**	**22**
broken down as follows:		
- Thermoelectric area	11	14
- Hydroelectric area	11	6
- Renewable sources area	25	2
Hydrocarbons Operations	**150**	**207**
broken down as follows:		
- Hydrocarbon fields in Italy	22	60
- Hydrocarbon fields outside Italy	123	139
- Transmission and storage infrastructures	5	8
Corporate Activities and Other Segments	**2**	**1**
Total for the Group	**199**	**230**

In particular in the **Hydrocarbons Operations** investments are mainly focused on the Exploration & Production area in Italy, Algeria and Egypt.

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

A more detailed analysis of **additions (IFRS 3 revised)** is provided in the paragraph "Changes in the Scope of Consolidation compared with December 31, 2015 - Acquisition and Disposal of Assets" of the Semiannual Report at June 30, 2016; for **depreciation** please see "Depreciation, amortization and writedowns" (Note 7).

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

Please note that assets valued at 35 million euros are encumbered as collateral for loans provided by financial institutions.

14. Investment Property - 5 million euros

The Group's investment property, which consists of land and buildings that are not used for production purposes decreased by 1 million euros compared with December 31, 2015 (6 million euros) subsequent to a sale of minor buildings that are not used for production without material economic effect.

15. Goodwill – 2,355 million euros

(in millions of euros)	**09.30.2016**	**12.31.2015**
Electric Power Operations	1,652	1,652
Hydrocarbons Operations	703	703
Total	**2,355**	**2,355**

The balance in this account is an intangible assets with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year (Note 17).

16. Hydrocarbon Concessions - 437 million euros

The hydrocarbon concessions decreased, compared with December 31, 2015, by 43 million euros mainly due to the amortization for the period (40 million euros). The Group holds 117 mineral rights in Italy and abroad (including 3 storage concessions).

17. Other Intangible Assets - 124 million euros

(in millions of euros)	Concessions, licenses, patents and similar rights (*)	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2015 (A)	**96**	**-**	**17**	**5**	**118**
Changes in 2016:					
- Additions	4	57	11	3	75
- Additions (IFRS 3 revised)	-	-	10	-	10
- Amortization (-)	(7)	(57)	(5)	-	(69)
- Changes in scope of consolidation	-	-	(10)	-	(10)
- Other changes	1	-	-	(1)	-
Total changes (B)	**(2)**	**-**	**6**	**2**	**6**
Balance at 09.30.2016 (A+B)	**94**	**-**	**23**	**7**	**124**

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

Exploration costs for the period, which were amortized in full when incurred, totaled 57 million euros compared with 106 million euros in the first nine months of 2015.

The lines **additions (IFRS 3 revised)** and **Changes in scope of consolidation** are due to Fenice Group.

Impairment Test of Assets in Accordance with IAS 36

In the first nine months of 2016, as required by IAS 36, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected.

Specifically with regard to the goodwill, waiting for the Group to draw up a new industrial plan, the short-term economic and scenario variables were analyzed and did not show, also with regard to the 2016 budget, specific triggers pointing to perform an impairment test at September 30, 2016. Also the tests referred to the assets did not show reductions in value.

18. Investments in Associates and Available-for-sale Investments - 236 million euros

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2015 (A)	**67**	**167**	**234**
Changes in 2016:			
- Disposals (-)	-	(3)	(3)
- Changes in shareholders' equity reserves	-	(4)	(4)
- Additions	1	-	1
- Valuations at equity	1	-	1
- Dividends (-)	(3)	-	(3)
- Other changes (+/-)	10	-	10
Total changes (B)	**9**	**(7)**	**2**
Balance at 09.30.2016 (A+B)	**76**	**160**	**236**

Disposals are referred to the sale of RCS Mediagroup's shares with a positive economic effect of about one million euros; **Changes in shareholders' equity reserves** refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

19. Other Financial Assets - 106 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Escrow bank deposits	15	15	-
Sundry items	91	16	75
Total other financial assets	**106**	**31**	**75**

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

The increase of 75 million euros is related to the noncurrent portion of the loans receivable from Elpedison Sa (formerly Elpedison Power Sa) which in September 2016 was renewed until September 2018. The interest payments due were made regularly; the company constantly monitors the situation.

20. Deferred-tax Assets - 567 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Deferred-tax assets:			
Tax loss carryforward	66	33	33
Taxed provisions for risks	72	81	(9)
Adoption of IAS 39 to value financial instruments with impact:			
- on shareholders' equity	104	309	(205)
Valuation differences of property, plant and equipment and intangibles	325	279	46
Deferred-tax assets	**567**	**702**	**(135)**

In the first nine months of 2016, IFRS 3 revised business combinations led to an increase in deferred-tax assets for 61 million euros.

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

21. Other Assets - 254 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Fair value on industrial portfolio (*)	145	225	(80)
Tax refunds receivable	91	36	55
Security deposits / others	18	19	(1)
Total Other assets	**254**	**280**	**(26)**

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

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

22. Current Assets - 3,623 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Inventories	236	253	(17)
Trade receivables	1,761	2,367	(606)
Current-tax assets	9	20	(11)
Other receivables	1,338	1,654	(316)
Current financial assets	41	113	(72)
Cash and cash equivalents	238	279	(41)
Total current assets	**3,623**	**4,686**	**(1,063)**

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	CO_2 emission rights	Other	Total at 09.30.2016	Total at 12.31.2015	Change
Electric Power Operations	8	-	-	43	15	66	71	(5)
Hydrocarbons Operations	34	123	13	-	-	170	182	(12)
Total for the Group	**42**	**123**	**13**	**43**	**15**	**236**	**253**	**(17)**

The net decrease for the period refers mainly to inventory reduction of stored natural gas and to the movements of green certificates and CO_2 emission rights related to the trading activity. The inventories included, for 60 million euros, stored natural gas the use of which is restricted as a strategic reserve or to secure performance under the balancing system.

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

(in millions of euros)	09.30.2016	12.31.2015	Change
Electric Power Operations	993	854	139
Hydrocarbons Operations	779	1,525	(746)
Corporate Activities and Other Segments and Eliminations	(11)	(12)	1
Total trade receivables	**1,761**	**2,367**	**(606)**
Of which Allowance for doubtful Accounts	**(301)**	**(327)**	**26**

Specifically, trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and Power Exchange transactions. The decrease in Hydrocarbons Operations also reflects the receipt, in the second quarter 2016, of the second payment still due from Eni related to the successful conclusion (November 2015) of the arbitration for the contract to import natural gas from Libya.

