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2013 ANNUAL REPORT
REPORT ON OPERATIONS

EDISON 130 YEARS

LETTER TO SHAREHOLDERS

Dear Shareholders:

The year 2013 was highly significant for Edison, which celebrated 130 year of activity and completed its first year as a full member of the EDF Group.

Unfortunately, the reference economic context continues to be extremely challenging. Both Europe as a whole and Italy are continuing to experience a recessionary period, even though the negative trend of recent years appears to have slowed. The worst seems to be behind us and I view positively the tentative signs of economic recovery in the closing months of the year. I share the ambition of an industrial renewal in Italy, particularly at the international level, to seize new growth and development opportunities.

In Europe, and globally as well, the energy markets are currently characterized by important structural changes, tied above all to a steady deterioration of conditions in the reference scenario. More specifically, the contraction in consumption is continuing, coupled with government policies that penalized long-term investments in conventional electric power generation. In Italy, demand for electric power decreased by 3.4% in 2013, compared with the level of 2012, which was already 1.9% lower than the previous year. Demand for natural gas was also down in 2013, falling by 6.4% compared with the previous year, when it contracted by 4.1% compared with 2011, due mainly to a sharp reduction in production by gas-fired thermoelectric power plants.

In this still highly negative reference scenario, Edison was nevertheless able to turn in a particularly satisfactory performance that exceeded expectations. This was the case for the electric power operations, which made up in part the shortfall in the result of the hydrocarbons operations, still affected by the price review processes for long-term gas procurement contracts. The Company showed that it is able to work effectively even under the most challenging circumstances and that it can deal with uncertainties and manage them with a spirit driven by great flexibility, pragmatism and single-minded determination. This same approach was also applied in a situation in which the operations of some electric power plants in Italy had to be stopped.

The performance in 2013 shows revenues rising by 2.7% to 12,335 million euros and EBITDA still solidly above the 1,000-million-euro mark (1,009 million euros, compared with 1,103 million euros in 2012), thanks to the positive impact of the revision of the long-term contract to supply natural gas from Algeria (April 2013), the signing of new agreements to supply natural gas from Algeria and Qatar (July 2013) and, lastly, an improvement of 64 million euros in the net financial position, which totaled 2,549 million euros, owing in part to the implementation of payment arrangements in Egypt and programs to contain working capital. The bottom line also improved in 2013, with net profit increasing from 81 million euros in 2012 to 96 million euros in 2013.

The results for 2013 confirm that Edison's health is again sound, as shown by the credit rating upgrades and the resumption of dividend distributions. The Company is ready to resume its growth path, consistent with its strategic mandate within the EDF Group: consolidation in Italy, expansion in the Mediterranean Basin and further growth in the hydrocarbon area.

However, the effects of the crisis that characterized markets in recent years and the lengthy shareholder-base restructuring process resulted in a temporary scaling back of the portfolio of investment projects for the Company's development. For this reason, 2013 was marked by a low level of investments, due also to the slow pace of authorization processes. Nevertheless, Edison continued to develop its business in those areas that offer attractive opportunities, like Norway, where intense scouting activities for new opportunities in the hydrocarbon sector are continuing to produce good results, with six new licenses awarded in 2013. The challenge is now to resume investments in profitable projects, a challenge that must be tackled by repopulating our portfolio of available development options. This goal must be pursued while at the same time protecting our existing business, specifically in the hydroelectric sector in Italy, a historical sector in which we intend to continue playing a leading role, and in the gas procurement sector, completing the cycle of contract price reviews, which will bring further benefits for the Company's future results.

The year 2013 was the first year in which Edison operated as a full-fledged member of the EDF Group. The Company contributed intensely to the Group's activities, bringing its distinctive competencies, qualified personnel and projects. I am thinking mainly of the natural gas sectors and the intense collaborative effort for such projects as the South Stream gas pipeline, the Dunkirk LNG terminal and the Kristall storage facility in Germany; but also research and development activities, with a new research mandate for the hydrocarbon area and renewable energy sources, with projects aimed at realizing synergies between Edison and EDF Energie Nouvelle in Italy.

I would like to conclude by commenting the slogan that we have chosen for our anniversary "Edison: 130 years young." This is the strength that animates our Company: a very long history of innovation and record achievements that provided a vital contribution to Italy's economic and social progress, but also, and most importantly, the history of driven women and men, with their eyes always fixed on the future, women and men who believe in progress, for themselves and for the entire community.

Bruno Lescoeur
CEO Edison

EDISON TODAY

EDISON IS ONE OF ITALY'S TOP ENERGY OPERATORS. IT PRODUCES, IMPORTS AND SELLS ELECTRIC POWER AND HYDROCARBON PRODUCTS (NATURAL GAS AND OIL).

ELECTRIC POWER

Italian Market in 2013

Total Italian gross demand	317,1	TWh
Edison's gross sales in Italy (*)	**56.3**	TWh
incl.: - Deregulated market (*)	55.2	TWh
- CIP 6/92	0.2	TWh
- Captive	0,9	TWh
Locations served at 12/31/13	900	'000

Facilities and Production Capacity in 2013

Installed capacity Edison Group	**7.7**	'000 MW
Net production of electric power Total Italy	277.4	TWh
Net production of electric power Edison Group in Italy	**18.7**	TWh
Share of total Italian production	6.7	%

(*) Including Power Exchange sales and sales to wholesalers but excluding exports.
Sources: Pre-closing data by AU and Terna and Edison estimates.

HYDROCARBONS

Italian Market in 2013

Total Italian demand	69.5	Bill. m³
Edison's sales in Italy	**15.7**	Bill. m³
Edison's sales/Total Italian demand	22.5	%
Locations served at 12/31/13	604	'000

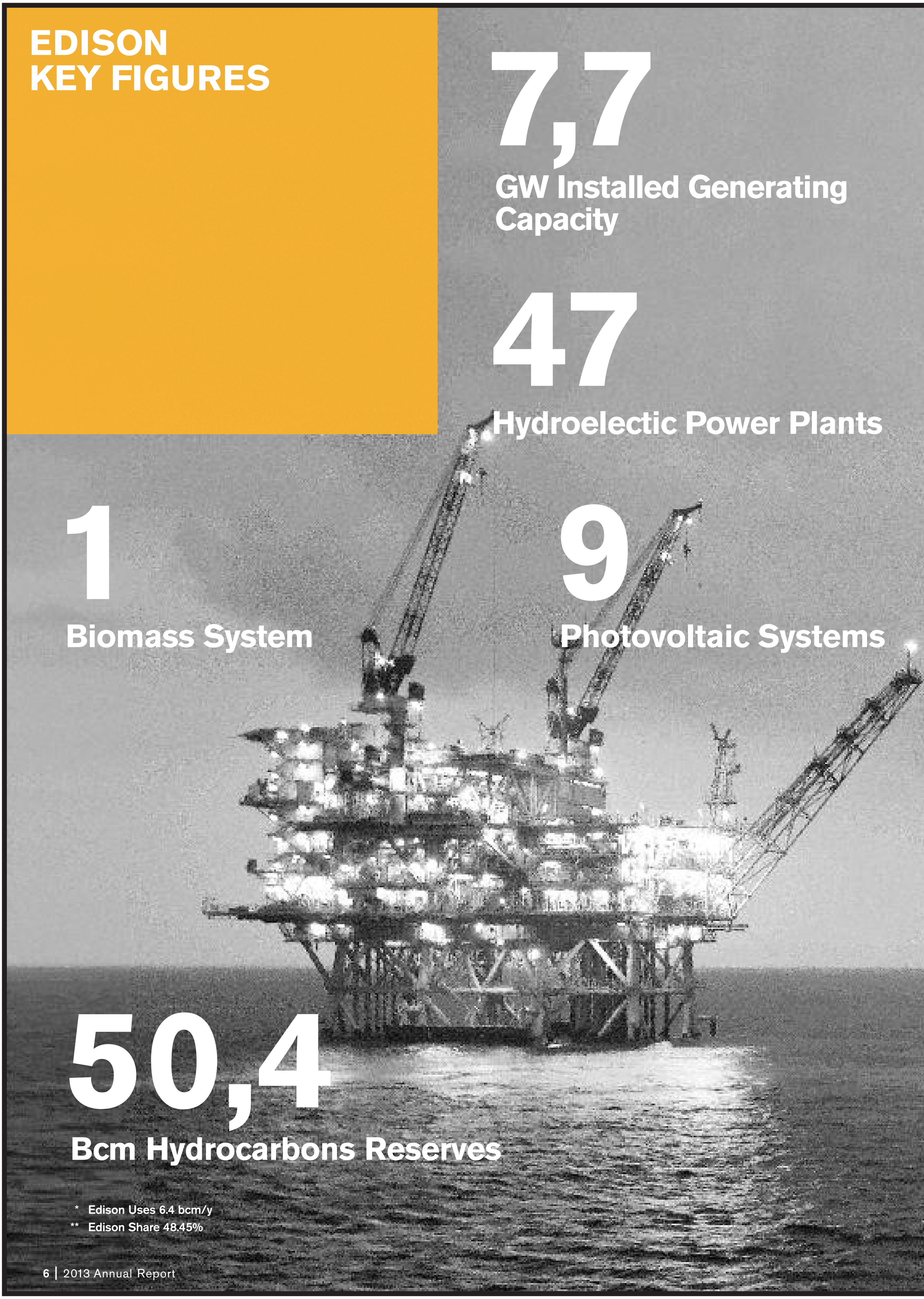
Facilities and Production Capacity in 2013

Natural gas production – Total Italy	7.5	Bill. m³
Natural gas production – Edison (Italy)	**0.4**	Bill. m³
Share of total production	5.5	%
Number of concessions and permits in Italy	58	n.
Number of storage-center concessions in Italy	3	n.
Natural gas production – Edison (outside Italy)	**1.8**	Mld. mc
Number of concessions and permits outside Italy	53	n.
Hydrocarbon reserves	50.4	Mld. mc eq.
Gas transmission network (low- and medium-pressure pipelines)	3.58	'000/Km
Gas transmission network (high-pressure pipelines)	0.08	'000/Km

Sources: Pre-closing data by the Ministry of Development and Edison estimates.

A detail of the Torviscosa (UD) thermoelectric power plant.

EDISON KEY FIGURES



7,7

GW Installed Generating Capacity

47

Hydroelectic Power Plants

1

Biomass System

9

Photovoltaic Systems

50,4

Bcm Hydrocarbons Reserves

* Edison Uses 6.4 bcm/y

** Edison Share 48.45%

18,7
TWh Net Production of Electric Power in Italy

22
Thermoelectric Power Plants

32
Wind Farms

15,7
Bcm Natural Gas Sales in Italy

111
Mineral Leases
(gas and oil)

1
LNG Terminal
(capacity 8 bcm/y)*

3
Gas Storage Centers

56,3
TWh Gross Sales of Electric Power in Italy

1
HV merchant line
(150 MW)**

The Vega A platform in the Sicily Channel.

SIMPLIFIED STRUCTURE OF THE GROUP AT DECEMBER 31, 2013

ORGANIZATION AND ACTIVITIES OF THE DIVISIONS, BUSINESS UNITS AND MAIN CONSOLIDATED COMPANIES

Power Assets

Management and development of thermoelectric, hydroelectric and renewable-source power generating facilities

- Edison Energie Speciali Spa
- Sistemi di Energia Spa
- Hydros Srl
- Dolomiti Edison Energy Srl

Power International

Development and management of partnerships for thermoelectric power generation and sales and interconnection facilities

- Elpedison Power Sa
- Elpedison Energy Sa
- Elite Spa

Energy Management

Dispatching, trading, buying and selling of electric power in wholesale markets

- Edison Trading Spa

EDISON Spa [1]

- Electric Power Business Unit
- Hydrocarbons Business Unit
- Main consolidated companies

Exploration & Production

Exploration for and production of hydrocarbons (oil & gas) in Italy and internationally

- Edison International Spa
- Abu Qir Petroleum Co

Gas International & Management

Development of international gas infrastructures

Management of gas LT procurement, logistics and trading

Thermoelectric gas sales

- Igi-Poseidon Sa
- Galsi Spa

Gas Regulated Assets

Management of gas storage, transmission and distribution activities in Italy

- Edison Stoccaggio Spa (*)
- Edison D.G. Spa (*)
- Infrastrutture Trasporto Gas Spa (**)

Marketing Sales & Energy Services

Sales of electric power and gas to end customers

Energy efficiency services and solutions

- Edison Energia Spa
- AMG Gas Spa
- C.S.E. Srl

(*) Companies subject to functional unbunding requirements.

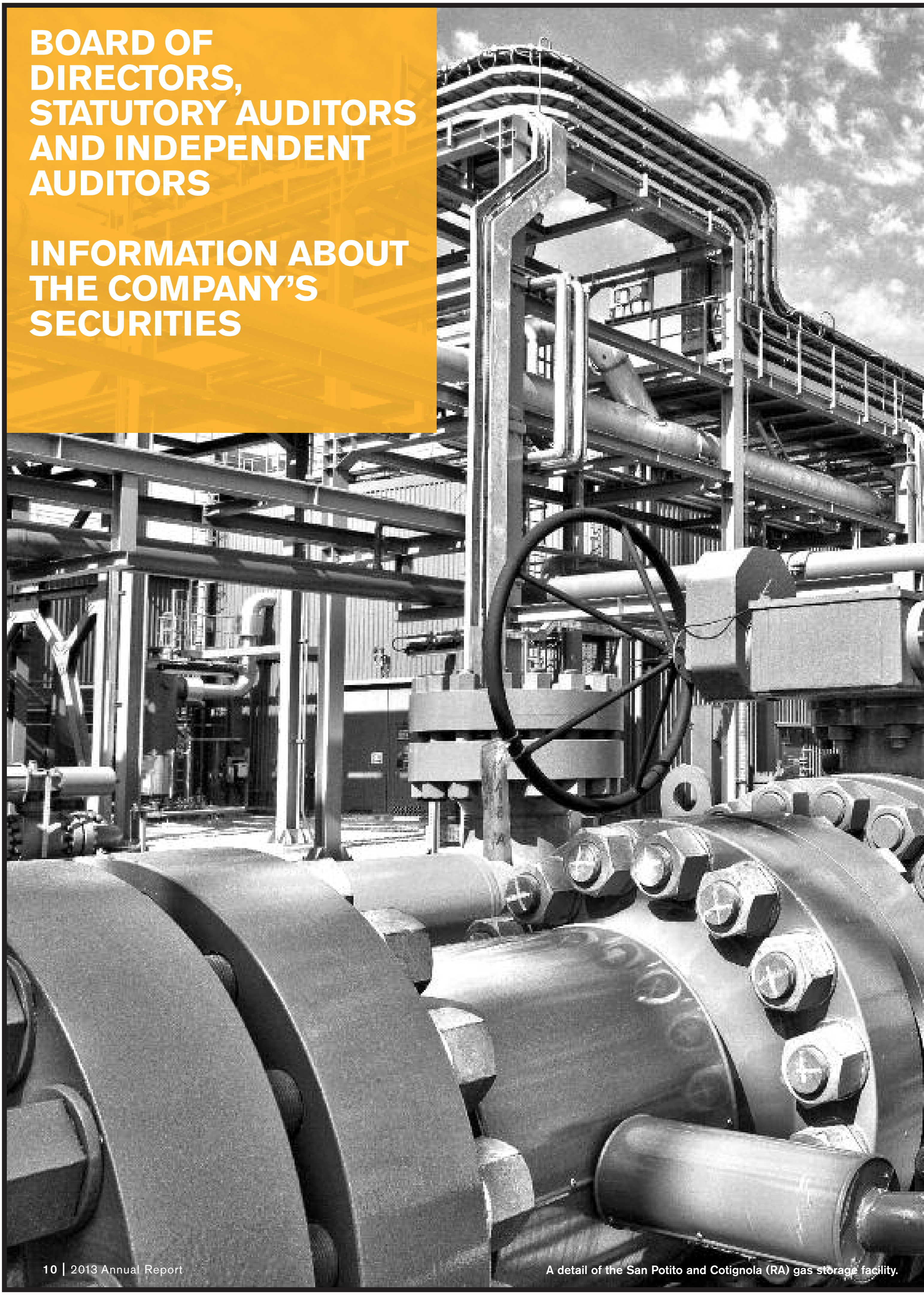
(**) Independent Transmission Operator.

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

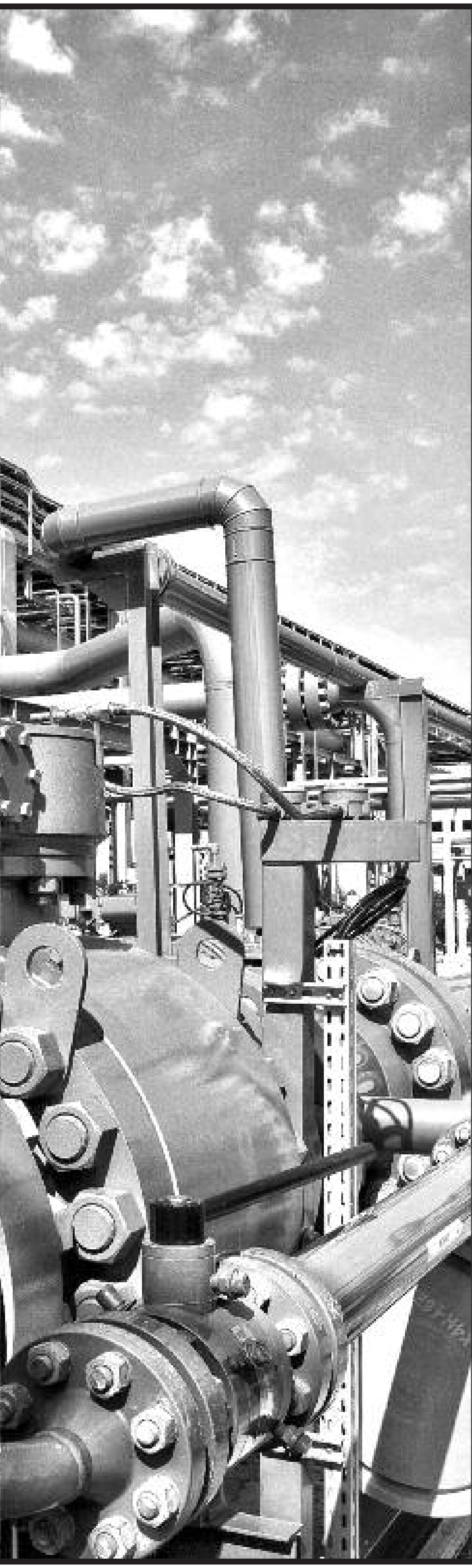
A wind farm in Castiglione Messer Marino (CH).

BOARD OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

INFORMATION ABOUT THE COMPANY'S SECURITIES



A detail of the San Potito and Cotignola (RA) gas storage facility.



BOARD OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Board of Directors [1]

Chairman		Henri Proglio [2]
Chief Executive Officer		Bruno Lescoeur [3]
Directors		Béatrice Bigois [4]
	independent Director	Paolo Di Benedetto [5]
		Philippe Esper
	independent Director	Gian Maria Gros-Pietro [6]
		Pierre Lederer
		Denis Lépée
		Jorge Mora
		Thomas Piquemal [7]
	independent Director	Nathalie Tocci [8]
		Nicole Verdier-Naves [9]
Secretary to the Board of Directors		Lucrezia Geraci

Board of Statutory Auditors [10]

Chairman	Alfredo Fossati
Statutory Auditors	Giuseppe Cagliero [11]
	Leonello Schinasi

Independent Auditors [12]

Deloitte & Touche Spa

(1) Elected by the Shareholders' Meeting of March 22, 2013 for a three-year period ending with the Shareholders' Meeting convened to approve the 2015 annual financial statements.
(2) Confirmed Chairman by the Shareholders' Meeting of March 22, 2013.
(3) Confirmed Chief Executive Officer by the Board of Directors on March 22, 2013.
(4) Chairman of the Control and Risk Committee.
(5) Chairman of the Compensation Committee and member of the Control and Risk Committee, the Committee of Independent Directors and the Oversight Board.
(6) Chairman of the Committee of Independent Directors, Lead Independent Director and member of the Control and Risk Committee, the Compensation Committee and the Oversight Board.
(7) Member of the Control and Risk Committee.
(8) Member of the Compensation Committee and the Committee of Independent Directors.
(9) Member of the Compensation Committee.
(10) Elected by the Shareholders' Meeting of April 26, 2011 for a three-year period ending with the Shareholders' Meeting convened to approve the 2013 annual financial statements.
(11) Appointed as a replacement Statutory Auditor on May 24, 2012, with appointment confirmed by the Shareholders' Meeting of March 22, 2013 for a one-year period ending with the approval of the 2013 annual financial statements.
(12) Audit engagement awarded by the Shareholders' Meeting of April 26, 2011 for the nine-year period from 2011 to 2019.

INFORMATION ABOUT THE COMPANY'S SECURITIES

Number of shares at December 31, 2013

Common shares	5.181.545.824
Savings shares	110.154.847

Shareholders with Significant Holdings at December 31, 2013

	% of voting rights	% interest held
EDF Electricité de France Sa [1]	99,476%	97,405%

(1) **Held indirectly.**

REPORT ON OPERATIONS

The “Old Dam” of the Angelo Bertini hydroelectric power plant on the Adda River.

KEY EVENTS OF 2013

GROWING OUR BUSINESS

Edison is Awarded Two New Hydrocarbon Exploration Licenses in Norway

On January 16, 2013, Edison, through its Edison International Spa subsidiary, was awarded two new hydrocarbon exploration and production licenses in the Norwegian Continental Shelf, which were put out for bids by the Norwegian Oil and Energy Ministry. The awarded licenses, both in the Norway Sea, are for Blocks 6608/4 and 6608/7, with Edison at 30% in a joint venture with OMV at 40%, North Energy at 15% and Skagen 44 at 15%, and for Blocks 6509/3, 6510/1 and 6510/2, with Edison at 30% in a joint venture with Repsol at 40% and Skagen 44 at 30%.
The license allow a three-year period for surveys, at the end of which the partners will have to decide whether to proceed with drilling or relinquish the license, under the "drill or drop" provision.

Edison: Conclusion of the Price Revision Arbitration for the Contract with Sonatrach to Supply Natural Gas from Algeria

On April 23, 2013, the Court of Arbitration of the International Chamber of Commerce (ICC) handed down its award in the price revision arbitration for the long-term contract between Edison and Sonatrach for the supply natural gas from Algeria.
The Court of Arbitration found Edison's request for price revision to be valid in respect both to form and substance. The Sonatrach arbitration was activated in August 2011 as part of the process of renegotiating long-term gas contracts in the Group's portfolio.