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

(in millions of euros)	12.31.2015	Additions	Utilizations	09.30.2016
Allowance for doubtful accounts (*)	**(327)**	(29)	55	**(301)**

(*) Included default interests.

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

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

- **Current-tax assets** of 9 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Spa.
- A breakdown of **other receivables**, is provided in the table below:

(in millions of euros)	09.30.2016	12.31.2015	Change
Fair Value on industrial portfolio and trading activities (*)	653	1,140	(487)
Amounts owed by partners and associates in hydrocarbon exploration projects	62	75	(13)
Advances to suppliers	41	11	30
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	37	9	28
VAT credit	166	141	25
Sundry items	379	278	101
Total other receivables	**1,338**	**1,654**	**(316)**

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

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

(in millions of euros)	09.30.2016	12.31.2015	Change
Loans receivable	5	83	(78)
Derivatives	34	28	6
Equity investments held for trading	2	2	-
Total current financial assets	**41**	**113**	**(72)**

The decrease of loans receivable is mainly related to the reclassification in the other financial assets of the loans receivable from Elpedison Sa (formerly Elpedison Power Sa).

- **Cash and cash equivalents** of 238 million euros (279 million euros at December 31, 2015) consist of short-term deposits in bank and postal accounts and other short-term investments. This item also includes the current account established with EDF Sa with a positive balance for 54 million euros.

23. Assets held for sale

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

Liabilities and Shareholders' Equity

24. Shareholders' Equity Attributable to Parent Company Shareholders – 6,037 million euros - and Shareholders' Equity Attributable to Minority Shareholders - 335 million euros

The shareholders' equity attributable to Parent Company shareholders was 598 million euros more than at December 31, 2015 (5,439 million euros); it reflects for 247 million euros the in kind capital increase reserved to the parent company Transalpina di Energia Spa, of which 85 million euros as share capital increase and 162 million euros as share premium reserves; the change of the period is also affected by the loss (107 million euros) and the positive changes in the Cash Flow Hedge reserves (440 million euros).

The shareholders' equity attributable to minority shareholders was 102 million euros less than at December 31, 2015 (437 million euros); the net decrease mainly reflects the profit for the period (14 million euros), the reserves and dividends' distribution to minority shareholders (49 million euros) and the effect related to the disposal of Hydros and Termica Milazzo.

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

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

Share class	Number of shares	Millions of euros
Common shares	5,266,845,824	5,267
Savings shares	110,154,847	110
Total	**5,377,000,671**	**5,377**
Shareholder's Equity per share Attributable to Parent Company Shareholders	**09.30.2016**	12.31.2015
Shareholder's Equity Attributable to Parent Company Shareholders (in millions of euros)	6,037	5,439
Shareholder's Equity per share Attributable to Parent Company Shareholders (in euros)	1.123	1.028

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

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Taxes	Net reserve
Reserve at December 31, 2015	(986)	309	(677)
Changes in the period	645	(205)	440
Reserve at September 30, 2016	**(341)**	**104**	**(237)**

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

The increase by 13 million euros compared with December 31, 2015 (31 million euros) is mainly due to the effects of including Fenice Group into the consolidation scope (12 million euros). The amount reflects the accrued severance indemnities and other benefits owed to employees at the end of period. The actuarial gains and losses are recorded in equity. A valuation in accordance with the actuarial criteria of IAS 19 is performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

26. Provision for Deferred Taxes - 51 million euros

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

(in millions of euros)	09.30.2016	12.31.2015	Change
Deferred-tax liabilities:			
Valuation differences of property, plant and equipment and intangibles	70	61	9
Other deferred-tax liabilities	36	43	(7)
Total (A)	**106**	**104**	**2**
Deferred-tax assets usable for offset purposes:			
Taxed provisions for risks	22	-	22
Tax-loss carryforward	-	14	(14)
Valuation differences of property, plant and equipment and intangibles	6	24	(18)
Other deferred-tax assets	27	34	(7)
Total (B)	**55**	**72**	**(17)**
Total provision for deferred taxes (A-B)	**51**	**32**	**19**

In the first nine months of 2016, IFRS 3 business combinations led to an increase in provision for deferred taxes for 17 million euros.
For additional details, see the information provided in Note 20 "Deferred-tax Assets", earlier in this Report.

27. Provisions for Risks and Charges - 1,145 million euros

(in millions of euros)	12.31.2015	Additions	Utilizations	IFRS 3 revised	Other changes	09.30.2016
Risks for disputes, litigation and contracts	129	3	(1)	-	-	131
Charges for contractual guarantees on sale of equity investments	75	-	-	-	4	79
Environmental risks	69	1	(14)	-	1	57
Other risks and charges	10	-	-	-	-	10
Disputed tax items	55	12	(1)	-	-	66
Total for legal and tax disputes	**338**	**16**	**(16)**	**-**	**5**	**343**
Provisions for decommissioning and remediation of industrial sites	688	19	(2)	-	(31)	674
Provision for CO2 emission rights	-	-	-	-	20	20
Other risks and charges	97	7	(37)	44	(3)	108
Total for the Group	**1,123**	**42**	**(55)**	**44**	**(9)**	**1,145**

The **Provisions for legal and tax disputes** are mainly 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 as entitled "Risks and contingent liabilities associated with legal and tax disputes" of 2015 Consolidated Financial Statements, of Semiannual Report at June 30, 2016 and in the corresponding updates provided later in these notes.
The **Provisions for decommissioning and remediation of industrial sites**, 674 million euros, reflect the valuation, discounted to the reporting date, of the decommissioning costs that the Group expects to incur for industrial sites and mineral extraction facilities; in the period the net decrease (14 million euros) reflects, *inter alia*, the conversion effect linked to financial statements in currencies other than the euro.
A more detailed analysis of additions (IFRS 3 revised) is provided in the paragraph "Changes in the Scope of Consolidation compared with December 31, 2015 - Acquisition and Disposal of Assets" of the Semiannual Report at June 30, 2016.

28. Bonds - 600 million euros

The balance of 600 million euros (599 million euros at December 31, 2015), represents the non-current portion of the Edison Spa bond issue; the table below shows the total amount outstanding at September 30, 2016 and the term of the bond issue.

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value Non-current portion	Carrying value Current portion	Carrying value Total	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	600	36	636	647

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

29. Long-term Financial Debt and Other Financial Liabilities - 226 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Due to banks	153	165	(12)
Due to other lenders	73	475	(402)
Total for the Group	**226**	**640**	**(414)**

The amount **due to other lenders** includes, for 70 million euros, the utilization of the medium-long term credit line (total face value of 200 million euros), provided by EDF Sa to Edison Spa in December 2015 in connection with investment projects and related to a credit line provided by the EIB to EDF Sa. Additional details are disclosed in the paragraph "Liquidity risk" in the Section "Group Financial Risk Management" of 2015 Consolidated Financial Statements.

The decrease compared with December 2015 reflects the reimbursement in advance, in May 2016, of the loan provided by EDF Investissements Groupe Sa to Edison Spa in 2013 (with an original face value of 800 million euros and a seven-year maturity, already reimbursed in advance for 400 million euros in December 2015).

30. Other Liabilities - 114 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Fair Value on industrial portfolio (*)	111	314	(203)
Other liabilities	3	1	2
Total other liabilities	**114**	**315**	**(201)**

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

31. Current Liabilities – 3,307 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Bonds	36	28	8
Short-term financial debt	623	306	317
Trade payables	1,378	1,623	(245)
Current taxes payable	7	25	(18)
Other liabilities	1,263	2,177	(914)
Total current liabilities	**3,307**	**4,159**	**(852)**

In particular it should be noted:

- **Bonds**, amounting to 36 million euros, include the total accrued interest at September 30, 2016.
- **Short-term financial debt** includes:

(in millions of euros)	09.30.2016	12.31.2015	Change
Debt due to banks	93	45	48
Debt due to EDF companies	285	59	226
Debt due to unconsolidated Edison Group companies	16	16	-
Debt due to other lenders	229	186	43
Total Short-term financial debt	**623**	**306**	**317**

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

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

(in millions of euros)	09.30.2016	12.31.2015	Change
Electric Power Operations	841	846	(5)
Hydrocarbons Operations	537	742	(205)
Corporate Activities and Other Segments and Eliminations	-	35	(35)
Total trade payables	**1,378**	**1,623**	**(245)**

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

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

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

(in millions of euros)	09.30.2016	12.31.2015	Change
Fair Value on industrial portfolio and trading activities (*)	749	1,623	(874)
Amount owed to the controlling company in connection with the filing of a consolidated tax return	50	196	(146)
Amounts owed to joint holders of permits for hydrocarbon exploration	127	131	(4)
Payables owed to Tax Administration (other than current tax payables)	29	8	21
Amount owed to employees	27	29	(2)
Payables owed to social security institutions	19	21	(2)
Sundry items	262	169	93
Total other liabilities	**1,263**	**2,177**	**(914)**

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

32. Liabilities held for sale

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

NET FINANCIAL DEBT

At September 30, 2016 net financial debt totaled 1,206 million euros, 59 million euros more than the 1,147 million euros owed at December 31, 2015.

Consistent with the practice followed at the end of 2015, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	*See note*	**09.30.2016**	12.31.2015	Change
Bonds - non-current portion	*28*	600	599	1
Non-current bank loans	*29*	153	165	(12)
Amounts due to other lenders - non-current portion	*29*	73	475	(402)
Non current net financial debt		**826**	**1.239**	**(413)**
Bonds - current portion	*31*	36	28	8
Short-term financial debt	*31*	623	306	317
Current financial assets	*22*	(41)	(113)	72
Cash and cash equivalents	*22*	(238)	(279)	41
Current net financial debt		**380**	**(58)**	**438**
Financial debt held for sale		-	-	-
Financial asset held for sale	*23*	-	(34)	34
Net financial debt		**1.206**	**1.147**	**59**

The decrease of **Amounts due to other lenders - non-current portion** is related to the reimbursement in advance of the loan provided by EDF Investissements Groupe Sa carried out in May 2016.

The **Short-term financial debt** includes loans provided by EDF Sa for a total amount of nominal 285 million euros (included the treasury current account), the short term deposit with Transalpina di Energia for 157 million euros (95 million euros at December 31, 2015) and debt owed to unconsolidated Edison Group companies for 16 million euros.

COMMITMENTS, RISKS AND CONTINGENT ASSETS

Commitments – 1,404 million euros

(in millions of euros)	09.30.2016	12.31.2015	Change
Guarantees provided	1,223	1,173	50
Collateral provided	71	65	6
Other commitments and risks	110	124	(14)
Total for the Group	**1,404**	**1,362**	**42**

Guarantees provided (1,223 million euros) were determined based on the undiscounted amount of contingent commitments on the balance sheet date. They consist mainly of guarantees provided by the Group's Parent Company or by banks with the Parent Company's counter-guarantee to secure the performance of contractual obligations by subsidiaries and affiliated companies. They also include 71 million euros (unchanged compared with December 31, 2015) in guarantees provided to the Revenue Office on behalf of subsidiaries for the offsetting of VAT credits and those provided in connection with the intra-Group assignment of tax credits.

Collateral provided (71 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 (35 million euros).

Other commitments and risks (110 million euros) reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad (62 million euros).

With reference to the long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay any shortage between the stipulated minimum quantities and the quantity actually used, please note that no commitments were recorded at September 30, 2016 as at December 31, 2015.

Unrecognized Commitments and Risks

There were no significant changes regarding the main risks and commitments not included in the amounts above in the period compared with disclosures in the 2015 Consolidated Financial Statements, which should be consulted for more complete and comprehensive information. In particular, the **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Algeria, Libya, Qatar and Russia. The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	**Total**
Natural Gas	Billions of m^3	13.4	47.7	109.5	**170.6**

The economic data are based on prospective pricing formulas.

Risks and contingent liabilities associated with legal and tax disputes

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

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

Please see the disclosure provided in the 2015 Consolidated Financial Statements and in the Semiannual Report at June 30, 2016 for a comprehensive review of these issues.