Edison Strengthens Its Presence in Norway and is Awarded Four New Hydrocarbon Exploration Licenses in the Barents Sea

On June 16, 2013, Edison, through its Edison International Spa subsidiary, was awarded four new hydrocarbon exploration and production licenses in the Norwegian Continental Shelf, which were put out for bids by the Norwegian Oil and Energy Ministry. The awarded licenses, all in the Barents Sea, are for Block PL707 (Seiland W) with Edison operator at 50% in a joint venture with PGNiG at 30% and North Energy at 20%; Block PL708 (Seiland E) with Edison at 20% in a joint venture with Lundin, operator at 40%, LUKOIL at 20% and North Energy at 20%; Block PL713 (Eldorado) with Edison at 20% in a joint venture with Statoil, operator at 40%, Rosneft at 20% and North Energy at 20%; and Block PL717 (Alke) with Edison at 20% in a joint venture with ENI, operator at 40%, Statoil at 20% and Rocksource at 20%.
Three license allow a three-year period for surveys and seismic mapping, at the end of which the partners will have to decide whether to proceed with drilling or relinquish the license, under the "drill or drop" provision. The license for Block PL713 entails a commitment to drill an exploratory well.

Edison: Revision of the Long-term Contracts to Supply Natural Gas from Algeria and Qatar

The agreements renegotiating the contractual conditions of the long-term contracts to supply natural gas from Qatar and Algeria were signed at the end of July 2013 as part of the second cycle of renegotiations.

Edison Will Supply Energy to Public Administrations

In October 2013, Edison, through its Edison Energia Spa subsidiary, was the winning bidder in a call for tenders launched by Consip (a corporation owed by the Ministry of the Economy and Finances that operates exclusively in the government's interest within the framework of the strategic guidelines and

Detail of the Sonico (BS) hydroelectric power plant.

We celebrate our 130-year history, which has made Edison reliable and capable of delivering concrete benefits to all those who use energy to improve the world.

tasks assigned to it) for the supply of electric power to public administrations in 2014.
Starting in January 1, 2014, Edison Energia Spa will be supplying electric power to Ministries, Regional, Provincial and Municipal Administrations, schools and barracks in the regions of Piedmont, Aosta Valley, Lombardy, Liguria, Trentino Alto Adige, Emilia Romagna, Veneto, Friuli Venezia Giulia, Tuscany, Umbria, Marche, Apulia, Molise and Sardinia, for a total volume of about 3,300 million kilowatt-hour a year. The contract is for 12 months for a total value of 500 million euros in energy supplied.

OTHER KEY EVENTS

Edison Signed Agreements for Two Intercompany Facilities to Refinance an Expiring 1,500-million euro Credit Line

On April 9, 2013, Edison Spa signed agreements for two intercompany facilities, which it drew down the following April 11, to refinance an expiring syndicated, standby credit line of 1,500 million euros.
The first loan, provided by EDF IG SA, is for 800 million euros and has a duration of seven years; the second loan, provided by EDF SA, amounts to 600 million euros and has a duration of two years. Both facilities were secured on competitive terms, in line with those available in the market to a company with Edison's credit rating.
These facilities represent the preponderant portion of a structured refinancing plan that can offer Edison an efficient coverage both of its long-term operating requirements and its short-term needs, while enabling it to maintain an adequate level of financial flexibility.

Edison: 500-million-euro Bank Facility

On July 10, 2013, Edison executed a loan agreement for a short-term facility in the amount of 500 million euros. This credit line, provided by a pool of top Italian and international banks, is structured as

a Club Deal without any subsequent syndication activity and calls for drawdowns on a rotating basis (Revolving Credit Facility). The interest rate is indexed to the Euribor plus as spread in line with the best market terms currently available and the facility expires in January 2015. With this new credit line, Edison further strengthened its financial flexibility.

Standard & Poor's raises Edison's Rating to BBB+ with stable Outlook

On December 10, 2013, the Standard & Poor's rating agency raised Edison's long-term credit rating from BBB to BBB+ with Stable Outlook. The rating agency confirmed the A-2 rating for short-term debt.

The improved rating is the result of a revision of the valuation method for companies that are part of groups, which Standard & Poor's published on November 29, 2013, and more importantly of Edison's classification as a company "strategically important" for the EDF Group. Edison, the gas platform for the entire group, is viewed by Standard & Poor's and instrumental to EDF's long-term strategy of diversifying of its production mix.

The Stable Outlook reflects the opinion by Standard & Poor's that Edison's stand-alone credit profile should strengthen over the next two years, due mainly to the restored profitability of its gas procurement activities and the improvement of financial parameters.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2013

Information about events occurring after the end of the year covered by this Report is provided in the section of the Consolidated Financial Statements entitled "Significant Events Occurring After December 31, 2013."

FINANCIAL HIGHLIGHTS. FOCUS ON RESULTS

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables 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 Committee of European Securities Regulators (CESR), are described in the footnotes to the tables.

Edison Group

(in millions of euros)	2013	2012(*)	% change
Sales revenues	12,335	12,014	*2.7%*
EBITDA	1,009	1,103	*(8.5%)*
as a % of sales revenues	*8.2%*	*9.2%*	
EBIT	344	229	*50.2%*
as a % of sales revenues	*2.8%*	*1.9%*	
Net profit (loss) from continuing operations	98	36	*n.m.*
Net profit (loss) from discontinued operations	-	50	*n.m.*
Group interest in net profit (loss)	96	81	*18.5%*
Capital expenditures of continuing operations	179	343	*(47.8%)*
Investments in exploration	92	116	*(20.7%)*
Net invested capital (A + B)	9,801	9,800	-
Net financial debt (A) [1]	2,549	2,613	*(2.4%)*
Total shareholders' equity (B)	7,252	7,187	*0.9%*
Shareholders' equity attributable to Parent Company shareholders	7,126	7,055	*1.0%*
ROI [2]	3.60%	2.25%	
ROE [3]	1.35%	1.15%	
Debt/Equity ratio (A/B)	0.35	0.36	
Gearing (A / A+B)	26%	27%	
Number of employees [4]	3,240	3,248	*(0.2%)*

(1) A breakdown of this item is provided in the "Net Financial Debt" section of the Notes to the Consolidated Financial Statements.
(2) EBIT/Average net invested capital of continuing operations. Net invested capital of continuing operations does not include the value of equity investments held as non-current assets and is computed as the arithmetic average of net invested capital at the end of the year and at the end of the previous year.
(3) Group interest in net profit/Average shareholders' equity attributable to the shareholders of the controlling company.
Average shareholders' equity is the arithmetic average of the shareholders' equity at the end of the year and at the end of the previous year.
(4) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.
(*) The 2012 amounts reflect the adoption of IAS 19 Revised.

Edison Spa

(in millions of euros)	2013	2012(*)	% change
Sales revenues	5,601	6,433	*(12.9%)*
EBITDA	60	336	*(82.1%)*
as a % of sales revenues	*1.1%*	*5.2%*	
EBIT	(177)	(108)	*(63.9%)*
as a % of sales revenues	*n.m.*	*n.m.*	
Net profit (loss) from continuing operations	78	(25)	*n.m.*
Net profit (loss) from discontinued operations	-	81	*n.m.*
Net profit (loss)	78	56	*n.m.*
Capital expenditures	90	100	*(10.0%)*
Net invested capital	6,745	6,572	*2.6%*
Net financial debt	746	626	*19.2%*
Shareholders' equity	5,999	5,946	*0.9%*
Debt/equity ratio	0.12	0.11	
Number of employees	1,552	1,587	*(2.2%)*

(*) The 2012 amounts reflect the adoption of IAS 19 Revised.

Detail of the Candela (FG) thermoelectric power plant.

Sales Revenues and EBITDA by Business Segment

(in millions of euros)	2013	2012(*)	% change
Electric Power Operations [1]			
Sales revenues	7,319	6,961	*5.1%*
Reported EBITDA	696	605	*15.0%*
Adjusted EBITDA (**)	706	583	*21.1%*
Hydrocarbons Operations [1]			
Sales revenues	5,872	6,571	*(10.6%)*
Reported EBITDA	424	608	*(30.3%)*
Adjusted EBITDA (**)	414	630	*(34.3%)*
Corporate Activities and other segments [2]			
Sales revenues	52	48	*8.3%*
EBITDA	(111)	(110)	*(0.9%)*
Eliminations			
Sales revenues	(908)	(1,566)	*42.0%*
Edison Group			
Sales revenues	**12,335**	**12,014**	***2.7%***
EBITDA	**1,009**	**1,103**	***(8.5%)***
%as a % of sales revenues	***8.2%***	***9.2%***	

(1) See Simplified Structure of the Group on page 8.
(2) Includes those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and certain holding companies and real estate companies.
(*) The 2012 amounts reflect the adoption of IAS 19 Revised.
(**) Adjusted EBITDA reflect the effect of the reclassification from the Hydrocarbons Operations to the Electric Power Operations of the portion attributable to the Electric Power Operations of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. This reclassification is being made to allow a better operational presentation of the Group's industrial results. The adjusted EBITDA amount was not audited by the Independent Auditors.

PERFORMANCE AND RESULTS OF THE GROUP IN 2013 AND BUSINESS OUTLOOK FOR 2014

Operating Performance

The Group reported sales revenues of 12,335 million euros in 2013, for an increase of 2.7% compared with the previous year. A breakdown by business segment shows a gain of 5.1% for the Electric Power Operations, driven mainly by higher sales volumes, and a decrease 10.6% for the Hydrocarbons Operations, due to a reduction in average sales prices that reflected changes in the benchmark scenario.

EBITDA totaled 1,009 million euros, or 94 million euros less (-8.5%) than in 2012. This decrease is the combined result of the following factors:

- for the Hydrocarbons Operations (adjusted EBITDA[1] of 414 million euros, down 216 million euros), the impact of the activities that buy and sell natural gas, still characterized by highly negative margins, and a slight contraction in the volumes generated by the Exploration & Production activities, offset in part by improving margins in the Regulated Gas Infrastructure business;
- for the Electric Power Operations (adjusted EBITDA[1] of 706 million euros, up 123 million euros), mainly the effect of an outstanding performance in optimizing the management of the facilities portfolio.

More detailed information about the Group's performance in 2013 is provided in the section of this Report where the performance of the Group's businesses is analyzed.

EBIT amounted to 344 million euros, up sharply compared with 229 million euros in 2012. In addition to the factors described above, this amount reflects depreciation, amortization and writedowns totaling 656 million euros (868 million euros in 2012); lower exploration costs and the effect of the writedowns recognized in 2012 account for the decrease in net depreciation and amortization, which totaled to 556 million euros (629 million euros in 2012).
Writedowns of 100 million euros (239 million euros in 2012), which reflected the result of the annual impairment test of non-current assets, include 46 million euros for a thermoelectric power plant after a contract to supply steam was cancelled by a customer and 54 million euros for the Rosetta concession in Egypt due to a downward revision of its hydrocarbon reserves.
The net result from continuing operations totaled 98 million euros (36 million euros in 2012). This amount is after net financial expense of 115 million euros, other net charges of 4 million euros and income taxes of 130 million euros. Other net charges, in turn, include items related to non-core assets among which additions to provisions for environmental risks related to activities ex-Montedison and a gain of 37 million euros resulting from the cancellation of a fine imposed on the Ausimont subsidiary by the European Commission in 2006.

At December 31, 2013, net financial debt amounted to 2,549 million euros, down from 2,613 million euros at the end of 2012.
More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Notes to the Consolidated Financial Statements.

(1) See note on page 20.

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

(in millions of euros)	2013	2012
A. NET FINANCIAL (DEBT) AT BEGINNING OF THE YEAR	**(2,613)**	**(3,884)**
EBITDA	1,009	1,103
Change in operating working capital	(84)	(294)
Income taxes paid (-)	(221)	(190)
Change in other assets (liabilities)	(193)	46
B. CASH FLOW FROM OPERATING ACTIVITIES	**511**	**665**
Investments in property, plant and equipment and intangibles (-)	(271)	(459)
Investments in non-current financial assets (-)	(4)	-
Net Acquisition price of business combinations (-) (*)	(56)	(2)
Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	8	690
Repayment of shareholder loan	-	550
Capital distributions from equity investments	7	8
Dividends received	4	3
C. FREE CASH FLOW	**199**	**1,455**
Financial income (expense), net	(115)	(121)
Contributions of share capital and reserves	-	(14)
Dividends paid (-)	(20)	(14)
D. CASH FLOW AFTER FINANCING ACTIVITIES	**64**	**1,306**
Discontinued operations	-	(35)
E. NET CASH FLOW FOR THE YEAR	**64**	**1,271**
F. NET FINANCIAL (DEBT) AT END OF THE YEAR	**(2,549)**	**(2,613)**

(*) Includes acquisition price (81 million of euros), net of cash and cash equivalents (25 million of euros), of EDF Production UK Ltd; this company engages in the exploration, development and production of hydrocarbons and was acquired from EDF International Sas in October.

Outlook for 2014

Edison confirms its recurring capability to generate a 1 billion euro EBITDA, which may vary according to the timing of long-term procurement gas contracts' price review renegotiations. Edison is still engaged in the second wave of price review renegotiations on long-term gas supply contracts, the finalization of which is expected in 2014/2015. Excluding the positive effects of the above mentioned renegotiations, 2014 EBITDA is expected to exceed 600 Million euro.

EDISON AND THE FINANCIAL MARKETS

Stock Price and Other Per Share Data

	December 31, 2013	December 31, 2012
Edison Spa		
Stock market price (unit price in euros) [1]:		
- common shares [2]	-	-
- savings shares	0.9592	0.8424
Number of shares (at end of the year):		
- common shares	5,181,545,824	5,181,545,824
- savings shares	110,154,847	110,154,847
Total shares	**5,291,700,671**	**5,291,700,671**
Edison Group		
Earnings per share [3]:		
basic earnings per common share	0.0175	0.0147
basic earnings per savings share	0.0475	0.0447
diluted earnings per common share	0.0175	0.0147
diluted earnings per savings share	0.0475	0.0447
Shareholders' equity per share attributable to the controlling company's shareholders (in euros)	1.347	1.333

(1) Simple arithmetic average of the prices for the last calendar month of the year.
(2) Delisted on September 10, 2012.
(3) Computed in accordance with IAS 33.

Other Financial Indicators

Rating	Current	December 31, 2012
Standard & Poor's		
Medium/Long-term rating	BBB+	BBB
Medium/long-term outlook	Stable	Positive
Short-term rating	A-2	A-2
Moody's		
Rating	Baa3	Baa3
Medium/Long-term outlook	Stable	Negative

AN EVOLVING SCENARIO. MARKETS AND REGULATIONS

ECONOMIC FRAMEWORK

In 2013, the growth rate of the global economy slowed slightly compared with 2012, both in terms of GDP and international trade development, but remained in positive territory: the latest estimates developed by Prometeia - Italy's largest forecasting Institute - call for global GDP and international trade to grow by 2.9% and 2.1%, respectively.

Insofar as emerging economies are concerned, those in Asia decelerated in 2013, but signs of a turnaround materialized in the second half of the year, particularly in China and India. Growth slowed also in Latin America (Mexico and Brazil in particular) and the countries of North Africa and the Middle East, but accelerated in sub-Saharan Africa. Overall, the dynamics of the emerging countries, while less robust than in the period from the beginning of the millennium and to the start of the crisis, continue to be superior to those of the advanced countries, providing an important stimulus to the global economy.

Among the advanced countries, the recovery experienced by the United States in 2013 was still solid, albeit less strong than the previous year; thanks to a modest improvement in wages, an increase in the purchasing power of households resulting from low inflation and better job market dynamics, the propensity to spend of American families increased substantially, both in terms of disposable income and wealth. On the other hand, capital expenditures, hampered by stagnation in spending for machinery and equipment, are still below pre-crisis levels. Moreover, during the closing months of the year, economic activity was adversely affected by the 16-day shutdown of the federal government in October. According to projections, the American economy is expected to grow more vigorously in 2014.

In Japan, while the recovery triggered by the expansive monetary policies implemented by the Abe government continued, growth slowed considerably in the second half of the year due to a contraction in net foreign demand, particularly demand from emerging Asian markets, which canceled the positive contribution provided by public investments and inventory rebuilding. As for the other components of GDP, business investments were flat and consumption by households declined.

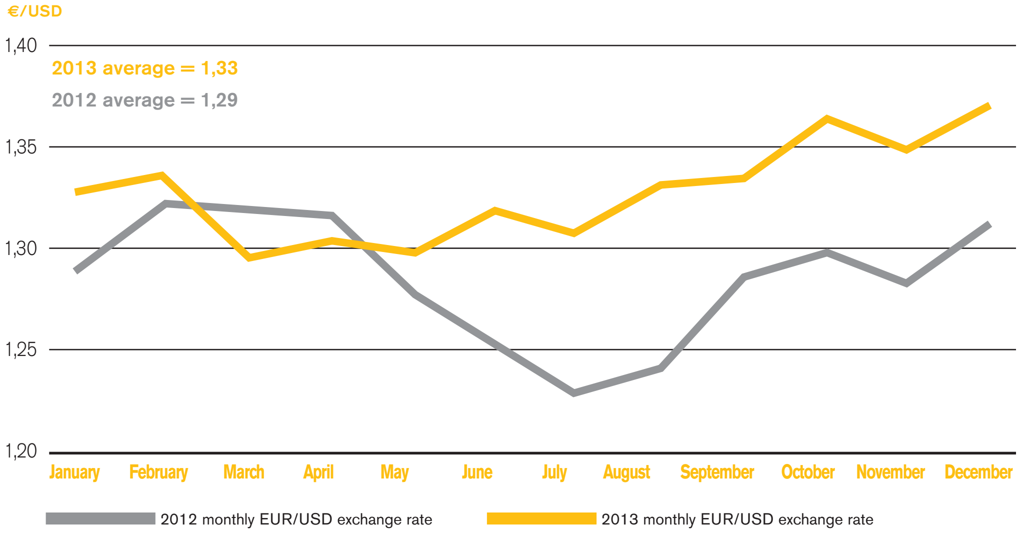
In Europe, the United Kingdom consolidated its recovery, driven by rising private consumption, which continues to benefit from higher levels of employment and rising consumer confidence, despite a contraction in exports caused by modest demand in the Eurozone.

Within the Eurozone, the largest member countries turned in widely different performances: dynamics were still positive in Germany, showed increasing difficulties in France and signs of recovery in Spain. In addition, the outlook improved in Portugal and Ireland, even though these countries continue to have serious structural problems. Overall, Eurozone GDP contracted in 2003 (-0.4%, according to the latest estimates) reflecting, in addition to problems in some core Zone countries (France and the Netherlands in particular), the effects of persistent restrictions in accessing credit, particularly in the so-called the peripheral countries; the euro's strength, which penalizes exports; imbalances in real estate markets that hamper economic recovery, both directly by depressing activity in the construction and real estate services sectors and indirectly by reducing household wealth and with it the dynamics of consumer spending; and, above all, high unemployment.

As for Italy, 2013 ended with a contraction in GDP estimated at -1.8%. However, in the fourth quarter of the year, Italy appeared to have ended its recessionary phase posting positive growth after nine consecutive quarters of economic contraction. More specifically, during the closing months of the year, the confidence of businesses and households improved; the contraction in consumption by households, particularly pronounced during the past three years, slowed; industrial production began again to grow; export prospects turned positive, despite a lackluster performance in 2013, but import volumes are also expected to rise, reflecting an improvement in the dynamics of domestic demand. On the other hand, negative signs are continuing to come from the credit market, where the credit crunch appears to be continuing without any sign of abating, and the labor market, where there is no indication of an imminent upturn in employment.

Detail of a Francis turbine
at the Carlo Esterle power plant
on the Adda River.

In 2013, the euro/U.S. dollar exchange rate averaged 1.33 USD for one euro, up 3.3% compared with an annual average of 1.29 USD for one euro in 2012
The appreciation of the euro was concentrated mainly in the fourth quarter and came on the heels of a modest economic recovery in the Eurozone: specifically, while this trend was not generalized, as some Zone countries remained in recession, the European economy began again to grow, starting in the second quarter of 2013, after six consecutive quarters of contraction.
A review of the daily closing data for exchange rates show less variability than the previous year, with exchange rates fluctuating between a low of 1.28 USD for one euro (1.21 USD for one euro in 2012) at the end of March and a high of 1.38 USD for one euro (1.35 USD for one euro in 2012) in December.

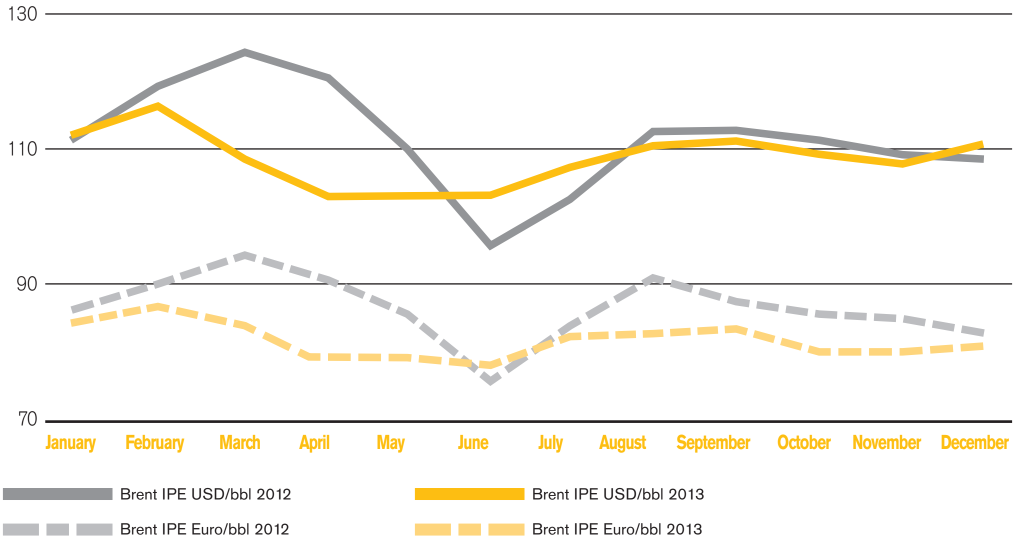


In the oil market, the average price for the year decreased to USD 108.7 per barrel in 2013, down 2.6% compared with an annual average of USD 111.7 per barrel in 2012. The first quarter of the year was characterized by relatively high prices, with an annual peak of USD 118.9 per barrel reached in February, followed by a slump in the second quarter, when prices hit a low of USD 97.7 per barrel in April, and then by the last two quarters of the year, during which prices held relatively steady, with a monthly average of about USD 110 per barrel. In terms of fundamentals, the conditions of global supply and demand suggest that the oil market can counts on a relatively broad supply, even though prices remained fairly high due in part to serious supply disruptions in some OPEC countries, Libya and Iran in particular. The recent agreement with Iran regarding its nuclear program created some optimism about increased supply in the future, even though the sanctions that hamper Iran's oil exports have not yet been revoked. Another factor that characterized 2013 on the supply side, was the evolution of the U.S. market, where, similarly to what occurred with gas in the past, national oil production exceeded imports in June of 2013, thanks to the contribution of shale oil.
The decrease in the price of crude oil compared with 2012 is larger when stated in euros, due to the appreciation of the euro versus the U.S. dollar. In euro terms, the price of crude contracted by 5.7% in 2013, falling to an average of euros 81.9 per barrel.