Probable liabilities associated with legal disputes

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Collapse of the Stava Dam		
October 25, 2000 Court of Milan / Milan Court of Appeals / Court of Cassation	The last civil dispute that is still pending with regard to the events that occurred in Val di Stava in 1985, when the levies of two mining mud holding ponds, operated by a Montedison-owned company were breeched causing the well-known disaster. In its decision, the lower court ruled that the statute of limitation prevented the action filed against Edison. By a decision published in November 2015, the Milan Court of Appeals upheld that decision. An appeal to the Court of Cassation has been proposed against this judgment.	As per the description of the dispute.
Actions for damages and administrative proceedings arising from the operation of industrial facilities conveyed to Enimont ***Edison is a party to these proceedings as universal successor to Montedison Spa***		
Mantua – Criminal Proceedings		
October 25, 2000 Court of Mantua / Brescia Court of Appeals / Court of Cassation	This trial concerns the Mantua petrochemical facility operated for several decades first by companies of the Montedison Group and later by companies of the Eni Group. The facts subject of the pending trial concern determining the fortuity for a series of death caused by cancer identified by the Public Prosecutor and concerning employees of the facility. After a first ruling set by the lower court of Mantua, under which 10 of the 12 defendants were convicted and found guilty of manslaughter in the death of 11 people, the Court of Appeal of Brescia on February 5th 2016 confirmed 9 convictions, largely reducing the punishments. However, also the Court of Appeal dismissed a charge, aggravated by the disaster, of "removal or negligent omission of protections against occupational accidents."	The disputes is now pending before the Supreme Court of Cassation.

* * * * *

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

Edison Spa

Date started / Jurisdiction	Description of dispute	Status of proceedings
Civil lawsuits, criminal trials and administrative proceedings concerning the sale of Agorà Spa, which owned 100% of the shares of Ausimont Spa ***Edison is a party to these proceedings in its capacity as universal successor to Montedison Spa***		
Ausimont – Bussi sul Tirino – Criminal proceedings		
2008 Court of Pescara / Chieti Court of Assizes / Court of Cassation / Court of Assizes of Appeal of Aquila	The events concerning the alleged negligent poisoning of water intended for human consumption and environmental disaster, for which three former managers and employees of the Montedison Group and others are allegedly responsible, is currently pending before the Court of Cassation. As mentioned in the notes to the previous financial statements, in December 2014, the Chieti Court of Assizes acquitted all defendants. This decision was then appealed directly to the Court of Cassation both by the Public Prosecutor and the counsels for the defendants, for different profiles. In March 2016 the Court rejected the appeals though, converting them into claims in appeal and committing the records of the case before the Court of Assizes of Appeal of Turin. Edison is awaiting the setting of the date of the hearing. *** However, it is important to keep in mind that Edison, further to the decision by all defendant to opt for summary judgment proceedings, was excluded ex lege from this trial in which it was being sued as the civilly liable party. Edison is thus faced with the following alternative scenarios: i) if the decision acquitting the three former Montedison employees were to become final, the decision would have a direct effect on the civil law plaintiffs, excluding any right to receive compensation for damages from Edison, the civil law respondent; ii) on the other hand, if upon a reversal of the recent acquittal decision, the courts were to hand down a final guilty verdict against the three defendants, former employees of the Montedison Group, the decision would have a direct effect only on the defendants. but not with regard to Edison Spa. Any interested party would then have to pursue new proceedings before a civil court to determine the liability of Edison Spa for the actions of its former employees.	As per the description of the disputes.
Ausimont – Spinetta Marengo – Criminal proceedings		
October 2009 Alessandria Court of Assizes / Torino Court of Appeals	Also with regard to the former Ausimont industrial site of Spinetta Marengo, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes. Edison is being sued by certain parties as the civilly liable party. On December 14, 2015, the Court of Assizes convicted four of the eight defendants of the crime of negligent environmental disaster and ordered them, jointly with Solvay Specialty Polymers, to pay civil damages to the civil plaintiffs who joined the proceedings. An appeal before the Court of Assizes of Appeal of Turin has been proposed against this sentence.	As per the description of the dispute.

* * * * *

Probable Liabilities Associated with Tax Disputes

Edison Spa

Date started / Assessing office	Description of dispute	Status of proceedings
Disputed Municipal Property Taxes (ICI) on Offshore Hydrocarbon Production Platforms		
Various assessments for local taxes (ICI and IMU) from various municipalities, from 2005 to the present	After the sentence of the Supreme Court of Cassation in February 2016 (Eni/Municipality of Pineto dispute), and of the formal position assumed by the Finance Ministry in June 2016 highlighting the need for a two-way express legal intervention in order to consider the offshore platforms subject to IMU - Municipal Property Tax (previously called ICI), in September 2016 the Court of Cassation issued the sentences regarding the two appeals presented respectively by Edison Spa and by the Muncipality of Termoli for two different ICI disputes regarding Rospo Mare, which had opposing results in the appeal phase. The Court of Cassation repealed both decisions, committing the disputes to the Regional Commission so that they can determine any taxable base in accordance with the Financial Statements and, in one case, so that it can verify the effective territorial jurisdiction of the City of Termoli. The Company has allocated a prudential provision for risks and will resume the disputes within the time limits laid down by the law. However, the lack of clear laws regarding the question is reiterated, also with reference to determining any taxable base. According to the future evolution of the situation, adjustments of the provision for risks may be considered.	Assessments pending, at various levels of the judicial process, before the merit and relevant courts.

GROUP FINANCIAL RISK MANAGEMENT

This Section provides an overview of the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO2 emissions rights, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).

A more detailed description of these issues is provided in 2015 Consolidated Financial Statements.

In accordance with IFRS 7 the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

Consistent with its Energy Risk Policies, the Edison Group manages this risk within the limit of an Economic Capital amount — measured in terms of Profit at Risk (PaR[1]) — approved by the Board of Directors for the Industrial Portfolio, including both transactions that hedge contracts to buy or sell commodities and the Group's production and assets. The Economic Capital represents the risk capital, stated in millions of euros, available to hedge market risks.

A simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedge or Fair Value Hedge) while others qualify as management standpoint (Economic Hedge), to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. Issues concerning the Italian forward market for electric power are discussed in the 2015 Consolidated Financial Statements.

The table below shows the maximum negative variance in the fair value of outstanding derivatives expected over the time horizon of the reporting period, with a 97.5% probability, compared with the fair value determined at September 30, 2016. In other words, compared with the fair value determined for financial derivatives outstanding at September 30, 2016, the probability of a negative variance greater than 270,5 million euros by the end of 2016 is limited to 2.5% of the scenarios.