The table and chart provided below show the average annual data and the monthly trends for 2013 and 2012:

	2013	2012	% change
Oil price in USD/bbl[1]	108.7	111.7	*(2.6%)*
USD/EUR exchange rate	1.33	1.29	*3.3%*
Oil price in EUR/bbl	81.9	86.9	*(5.7%)*

[1] Brent IPE.



The decrease in raw material prices extended across the board to virtually all other reference energy commodities. The average price of gasoil decreased by 3.6%, falling from USD 953 per metric ton to USD 920 per metric ton, with fuel oils suffering an even larger decline (-8.5% low sulfur fuel oil and -6.2% for high sulfur fuel oil). Coal prices were also down sharply, particularly the price of API2 coal, which fell by 11.8% compared with the previous year.
While the price of natural gas in Italy, at the Virtual Exchange Facility, decreased by 2.8%, the price at the TTF hub, similarly to the price of gas elsewhere in Europe, increased by about eight percentage points, thereby greatly reducing the differential between domestic gas and foreign gas, which contracted from 4 eurocents per standard cubic meters to 1.1 eurocent per standard cubic meters.

As for the price of ETS certificates, which plummeted by 39.4% due a structure supply excess, the main issue in 2013 was the backloading of allocations, which is the possibility of absorbing a portion of the credits offered on the market during this recessionary phase and make these credits again available when the phase of ETS (2018-2020). The strong swings that occurred in the price curve for CO_2 securities correspond to decision-making points in time along the regulatory process: more specifically, in April 2013, the price of ETS credit fell below 3 euros per ton when the European Parliament rejected the use of backloading after it had been approved by the Environment Commission. Subsequently, when this issue returned to the forefront, prices improved to 5 euros per ton. The European Parliament and Council finally gave its approval towards the end of the year.

THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy and Market Environment

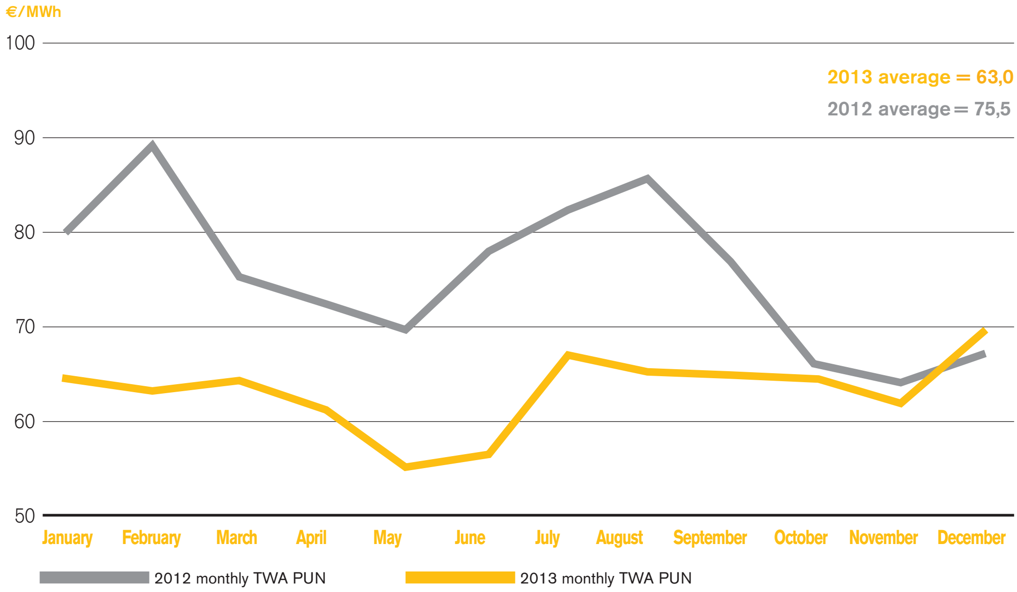
TWh	2013	2012	*% change*
Net production:	277.4	287.8	*(3.6%)*
- Thermoelectric	182.5	207.3	*(12.0%)*
- Hydroelectric	52.5	43.3	*21.4%*
- Other renewable [1]	42.3	37.2	*13.7%*
Net imports	42.2	43.1	*(2.2%)*
Pumping consumption	(2.4)	(2.7)	*(11.2%)*
Total demand	**317.1**	**328.2**	***(3.4%)***

Source: Analysis of 2012 data and pre-closing 2013 Terna data, before line losses.
(1) Includes production from geothermal, wind power and photovoltaic facilities.

In 2013, gross total demand for electric power from the Italian grid totaled 317.1 TWh (TWh = 1 billion kWh), or 3.4% less than in the previous year. On a seasonally adjusted basis (i.e., eliminating the impact of changes in average temperature and the number of business days), demand was down 3.1%.
In 2013, net production of electric power fell by 10.4 TWh as a result of a reduction of 11.1 TWh in demand for electric power, a decrease in of 1.0 TWh in net imports and a contraction of 0.3 TWh in pumping consumption.
Net of pumping consumption, domestic production covered 87% of demand, about the same as in 2012.
Net imports of electric power totaled 42.2 TWh, or 2.2% less than in 2012. This reduction is the result of decreases of about 0.2 TWh in net import from the Northern border (Switzerland, France Austria and Slovenia) and of about 0.7 TWh in net import from the Southern border (Greece).
The decrease of 24.8 TWh in thermoelectric output recorded in 2013 (-12.0% compared with 2012) was due mainly to the triple effect of lower demand, a sharp increase of 9.3 TWh in hydroelectric production (+21.4%) and a further gain of 5.1 TWh in the output of renewable-source facilities (+13.7%).
Specifically with regard to the main renewable energy sources, in addition to the abovementioned increase in hydroelectric production compared with 2012, there was a sharp gain in production from photovoltaic system (+3.5 TWh; +18.8%) and wind farms (+1.6 TWh; +11.6%), due to a further expansion of installed capacity; the output of geothermal power plants was also up slightly (+0.1 TWh; +1.0%). It is worth mentioning that, for the first time in Italy, production from renewable sources (wind, solar, geothermal) exceeded net imports.

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) settled at 63.0 euros per MWh, for a decline of 16.6% compared with 2012 (75.5 euros per MWh).
The decrease in demand and the increase in renewable production, particularly in the months with significant rainfall and the summer months, are the main reasons for the price decline. Moreover, insofar as thermoelectric production is concerned, power generation costs fell, reflecting the impact of lower raw material prices, affecting both gas (spot and indexed) and coal. An analysis of monthly trends shows that the second quarter of 2013 marked the low for the year, both in absolute terms and in comparison with the corresponding period the previous year. However, in the fourth quarter of 2013, prices were in line those of the previous year: more specifically, the PUN spiked between the end of November and the beginning of December, due to a cold spell that swept Europe and to balancing problems on the Italian gas market that, concurrently with the launch of the new G-1 Session of the balancing market, drove spot gas prices higher.
In the F1, F2 and F3 hourly time periods the decreases amounted to -18%, -16.1% and-15.8%, respectively. In 2013, repeating the trend of 2012, average F2 levels were higher than F1 levels, particularly in the months from March to October, due to the fact that the increase in production from renewable sources helped lower prices during the central daytime hours, shifting peak prices to the early evening hours.

The chart below shows a year-over-year comparison of the monthly trend for the TWA PUN.



Consistent with the trend in Italy, prices for electric trended downwards also in the other European markets, but decreases were smaller, with reductions of 11.4% in Germany and 8.1% in France. The lower prices in Germany appear to be related to a lower cost of coal fueled power generation and an increase in production from renewable sources, despite a decrease in nuclear production.
As a result, the differential between the PUN and the price on foreign markets narrowed: the Italy-France differential contracted from 28.4 euros per MWh to 19.7 euros per MWh and the Italy-Germany differential decreased from 32.9 euros per MWh to 25.1 euros per MWh.

Demand for Natural Gas in Italy and Market Environment

in billions of m³	2013	2012	*% change*
Services and residential customers	30.5	31.0	*(1.4%)*
Industrial users	16.9	17.1	*(0.9%)*
Thermoelectric power plants	20.6	24.7	*(16.5%)*
System usage and leaks	1.5	1.6	*(7.1%)*
Total demand	**69.5**	**74.3**	***(6.4%)***

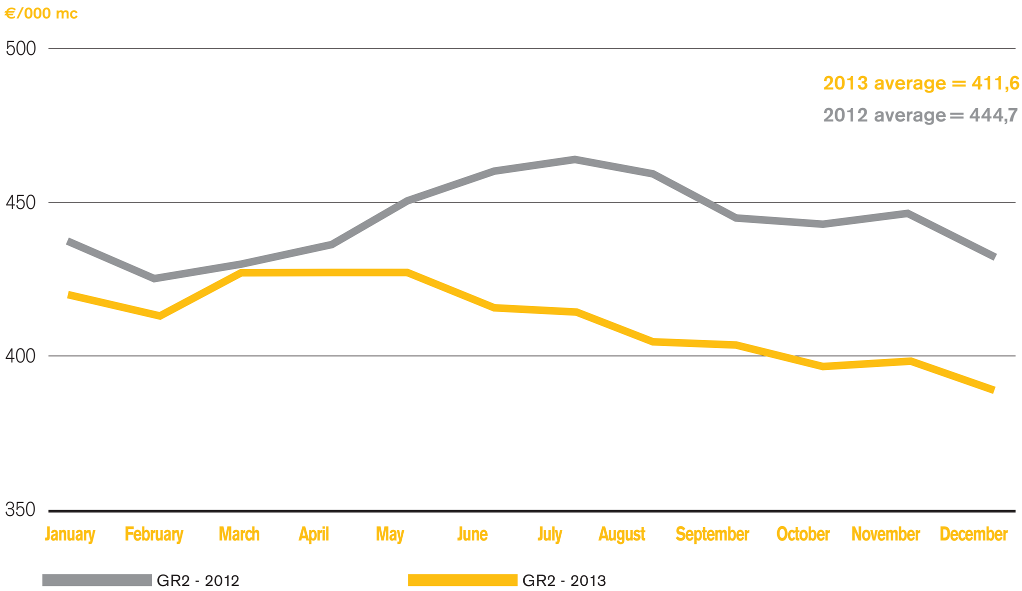
Source: 2012 data and preliminary 2013 data from Snam Rete Gas and the Ministry of Economic Development and Edison estimates.