Profit at Risk (PaR) (in millions of euros)	**09.30.2016**	**09.30.2015**	**12.31.2015**
Maximum negative variance in the fair value (*)	270.5	497.5	653.6

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

The decrease compared with the level measured at September 30, 2015 is mainly due to a lower net volume of financial contracts related to exchange rate and gas.

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

Industrial portfolios	**9 months 2016**		**9 months 2015**	
Economic Capital absorbed	**without derivatives**	**with derivatives**	**without derivatives**	**with derivatives**
Average absorption of the approved limit of Economic Capital	90%	33%	61%	50%
Maximum absorption	264% - Jan. '16	87% - Jan. '16	88% - Jan. '15	91% - Jan. '15

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

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

Value at Risk (VaR) (*)	**09.30.2016**	**09.30.2015**
Daily VaR Limit (**)	2.3million euros	2.7 million euros
Stop Loss Limit	12million euros	13.9 million euros
Utilized VaR limit at the end of the period	15%	15%
Average utilized VaR limit in the period	12%	21%

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

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

Trading Portfolios **Economic Capital absorbed**	**9 months 2016**	**9 months 2015**
Economic Capital's limit	35,7million euros	42.0 million euros
Utilization at the end of the period	18%	20%
Average utilization in the period	14%	26%

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that part of the activities of the Edison Group are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contractual components indexed to a foreign currency. Additional information about types of risk and objectives of foreign exchange risk management can be found in the extensive remarks provided in the notes to the 2015 Consolidated Financial Statements.

3. Interest Rate Risk

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

Gross Financial Debt	**09.30.2016**			**12.31.2015**		
Mix fixed and variable rate: *(in millions of euros)*	without derivatives	with derivatives	% with deriv.	without derivatives	with derivatives	% with deriv.
- fixed rate portion (included structures with CAP)	611	11	1%	1,009	409	26%
- variable rate portion	874	1,474	99%	564	1,164	74%
Total gross financial debt	**1,485**	**1,485**	**100%**	**1,573**	**1,573**	**100%**

After the early reimbursement (on May 9, 2016) for 400 million euros of the fixed tax rate loan provided by EDF Investissements Groupe Sa, the Edison Group has negotiated loans at variable tax rates (mainly the Euribor rate). Even the fixed rate bond loan of 600 million euros expiring on November 10, 2017 is converted to variable rate by means of the Interest Rate Swap, based on the 6 months Euribor rate. Edison currently benefits from the lower cost of the variable rate with respect to the fixed rate cost, with a significant saving of financial charges.

The table below provides a sensitivity analysis that shows the impact on the income statement of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2016 and provides a comparison with the 2015.

Sensitivity analysis (in millions of euros)	**9 months 2016** **Impact on financial expense (P&L)**			**9 months 2015** **Impact on financial expense (P&L)**		
	+50 bps	**base**	**-50 bps**	**+50 bps**	**base**	**-50 bps**
Edison Group	17	13	12	34	30	26

4. Credit Risk

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

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

Edison Group is currently a party to contracts assigning trade receivables without recourse on a monthly revolving basis and by the transfer of the credit risk on a without recourse basis. The receivables assigned with such transactions during the first nine months of 2016 totaled 3,427 million euros (4,460 million euros at September 30, 2015). At September 30, 2016, these receivables were exposed to the risk of recourse for an amount lower than one 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 September 30, 2016, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment and no significant levels of concentration held by non-institutional individual counterparties. The table below provides an overview of gross trade receivable, the corresponding allowance for doubtful accounts and the guarantees held to secure the receivables.

(in millions of euros)	**09.30.2016**	12.31.2015
Gross trade receivables	2,062	2,694
Allowance for doubtful accounts (-)	(301)	(327)
Trade receivables	**1,761**	**2,367**
Guarantees held (*)	483	428
Receivables less than 6 in arrears	134	163
Receivables 6 to 12 months in arrears	114	116
Receivables more than 12 months in arrears	448	402

(*) Including 135 million euros to hedge receivables outstanding at September 30, 2016.

The ongoing credit management approach, differentiated for the three market segments (Retail, Business and Public Administration) with the aim, with structural actions, to prevent the accumulation of new receivables and quickly reduce current receivables and receivables in arrears, continues in 2016. A more detailed description of these issues is provided in 2015 Consolidated Financial Statements.

With regard to foreign activities, it is worth noting that the past-due receivables owed in Egypt at September 30, 2016 by the Egyptian General Petroleum Corporation (EGPC) (267 million euros), increased by 83 million euros compared with December 31, 2015.

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

5. Liquidity Risk

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

Worst-case scenario (in millions of euros)	09.30.2016 1 to 3 months	09.30.2016 More than 3 months and up to 1 year	09.30.2016 After 1 year	12.31.2015 1 to 3 months	12.31.2015 More than 3 months and up to 1 year	12.31.2015 After 1 year
Bonds	23	-	623	-	23	623
Financial debt and other financial liabilities	483	18	217	172	14	673
Trade payables	1,342	36	-	1,594	29	-
Total	**1,848**	**54**	**840**	**1,766**	**66**	**1,296**
Guarantees provided to third parties (*)	**694**	**258**	**271**	**683**	**211**	**279**

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

The financial debt maturing within the year (524 million euros) derives mainly from the use of flexible funding mechanisms, readily usable at Edison's discretion, such as the overdraft facility on a cash pooling current account with EDF Sa for 119 million euros, a drawdown of 150 million euros from the revolving credit line provided by EDF Sa and the funds that the parent company Transalpina di Energia Spa made available to Edison Spa as a short-term deposit for 157 million euros.

It is pointed out that in May 2016, Edison Spa reduced the long term indebtedness by reimbursing in advance the loan provided by EDF Investissements Groupe Sa, that remained for 400 million euros, after a first reimbursing in advance carried out in December 2015. This financial transaction was made possible thanks to the second collection of the proceeds deriving from the arbitral award with Eni.

The financial debt maturing after one year (840 million euros) thus includes:

- the bond issue of a nominal 600 million euros maturing on November 10, 2017;
- a drawdown of 133 million euros on the medium-long term direct line of the European Investment Bank (EIB) destined to finance storage projects, and
- a drawdown of 70 million euros on the credit line provided by EDF Sa on EIB funds (total amount of 200 million euros with 10 year maturity) to finance certain Exploration & Production project in Italy.