In 2013, Italian demand for natural gas contracted by 6.4% compared with the previous year to a total of about 69.5 billion cubic meters, for an overall reduction of about 4.8 billion cubic meters.
This decrease is attributable mainly to sharply lower consumption by thermoelectric users, which fell by about 4.1 billion cubic meters compared with 2012 (-16.5%); consumption was also down slightly in residential segment (-0.5 billion cubic meters; -1.4% versus 2012) and among industrial users (-0.2 billion cubic meters; -0.9% versus 2012).
The drop in consumption by thermoelectric power plants in 2013 is due, in addition to lower demand for electric power, to a significant increase in production from renewable sources, made possible by an abundance of water resources in the first three quarters of the year, and to newly commissioned wind farms and photovoltaic facilities.

The following developments characterized supply sources in 2013:

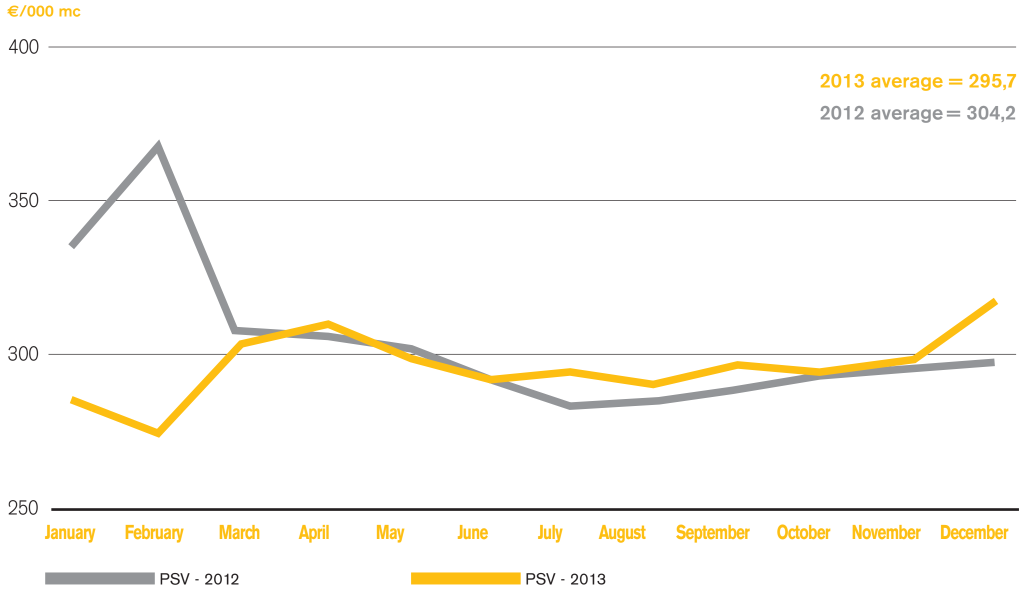
- domestic production was down compared with 2012 (-0.7 billion cubic meters; -8.1%);
- imports of natural gas decreased compared with the previous year (-6.1 billion cubic meters; -9.0%);
- a net release of gas inventory of about 0.5 billion cubic meters.

As for the monthly trend of prices for indexed gas, the chart provided below, which uses the Gas Release 2 formula as a benchmark, shows the impact of lower prices for Brent, gasoil and fuel oils, which are part of the benchmark basket used in the formula; a comparison with 2012 shows a downward bias in the Gas Release 2 formula for a year-over-year difference of 7.5%.



In Italy, the price of spot gas at the Virtual Exchange Facility (VEF) decreased by 2.8%. An analysis of the monthly changes in VEF prices shows a trend closely related to weather factors, with cold spells occurring in late March-early April and late November-early December in 2013.

The launch of the G-1 Session of the balancing market on November 14, 2013 was followed by very high balancing prices that indirectly drove up gas prices at the Virtual Exchange Facility as well. The new G-1 Session enables operators to submit further flexible offers to buy and sell (import) with respect to resources of store gas. In this area, Snam Rete Gas, in its capacity as party responsible for balancing, can procure the flexible resources needed to cover the system's overall estimated imbalance.



The table below shows average annual prices for the Gas Release 2 and the VEF:

	2013	2012	*% change*
Gas Release 2 - euros/000 m^3 [(1)]	411.6	444.7	*(7.5%)*
VEF – euros/000 m^3	295.7	304.2	*(2.8%)*

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

In the residential market, the Wholesale Distribution Charge (abbreviated as CCI in Italian) rate component underwent several indexing changes in 2013, gradually shifting from an exclusive indexing to crude oil and derivatives to indexing to spot gas.

More specifically, pursuant to Resolution No. 124/2013/R/GAS, a system with 20% of the indexing based on TTF spot gas was introduced in April 2013. Subsequently, pursuant to Resolution No. 196/2013/R/GAS, this quota was increased to 100%, starting in the 2013-2014 thermal year. As a result, a year-over-year comparison would not be truly representative.

LEGISLATIVE AND REGULATORY FRAMEWORK

The main legislative and regulatory measures enacted in 2013 that had an impact on the various businesses of the Group are reviewed below.

Electric Power

Production

Avoided Fuel Cost (AFC): The Decree of the Ministry of Economic Development setting forth the determination of the AFC adjustment amount for 2012 was published on May 18, 2013 in Issue No. 115 of the *Official Gazette of the Italian Republic.* By this Decree, the Ministry determined that the old AFC computation criteria will continue to apply for the 2012 adjustment amount; however, the Ministry confirmed the need to modify the updating mechanism starting in 2013 to take into account the evolution of the gas market.
Subsequently, Law No. 98 of August 9, 2013, which converted into law, with amendments, Decree Law No. 69 of June 21, 2013 ("*del Fare*" Decree), the provisions of which included changes to the AFC updating method, was published on August 20, 2013 in Issue No. 194 of the *Official Gazette of the Italian Republic.* The AFC for 2013 will be determined using as the benchmark basket the one provided in Development Law No. 99 of July 23, 2009, in which the weight of petroleum products will be gradually reduced each quarter from 80% in the first quarter to 70% in the second quarter and 60% in the third and fourth quarter. Completion at 100% will be determined based on the wholesale gas procurement cost in accordance with a method to be defined by the Electric Power and Gas Authority (AEEG).

Environment

Ministry Decree of December 28, 2012 (so-called "**White Certificates**" Decree) **"Determination of national quantitative energy conservation objectives that must be pursued by companies distributing electric power and natural gas during the years from 2013 to 2016 and enhancement of the white certificate mechanism"** was published on January 2, 2013 in Issue No. 1 of the *Official Gazette of the Italian Republic (Ordinary Supplement No. 1).* It introduces measure to enhance the overall effectiveness of white certificates, also in light of the importance assigned to energy efficiency in the recent National Energy Strategy for the purpose of achieving the 2020 E.U. environmental objectives.

Ministry Decree of December 28, 2012 (so-called "**Thermal Account**" Decree) **"Incentives for the production of thermal energy from renewable sources and small-scale energy efficiency projects"** was published on January 2, 2013 in Issue No. 1 of the *Official Gazette of the Italian Republic (Ordinary Supplement No. 1).* It governs the system of incentives for small-scale energy efficiency projects and the production of thermal energy from renewable sources.
These projects will be funded (up to 40% of the cost) within an annual spending ceiling of 900 million euros (200 million euros for the public administration and 700 million euros for private entities), with no new applications for subsidies accepted after 60 days have elapsed from the time the abovementioned ceiling is reached.

Legislative Decree No. 30 of March 13, 2013, which implements Directive 2009/29/EC, was published on April 4, 2013 in Issue No. 79 of the *Official Gazette of the Italian Republic* and went into effect on April 5, 2013.
This decree implements the provisions of the abovementioned Directive, which amended and broadened Directive 2003/87/EC governing trading in CO_2 emissions rights in the E.U. market (Emissions Trading System – ETS), with the aim of perfecting and extending the E.U. system for trading greenhouse gas emissions rights.
More specifically, starting on January 1, 2013, thermoelectric power plants are required to acquire for consideration emissions rights through special auctions. For other sectors included on the ETS

mechanism, emissions rights will be awarded free of charge in a quantities equal to 80% in 2013 and decreasing to 30% by 2020, with free allocation ending in 2027. Free allocations of emissions rights are also provided for specific sectors exposed to the risk of business relocalization (carbon linkage).
In addition, free allocations of emissions rights are also available for high yield cogeneration systems and for generating facilities linked to district heating systems and thermoelectric power plants that use exhaust gases from the production of electric power.

CIPE Resolution "Update to the National Action Plan to lower emissions of greenhouse gases, updating the previous Plan approved by Resolution No. 123/2002, as amended by Resolution No. 135/2007" was approved on March 8, 2013 and published on June 19, 2013 in issue No. 142 of the *Official Gazette of the Italian Republic.*
The Plan addresses specific E.U. and international commitments regarding the reduction of emissions during the 3013-2020 planning period for the decarbonization of the economy.

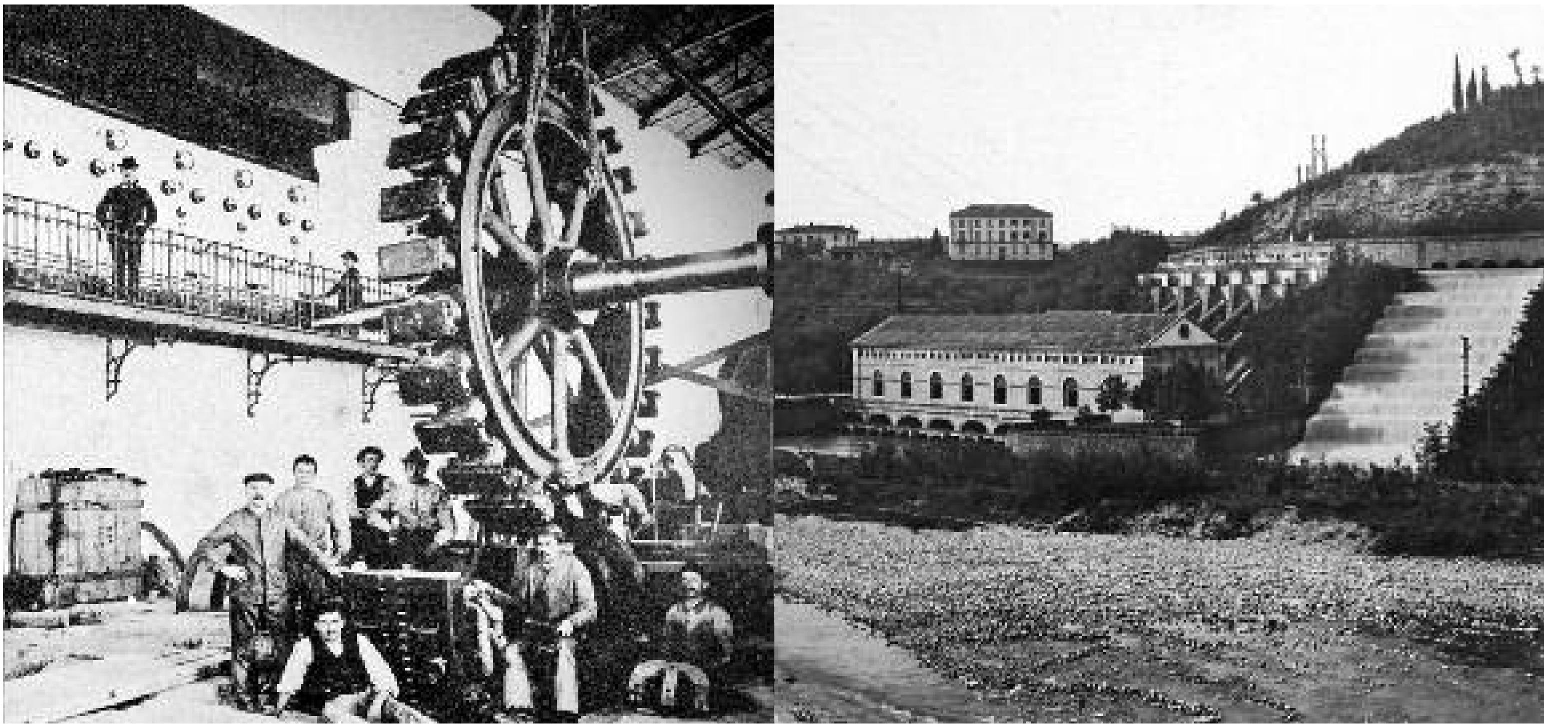
Law No. 96 of August 6, 2013, so-called **2013 European Delegation Law,** was published on August 20, 2013 in Issue No. 194 of the *Official Gazette of the Italian Republic,* Ordinary Supplement No. 96. Responsibility is being delegated to the Italian government for the enactment of legislative implementing the Directives listed in Annexes A and B to the abovementioned law, which specifically include:
- Article 3, which sets forth the management principles and criteria to implement Directive 2010/75/EU of the European Parliament and Council dated November 24, 2010, concerning industrial emissions;
- Article 4, which establishes the criterion for delegating to the Italian government responsibility for compliance with Directive 2012/27/EU of the European Parliament and Council dated October 25, 2012, concerning energy efficiency, which amended Directives 2009/125/EC and 2010/30/EU and repeals Directives 2004/8/EC and 2006/32/EC. The deadline for final compliance by the EU member countries is June 5, 2014.