It is also worth of mentioning that the financial debt includes the Fenice group contribution with effect from April 1, 2016 resulting from contribution in kind of Fenice Qualità per l'Ambiente Spa in Edison. As at September 30, 2016 the financial debt maturing within the year of this group amounts to approximately 30 million euros, more than balanced by cash equivalents for about 87 million euros. In particular it should be noted a drawdown of 15 million euros of a revolving credit line provided by EDF Sa (total amount of 60 million euros).

The expected funding requirement in the short term of Edison group are being provided by:

- the cash pooling current account with EDF Sa for a maximum amount of 199 million euros, at September 30, 2016 available for 80 million euros;
- the credit lines provided by EDF Sa for a total amount of 660 million euros, at September 30, 2016 available for 495 million euros; and
- in the third instance, a 500-million-euro revolving credit line expiring in November 2016, provided by a group of banks on a Club Deals basis, currently available for its full amount. On this latter, Edison is considering the possibility and convenience to carry out its full or partial refinancing.

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above).

The following bond issue floated by the Group (Euro Medium Term Note) with a total face value of 600 million euros was outstanding at September 30, 2016:

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

Outstanding debt obligations of the Group include non-syndicated facilities totaling 907 million euros, the unused portion of which was 500 million euros at September 30, 2016, and syndicated facilities amounting to 500 million euros on base club deal fully unused at September 30, 2016.

With regard to the transactions currently outstanding, including the corresponding loan agreements and bond indentures and the covenants they include, nothing changed compared with December 31, 2015. Additional information can be found in the extensive remarks provided in the notes to the 2015 Consolidated Financial Statements.

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 foreign exchange and price risk on energy commodities related to the Industrial Portfolio. For all derivatives that comply with internal risk policies and procedures, realized results and expected values are either included in EBIT.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 13

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

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

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

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 at September 30, 2016 and their classification on the fair value hierarchy as required by IFRS 13:

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

(in millions of euros)	09.30.2016		12.31.2015	
	Receivables	**Payables**	Receivables	Payables
Foreign exchange transactions	54	(24)	274	(10)
Interest rate transactions	34	-	28	-
Physical Trading transactions	131	(109)	216	(138)
Other commodity transactions	613	(727)	875	(1,789)
Fair value recognized as assets or liability (a)	**832**	**(860)**	**1,393**	**(1,937)**
Broken down as follows:				
- recognized as "Other receivables" and "Other liabilities"	653	(749)	1,140	(1,623)
- recognized as "Other assets" and "Non-current other liabilities"	145	(111)	225	(314)
- recognized as "Current financial assets" and "Short-term financial debt"	34	-	28	-
Broken down on fair value hierarchy:				
- Level 1	41	(52)	25	(16)
- Level 2	791	(805)	1,368	(1,914)
- Level 3 (*)	-	(3)	-	(7)
IFRS 7 potential offsetting (b)	**(373)**	**373**	**(602)**	**602**
Potential net Fair Value (a+b)	**459**	**(487)**	**791**	**(1,335)**

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

Fair value on industrial derivatives portfolio and trading activities:

(in millions of euros)	09.30.2016			12.31.2015		
Fair value on industrial derivatives portfolio and trading activities	**Receivables**	**Payables**	**Net amount**	Receivables	Payables	Net amount
Broken down as follows:						
- recognized as "Other receivables" and "Other liabilities"	653	(680)	(27)	1,140	(1,623)	(483)
- recognized as "Other assets" and "Non-current other liabilities"	145	(73)	72	225	(314)	(89)
Total	**798**	**(753)**	**45**	**1,365**	**(1,937)**	**(572)**
Broken down as follows:						
- on industrial portfolio	600	(569)	31	1,074	(1,658)	(584)
- on trading activities (physical and financial)	198	(184)	14	291	(279)	12

It is worth of mentioning that in 2016 some hedging relationships have been revoked also in order to carry out prospectively new hedging relationship of Fair Value Hedge; the fair value recorded at the date of revocation was maintained in the Cash Flow Hedge Reserves and reflected in the income statement in line with the effects of the hedged item.

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

- the **available-for-sale investments** include for 155 million euros (159 million euros at December 31, 2015) unlisted securities classified at level 3; due to the disposal of the investments in RCS Mediagroup there are not asset classified at level 1 (3 million euros at December 31, 2015);
- the **current financial assets** include for 2 million euros (unchanged compared with December 31, 2015) equity investments held for trading classified at level 1.

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

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related parties affecting the income statement and balance sheet that were outstanding at September 30, 2016 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices. It worth of mentioning the transaction of contribution to Edison Spa by Transalpina di Energia of 100% of its equity stake in Fenice; this transaction has effect from April 1, 2016 and was carried out by a capital increase in kind reserved to Transalpina di Energia for a total amount of 247 million euros.

In September 2016, the company Fenice Qualità per l'Ambiente Spa transferred the 100% of its equity stake in the company Fenice Rus Llc to Dalkia (an EDF Group company), for about 24 million euros. This transaction had not significant economic effect at Edison Group level.

(in millions of euros)	*Related Parties pursuant to IAS 24*			**Total for related parties**	**Total for financial stat. line item**	**Impact %**
	With unconsolidated Edison group companies	*With controlling companies*	*With other EDF group companies*			
Balance Sheet transactions:						
Investments in associates	75	-	1	**76**	**76**	**100.0%**
Other financial assets	78	-	-	**78**	**106**	**73.6%**
Trade receivables	-	-	34	**34**	**1,761**	**1.9%**
Other receivables	2	42	21	**65**	**1,338**	**4.9%**
Current financial assets	5	-	1	**6**	**41**	**14.6%**
Cash and cash equivalents	-	54	-	**54**	**238**	**22.7%**
Long-term financial debt and other financial liabilities	-	70	-	**70**	**226**	**31.0%**
Short-term financial debt	16	442	-	**458**	**623**	**73.5%**
Trade payables	1	2	38	**41**	**1,378**	**3.0%**
Other liabilities	1	52	7	**60**	**1,263**	**4.8%**
Income Statement transactions:						
Sales revenues	1	2	469	**472**	**7,974**	**5.9%**
Other revenues and income	2	-	1	**3**	**151**	**2.0%**
Raw materials and services used	(10)	(13)	(278)	**(301)**	**(7,426)**	**4.1%**
Financial income	5	-	-	**5**	**21**	**23.8%**
Financial expense	-	(2)	(29)	**(31)**	**(81)**	**38.3%**
Net foreign exchange translation gains (losses)	-	23	-	**23**	**(9)**	**n.m.**

A) Transactions with unconsolidated Edison Group companies

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

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for September 30, 2016 showed a credit of 105 million euros.