Wholesale Market

Remuneration of production capacity: Legislative Decree No. 379/03 established the notion of remuneration of production capacity, giving the Authority a mandate to develop a permanent system based on market criteria; in the interim, a transitional system (capacity payment) is being applied. In 2013, the Authority completed the development of the permanent system, approving guidelines to govern the new capacity market, which should be established in 2017/2018. The corresponding document was sent to the Ministry for final approval. In the meantime, the stability law enacted by Parliament authorized the Ministry to revise the criteria upon which the current transitional capacity payment system is based.

Facilities that are essential for the reliability of the electrical system: Facilities classified as essentials for 2013 included San Quirico, Porcari and Milazzo (already included in the list in 2012) and the Torviscosa power plant. Edison opted for the same type of remuneration as in 2012 (regular status for Porcari and Milazzo and alternative modalities for San Quirico and Torviscosa).
In September 2013, Terna confirmed that the abovementioned facilities will continue to have essential status in 2014; at the same time the Authority revised downward the variable cost paid to essential facilities further to the implementation of the new C_{MEM} and CCR natural gas components also for essential units. Taking into account the new regulatory framework and considering the actual positive results reported in 2012 and 2013, Edison modified its status selections for 2014: alternative modalities for Milazzo and regular status for Porcari (executed and confirmed in October and November) and cost reimbursement request for San Quirico and Torviscosa. At the end of December 2013, the Authority granted cost reimbursement status only for the San Quirico power plant and released Torviscosa from all obligations.

Dispatching for renewable sources: 2013 was characterized by a dispute concerning the system for quantifying imbalance compensation penalties for facilities powered with renewable energy sources; the



The Bertini power plant, second for installed capacity only to the Niagara facility in the United States, was commissioned in 1898.

new system, introduced in January, was put on hold by the Regional Administrative Court of Lombardy (because it found it to be discriminatory) and reinstated (with appropriate exemptions) in October by the Authority pursuant to orders issued by the Council of State. A final decision in these proceedings is expected in February 2014.
Also with regard to renewable sources, the Authority revised downward the minimum prices guaranteed for facilities of up to 1 MW, favoring the transition of these Facilities from the GSE to the deregulated market.

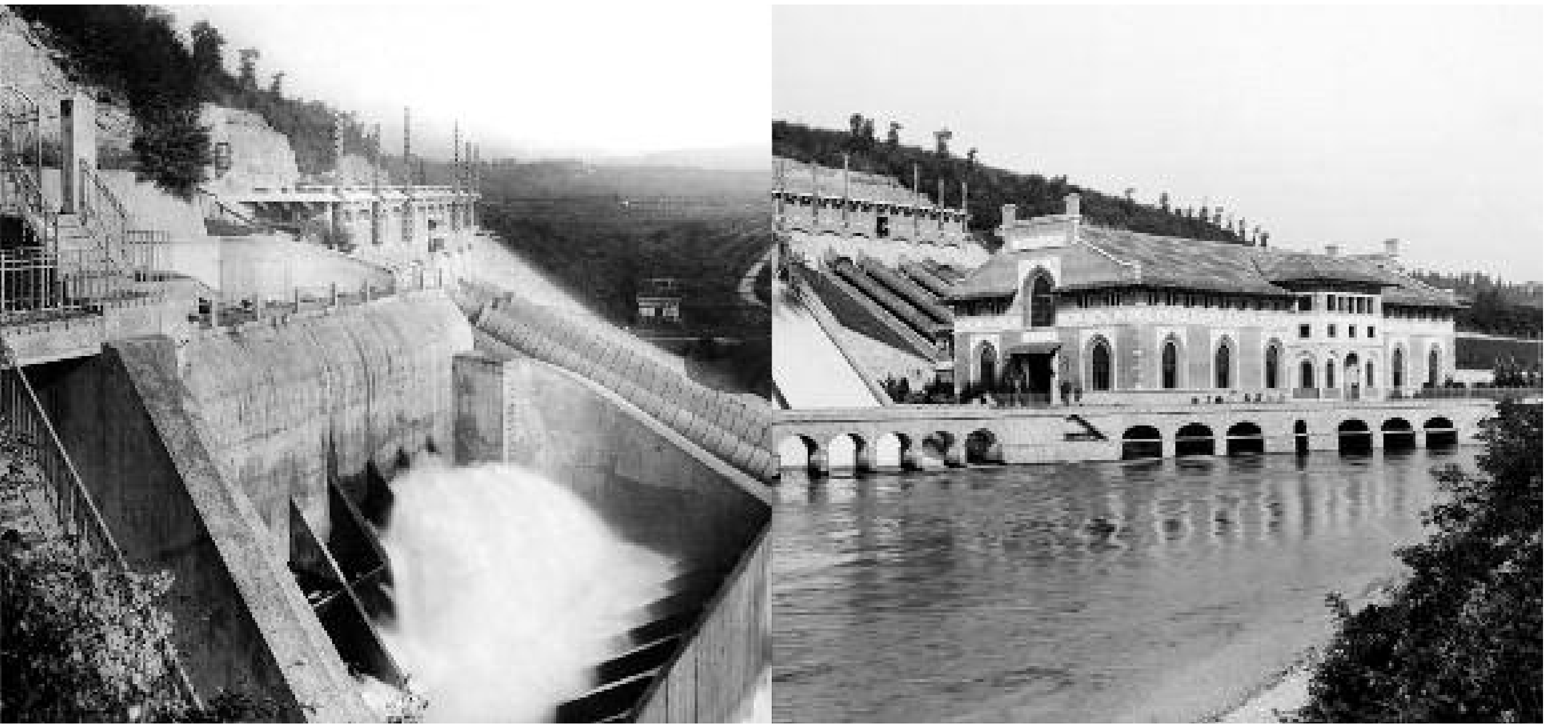
Primary reserve remuneration: In May 2013, the Authority approved the criteria for the remuneration of the primary reserve supplied by production facilities, which will be implemented starting in July 2014, authorizing Terna to define detailed regulations. In October 2013, the Authority approved Terna's proposed regulations.

Review of imbalances: In May 2013, the Authority completed a review of imbalances in Sardinia: the findings showed that operators complied with the ruled and cannot be held liable for specific responsibilities. However, the review showed the need to amend the regulation, which the Authority addressed by launching a special procedure for a revision of the model for computing imbalances. This project will continue in 2014.

Retail Market

Indemnification System: On October 4, 2012, the Regional Administrative Court held a hearing regarding the challenge filed against AEEG Resolutions No. 99/2012/R/eel and No. 195/2012/R/eel. On March 14, 2013, the Regional Administrative Court of Lombardy handed down a decision fully upholding the challenge filed by Edison Energia Spa, thereby voiding the rules governing the Indemnification System. The Authority appealed this decision to the Council of State and filed a motion asking for a protective stay of its implementation. On July 22, 2013, all functionalities of the Indemnification System were reactivated. On October 31, 2013, Edison Energia Spa met with the Authority's Board to discuss the issue of delinquencies by end customers. The Council of State is scheduled to hand down a final decision on February 4, 2014.

Revision of the scope of implementation of the protected status system: On July 5, 2013, by Resolution No. 280/2013, the AEEG implemented the provisions of the "*del Fare*" Decree, converted into Law No. 98 of August 9, 2013, changing the scope of implementation of the protected status system for gas customers. The new scope of implementation of the protected status system for gas customers includes exclusively residential customers or residential condominiums with annual usage of up to 200,000 Scm.



A second hydroelectric power plant on the Adda River, dedicated to Carlo Esterle, was commissioned in 1914.

Reform of the rate component that corresponds to the Wholesale Distribution Charge (CCI): As required by the Deregulation Decree (Decree Law of January 24, 2012), the Authority defined a process of gradual reform of the economic terms for service to customers with protected status (CCI), with the aim of making the reference prices of natural gas for vulnerable customers consistent with European levels.

During the first phase, April 2013 – September 2013 (Resolution No. 124/2013/R/gas), the rate structure currently in effect was maintained, increasing from 5% to 20% the weight of the spot index of the raw material component (QE). More specifically, the QE rate component is computed in accordance with a formula weighted between 80% of P_{TOP} index (aligned with the price levels of take-or-pay contracts) and 20% of the level of the P_{MKT} index (price of the TTF market).

Since October 1, 2013 (Resolution No. 196/2013/R/gas), in the computation of gas as a raw material reference is made only to prices in the spot market. While waiting for the Gas Exchange to complete its operational startup with the definition of the reference products and a significant liquidity, prices at the TTF (Title Transfer Facility) hub in the Netherland will continue to serve as reference prices.

In addition, the reform introduced a mechanism to promote the renegotiation of long-term gas contracts. This mechanism, the adoption of which is optional, was introduced to addressed the transition costs, deriving from the abovementioned reform, incurred by sales companies based on the composition of its procurement portfolio. This mechanism is supposed to provide a concrete advantage for customers with protected status if, over the next three year, market prices were to be on average higher than procurement costs under long-term contracts. This mechanism, which operates based on the difference between spot prices and prices under long-term contracts, makes it possible to award to the operators an initial amount (APR component) computed based on the difference between the abovementioned prices. If a price inversion were to occur, i.e., if long-term prices should become lower than spot prices, the initial amount could decrease, become zero or even turn negative.

The sales companies Edison Energia Spa and AMG Gas Srl applied to adopt the mechanism and were accepted with Resolution No. 579/2013.