B) Transactions with controlling companies

Consolidated IRES Return held by Transalpina di Energia Spa

The consolidated corporate income tax (IRES) return filed by Transalpina di Energia Spa (TdE), which includes the principal Group's companies, was renewed for a further three years period (2016-2018).

Short term deposit by Transalpina di Energia Spa

With the aim to optimize available financial resources, Transalpina di Energia Spa provided Edison Spa with funding in the form of a short term deposit; this deposit totaled 157 million euros at September 30, 2016 (95 million euros at December 31, 2015).

Centralized Cash Management System by EDF Sa

Please note that at September 30, 2016, the current account established by Edison Spa with EDF Sa had a debit balance for 119 million euros while the one by Fenice Qualità per l'Ambiente Spa and EDF Sa had a credit balance for 54 million euros.

Loans by EDF Sa

The credit line granted by EDF Sa to Edison Spa (face amount of 600 million euros) was renewed for two years at its maturity date of April 9, 2015 and drawn down for 150 million euros at September 30, 2016. The loan was provided on terms in line with those granted in the financial market to companies with Edison's credit rating.
It should be noted that, in December 2015, EDF Sa provided to Edison Spa with a new medium/long-term credit facility for a maximum amount of 200 million euros, earmarked for investment projects and originating from a credit facility provided by the EIB to EDF Sa; a total of 70 million euros had been drawn against this line at September 30, 2016 (amount unchanged compared with December 31, 2015).
Moreover, it should be noted that EDF Sa provided to Fenice Qualità per l'Ambiente Spa a short-term credit facility for a maximum amount of 60 million euros, a total of 15 million euros had been drawn against this line at September 30, 2016.

Other intercompany transactions with EDF Sa

With regard to contracts for services rendered by EDF Sa (mainly financial and insurance) and other recharges of expenses, the costs for the period amounted to about 13 million euros. It is worth mentioning that in the context of financial transactions Edison entered into transactions to hedge the exchange rate risk that, affected by the currencies' trend, generated net realized gains for about 23 million euros in the period.

C) Transactions with other EDF Group companies

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

1) Operational Transactions

(in millions of euros)	EDF Trading Ltd	EDF EN Service Italia	Citelum	Fenice Group (*)	Others	**Total**
Balance Sheet transactions						
Trade receivables	30	-	4	-	-	**34**
Other receivables	20	-	-	-	1	**21**
Trade payables	30	7	-	-	1	**38**
Other liabilities	7	-	-	-	-	**7**
Income Statement transactions						
Sales Revenues	**455**	**-**	**10**	**1**	**3**	**469**
Electric power and natural gas	166	-	10	1	-	177
Realized commodity derivatives	295	-	-	-	-	295
Margin on physical trading activities	(4)	-	-	-	-	(4)
Margin on financial trading activities	(2)	-	-	-	-	(2)
Others	-	-	-	-	3	3
Raw materials and services used	**(250)**	**(23)**	**-**	**-**	**(5)**	**(278)**
Electric power and natural gas	(181)	-	-	-	-	(181)
Realized commodity derivatives	(68)	-	-	-	-	(68)
Plant maintenance	-	(23)	-	-	-	(23)
Others	(1)	-	-	-	(5)	(6)

(*) Fenice group, consolidated line by line from April 1, 2016, is considered as related-party only for the economic transactions of the period January - March 2016.

2) Financial Transactions

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

Reimbursement loans by EDF Investissements Groupe Sa

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

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

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

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

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

Transactions Resulting from Atypical and/or Unusual Activities

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

SIGNIFICANT EVENTS OCCURRING AFTER SEPTEMBER 30, 2016

Voluntary tender offer on the 100% of Alerion Clean Power

On October 12, 2016 Edison Board of Directors approved the launch of a voluntary tender offer to buy the 43,579,004 outstanding shares of Alerion Clean Power, equal to 100% of its capital, at a price of 2.46 euro per share. The transaction is part of Edison's strategy to strengthen its activities in renewable energies with the aim to become the second operator in the wind sector.

The tender offer was promoted by Eolo Energia Srl, company whose shareholders are Edison Partecipazioni Energie Rinnovabili (with shareholders Edison and Edf Energies Nouvelles) with a 51% interest and E2i Energie Speciali (30% Edison Partecipazioni Energie Rinnovabili and 70% F2i) with the remaining 49%, pursuant to art. 102 and 106, paragraph 4 of the Legislative Decree 58/1998 and the implementing provisions of Consob Regulation 11971/99; it began on October 31, 2016 and will end on December 2, 2016, except in the case of any extensions, as agreed with Borsa Italiana.

Milan, November 2, 2016
The Board of Directors
By Marc Benayoun
Chief Executive Officer

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SCOPE OF CONSOLIDATION

at September 30, 2016

SCOPE OF CONSOLIDATION AT SEPTEMBER 30, 2016

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a)		Interest held in share capital		Type of investment relationship (c)	Notes
				09.30.2016	12.31.2015	% (b)	by		

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	09.30.2016	12.31.2015	% (b)	by	Type of investment relationship (c)	Notes
Group Parent Company									
Edison Spa	Milan (IT)	EUR	5,377,000,671						
Electric Power Operations									
Cellina Energy Srl (single shareholder)	Milan (IT)	EUR	5,000,000	100.00	-	100.00	Edison Spa	S	(i)
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	S	(i)
Conef Solutions Slu	Madrid (E)	EUR	3,001	100.00	-	100.00	EDF Fenice Iberica Slu	S	-
Cryoptima Luxembourg Sarl	Luxembourg (L)	EUR	12,500	51.00	-	100.00	Modularis Group Srl	S	-
Cryoptima Polska Sp Zoo	Warsaw (PL)	PLZ	50,000	51.00	-	100.00	Cryoptima Sas	S	-
Cryoptima Sas	Decines (F)	EUR	100,000	51.00	-	100.00	Modularis Group Srl	S	-
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	S	-
E2i Energie Speciali Srl	Milan (IT)	EUR	4,200,000	24.99	24.99	30.00	Edison Partecipazioni Energie Rinnovabili Srl	S	-
EDF Fenice Iberica Slu	Madrid (E)	EUR	12,000,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Edf Fenice Services Iberica Sl	Madrid (E)	EUR	6,010	100.00	-	100.00	EDF Fenice Iberica Slu	S	-
Edison Energia Spa (single shareholder) - Electric Power Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) Electric Power Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	S	-
Edison Partecipazioni Energie Rinnovabili Srl	Milan (IT)	EUR	20,000,000	83.30	83.30	83.30	Edison Spa	S	(i)
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Eolo Energia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	S	-
Fenice Poland Sp.z.o.o.	Bielsko-Biala (PL)	PLZ	30,000,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Fenice Qualità per l'Ambiente Spa (single shareholder)	Rivoli (TO) (IT)	EUR	330,500,000	100.00	-	100.00	Edison Spa	S	-
Fenice Services Polska	Bielsko Biala (PL)	PLZ	600,000	100.00	-	100.00	Fenice Poland Sp.z.o.o.	S	-
Fompedraza Cogeneracion Sa	Fompedraza (Valladolid) (E)	EUR	649,093	90.00	-	90.00	EDF Fenice Iberica Slu	S	-
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	S	-
Interecogen Srl (single shareholder)	Rivoli (TO) (IT)	EUR	110,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	S	(i)
Modularis Group Srl	Rivoli (TO) (IT)	EUR	200,000	51.00	-	51.00	Fenice Qualità per l'Ambiente Spa (single shareholder)	S	-
Modularis Sas	Decines (F)	EUR	2,000	51.00	-	100.00	Modularis Group Srl	S	-
Novaction Energies Sas	Decines (F)	EUR	150,000	51.00	-	100.00	Modularis Group Srl	S	-
Ooo Cryoptima Rus ex Ooo Novotek	Moscow (RUS)	RUR	120,000	51.00	-	100.00	Novaction Energies Sas	S	-
Rendina Ambiente Srl (single shareholder)	Rivoli (TO) (IT)	EUR	50,000	100.00	-	100.00	Fenice Qualità per l'Ambiente Spa Spa (single shareholder)	S	-
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	S	(i)
Società Idroelettrica Calabrese Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	100,00	100.00	Edison Spa	S	(i)
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	S	(i)

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 09.30.2016	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (c)	Notes
Hydrocarbons Operations									
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	S	(i)
Edison E&P UK Ltd	London (GB)	GBP	81,867,411	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison Energia Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	23,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Energy Solutions Spa (single shareholder) - Hydrocarbons Activities	Milan (IT)	EUR	5,000,000	100.00	100.00	100.00	Edison Energia Spa (single shareholder)	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	1,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Edison Norge As	Stavanger (N)	NOK	2,000,000	100.00	100.00	100.00	Edison International Spa (single shareholder)	S	-
Edison North Sea Ltd	London (GB)	GBP	2	100.00	100,00	100.00	Edison E&P UK Ltd	S	-
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	90,000,000	100.00	100.00	100.00	Edison Spa	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
						0.00	Edison Spa		
Infrastrutture Distribuzione Gas Spa (single shareholder) ex Edison DG Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	S	-
Infrastrutture Trasporto Gas Spa (single shareholder)	Milan (IT)	EUR	10,000,000	100.00	100.00	100.00	Edison Spa	S	-
Corporate Activities									
Atema Dac ex Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	S	-
Edison International Development Bv	Amsterdam (NL)	EUR	18,018,000	100.00	100.00	100.00	Edison International Holding Nv	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	123,500,000	100.00	100.00	100.00	Edison Spa	S	-
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	S	(i)

List of Equity Investments (continued)

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12.31.2015	Interest held in share capital % (b)	Interest held in share capital by	Type of investment relationship (f)	Notes (e)
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000		50.00	Edison International Spa (single shareholder)	JV	(iii)(iv)
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000		50.00	Edison International Spa (single shareholder)	JV	(iii)
Elpedison Bv (*)	Amsterdam (NL)	EUR	1,000,000		50.00	Edison International Holding Nv	JV	(iii)
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000		30.00	Edison International Spa (single shareholder)	JV	(iii)(iv)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814		50.00	Edison Spa	JV	(iii)
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon (**)	Herakleio Attiki (GR)	EUR	33,400,000		50.00	Edison International Holding Nv	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200		50.00	Edison Spa	JV	(iii)
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,100		47.62	Jesi Energia Spa	AC	-
EDF EN Service Italia Srl	Bologna (IT)	EUR	10,000		30.00	Edison Spa	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	AC	-
Fenice Assets Iberica Sl	Madrid (E)	EUR	10,000		40.00	EDF Fenice Iberica Slu	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,419,179		23.53	Edison Spa	AC	-

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

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

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

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

Notes

(a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis, and by jointly controlled companies consolidated by the proportional method.
(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.
(c) S = subsidiary; JO = joint operation; JV = joint venture; AC = affiliated company; NG = non-Group company.
(i) Company subject to the oversight and coordination of Edison Spa.
(iii) From January 1, 2014, company valuated with equity method according to IFRS 11.
(iv) Operating Company acting as Agent of Edison International Spa, it should be noted that the relationships regaled on behalf of it in the execution of the Concession Agreement continue to be consolidated line by line through the separated financial statements of the company.

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

BGL	Bulgarian lev	EGP	Egyptian pound	HRK	Croatian kuna	RON	Romanian leu
BRL	Brazilian real	EUR	Euro	NOK	Norvegian krone	RUR	Russian ruble
CHF	Swiss franc	GBP	British pound	PLZ	Polish zloty	USD	U.S. dollar

CERTIFICATION

Pursuant to Article 154-*bis*, Section 2, of Legislative Decree No. 58/1998

As required by Article 154-*bis*, Section 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Didier Calvez and Roberto Buccelli, in their capacity as "Dirigenti preposti alla redazione dei documenti contabili societari" of Edison Spa, declare that the accounting information contained in this Quarterly Report at September 30, 2016 is consistent with the data in documents, accounting records and other records.

Milan, November 2, 2016

"I dirigenti preposti alla redazione dei documenti contabili societari"
Didier Calvez
Roberto Buccelli