Hydrocarbons

Rates and Market

Guidelines for the allocation of joint day-ahead capacity between Italy and Austria: The AEEG and E-Control (the Austrian Regulator) approved joint guidelines for the allocation, starting on April 1, 2013, of continuous and interruptible day-ahead capacity products, in both directions, at the Italy-Austria interconnection point in Tarvisio. The guidelines are designed to anticipate the implementation of the ENTSOG (European Network of Transmission System Operators for Gas) Network Code, approved with Regulation EC/984/2013 of October 14, 2013, which introduced homogeneous rules for the allocation of capacity at interconnection points between E.U. countries. In accordance with the provisions of the Network Code, capacity will be allocated by means of daily auctions held on the PRISMA European platform. Users seeking capacity will be required to offer a premium over the base auction price, equal to the sum of the transmission rates on both sides of the interconnection point, with the allocation algorithm requiring winning bidders to pay the marginal price.

Gas Emergency Plan and Preventive Action Plan: The Decree of April 19, 2013 by which the Ministry of Economic Development approved the Preventive Action Plan and the Gas Emergency Plan pursuant to Article 8, Section 1, of Legislative Decree No. 93/2011 and in accordance with the provisions of EU Regulation No. 994/2010 on supply reliability, was published on May 16, 2013 in Issue No. 113 of the *Official Gazette of the Italian Republic.* The plan was later updated, in the part concerning non-market measures, by the Decree of September 13, 2013.
Briefly, the Plan is based on three crisis levels called pre-alarm, alarm and emergency, as defined in EU Regulation No. 994/2010 and is activated, in accordance with the terms and condition specified in the Plan, whenever verification and systematic comparison between availability projections, including those for delivery from the national storage system, and gas need projections, performed daily by the Main Transmission Company by monitoring the gas balance, show a problematic situation.
At the implementation level, the relevant Authority and the Technical Emergency Committee rely on the Main Transmission Company. It will be then the relevant Authority's responsibility to communicate externally the information concerning the implementation of the Plan for a correct functioning of the system.

Fourth Regulatory Period for gas distribution and metering services: The AEEG approved a Uniform Code with provisions regulating the quality and rates of the gas distribution and metering systems for the 2014-2019 regulatory period (TUDG), comprised of a Part I, concerning the regulation of the quality of gas distribution and metering services, approved with Resolution No. 574/2013/R/gas, and Part II concerning rate regulations, required by Resolution No. 573/2013/R/gas.
The fourth rate period stretches for 6 years, until 2019, and will bring about the arrival of calls for tenders for awarding the service. The publication of a resolution that will define the rate regulations for local systems, specifically with regard to the rate component that covers the difference between the reimbursable amount (VIR) and the value of the assets for regulatory purposes (RAB), as required by Legislative Decree No. 93/11, has been postponed to March 2014.
With regard to the energy conservation targets that must be achieved by the distributor company, the AEEG has begun to define the criteria and modalities to cover the costs incurred by the distributors due to this obligation in a manner that reflects the market price of white certificates, as required by the Ministry Decree of December 28, 2012.

Infrastructures

Dedicated storage for regasification companies and to manage unforeseeable events (Ministry Decree of February 15, 2013): As required by Article 14, Section 1, of the Deregulations Decree Law (Law No. 27 of March 24, 2012), the Ministry Decree of February 15, 2013 was published on March 11, 2013 in Issue No. 59 of the *Official Gazette of the Italian Republic.* Out of a capacity of 500 million cubic meters that became available following the redetermination of the strategic storage space (Ministry Decree of March 29, 2012), 50 million cubic meters were allocated on a prorated basis (relative to the reserved regasification capacity) to users of the regasification service to ensure compliance with regasification schedules in face of unforeseeable events. The remaining 450 million cubic meters were earmarked for the purpose of offering to industrial companies integrated services for regasification and storage of natural gas. In addition:

a) the space and the corresponding output/input capacities will be available only to Stogit;
b) the maximum output available to regasification users will be part continuous (space/150 days) and part interruptible;
c) the maximum input will be determined prorated for the allocated space.

Modulation storage – allocation modalities (Ministry Decree of February 15, 2013): In implementation of the provisions of Article 14, Section 3, of the Deregulations Decree Law (Law No. 27 of March 24, 2012), as amended by Article 38, Section 2, of the Growth Decree Law (Law No. 134 of August 7, 2012), the Ministry Decree that redefines the volumes and allocation modalities of the modulation storage for the 2013-2014 thermal storage year was published on March 6, 2013 in Issue No. 56 of the *Official Gazette of the Italian Republic.* The portion of storage earmarked for modulation needs in the residential market was redetermined at 6.7 billion cubic meters. Out of this quantity, 4.2 billion cubic meters (3.7 Stogit and 0.5 Edison Stoccaggio) are awarded in accordance with the rules currently in effect, i.e., prorated in the case of excess demand, and 2.5 billion cubic meters are awarded through competitive bidding by Stogit exclusively.
An additional 1.7 billion cubic meters are awarded through an open bidding process to all operators for all purposes, including those different from modulation for residential customers. On these capacities, there is a limit of 25% on the maximum quantity procurable by a single party (0.43 billion cubic meters).

Implementation of the G-1 Session on the gas balancing market: Following the gas emergency that occurred in February 2012 and the definition of European harmonization rules for gas balancing by ENTSOG and ACER, the Authority began an evolutionary process of the market system. Accordingly, after an initial action draft required by Resolution No. 538/12, subsequently given final confirmation by Resolution No. 446/13, a new G-1 market session was launched on November 15, 2013. This session was defined as being "locational," in that it provided the opportunity to modify injection programs from individual system entry points.
With a subsequent Resolution No. 520/2013, the AEEG emphasized the need to increase the availability of flexibility resources offered at market rates, requiring that, starting on January 1, 2014, participation in the G-1 session be broadened to include Edison Stoccaggio. By the same date, Snam Rete Gas, in concert with Edison Stoccaggio, will be required to define the modalities to allow this participation. However, the inclusion of the flexibilities of LNG Terminals, subsequent to preparation, by the operators, of the necessary changes to the regasification codes for the delivery of daily modulation services, has been postponed.

Peak shaving: The Decree of October 18, 2013, setting forth the terms and conditions for a peak shaving service during the winter period of the 2013-2014 thermal year, was published on November 4, 2013, in Issue No. 258 of the *Official Gazette of the Italian Republic.* This Decree implements the changes to the gas emergency plan introduced by the Ministry Decree of September 13, 2013.

Issues Affecting Multiple Business Segments

National Energy Strategy (NES): The Interministry Decree of March 8, 2013 approving the National Energy Strategy was published on March 27, 2013 in Issue No. 73 of the *Official Gazette of the Italian Republic.*
The objectives of this document include reducing energy costs, fully achieving and exceeding European environmental objectives, increasing supply reliability and, lastly, fostering the industrial development of the energy sector. To achieve these goals, the Strategy addresses seven priorities with specific, concrete support programs that are already being implemented or are in the process of being defined:
- promotion of energy efficiency, which is an ideal tool to pursue all of the objectives mentioned above and is an area where there still is significant potential for improvement;
- promotion of a competitive gas market integrated with the other markets in Europe and with prices aligned with those markets, with the potential of becoming the most important South European hub;
- sustainable development of renewable energy sources, an area in which Italy intends to exceed E.U. targets (20-20-20), while minimizing the cost to consumers;
- development of a market for electric power that is fully integrated with the European market and is efficient (with prices competitive with the rest of Europe), with gradual integration of production from renewables;
- restructuring of the refining sector and of the fuel distribution network to achieve a system that is more sustainable and in line with European levels of competitiveness and service quality;

- sustainable development of domestic hydrocarbon production, with important economic and employment benefits, in compliance with the most stringent international standards of safety and environmental protection;
- modernization of the sector's governance system, with the aim of making the decision-making process in Italy more effective and efficient.

In addition to these priorities, looking at the long term, the abovementioned document also focuses on and makes proposals for technology research and development, specifically regarding the development of energy efficiency, renewable sources and sustainable use of fossil fuels.

Corporate income tax (IRES) surcharge (Robin Hood Tax): Article 5 of **Decree Law No. 69 of June 21, 2013** (so-called "**Getting Things Done Decree**" published on June 21, 2013 in Issue No. 144 of the *Official Gazette of the Italian Republic*) makes the following changes in how the surcharge is applied:

- reduction of the minimum revenues threshold from10 to 3 million euros.
- reduction of the minimum taxable income threshold from 1 million euros to 300,000 euros.

The effective date is set for the 2014 tax year.

Law No. 147/2013 ("Stability Law"): The 2014 Stability Law was published on December 27, 2013 in Issue No. 302 of the *Official Gazette of the Italian Republic*). This law contains a provision (Article 1, Section 153) pursuant to which the Ministry of Economic Development must define within 90 days from the law's effective date, upon a recommendation by the AEEG and with the input of the Ministry of the Environment, term and conditions for the definition of a system to remunerate production capacity capable of delivering adequate flexibility services, to the extent strictly necessary to guarantee the safety of the electric system and cover the needs of grid operators, without increasing the prices and rates of electric power for end customers. While the implementation of this system is pending, the current system will remain in effect.

Decree Law No. 145/2013 ("Destination Italy"): This Decree, which contains urgent measures to contain electric power and gas rates, was published on December 23, 2013 in issue no. 300 of the *Official Gazette of the Italian Republic.* Among its provisions, the following are particularly relevant:

- Bi-hourly rate: the AEEG has been delegated to updated within 90 days the current criteria for the definition of the reference price for customers who are not supplied on the deregulated market, taking into account the changes that actually occurred in the hourly trends for prices of electric power in the marketplace;
- Dedicated feed-out: starting on January 1, 2014, for already incentivized renewable source facilities the feed-out price will be the same as the hourly zone price;
- Remodulation of the FER incentive: this provision provides an option conveying the right to a seven-year extension of the incentive period in exchange for an immediate reduction of the incentive. The amount of the reduction will be determined in a subsequent decree, taking into account the remaining allocated period, the type of renewable source and the type of incentive (CV, all-inclusive rates or feed-in premium). If the option is not accepted, the existing incentivizing system will remain in place for the remaining portion of the period. For 10 years preceding expiration, the facility will not be allowed to access other incentivizing tools with an impact on the customer bill.

European Regulations

Implementation measures of the OTC derivative regulatory requirements in effect in 2013: Some of the requirements established with EU Regulation No. 648/2012 on over-the-counter (OTC) traded derivatives, the so-called EMIR Regulation (European Market Infrastructure Regulation) went into effect in 2013, following the enactment, on March 15, 2013, of the implementative measures needed to define the regulatory details.

For non-financial counterparties (parties who qualify as such pursuant to the MIFID Directive), bilaterally negotiated derivatives that are not traded on a regulated market will be subject to:

- Clearing through centralized counterparties (clearing houses) if certain ceilings, predetermined at the group level, are exceeded;

- The obligation to provide collateral for their exposure to OTC derivatives that are not subject to the obligation of clearing them through a clearing house;
- The obligation to disclose and file with trade depositories information about transactions in OTC derivatives;
- The obligation to use tools to mitigate risk, such as prompt confirmation (documenting the execution of the transaction), portfolio reconciliation and adoption of tools for dispute resolution.

In the computation of the abovementioned ceiling, non-financial counterparties shall not include intercompany derivatives (if the counterparties are included in the same scope of consolidation and are able to follow centralized assessment, measurement and risk control procedures) and hedging derivatives.
As of March 2013, with the enactment of measures that implement the Regulation, the requirements concerning risk mitigation measures are in effect for derivatives not subject to clearing: prompt confirmation and Mark-to-market/Mark-to-model.
Requirements concerning portfolio reconciliation and compression and the definition of dispute resolution procedures went into effect as of September 15, 2013.
Prior to the effective date of the reporting requirement, on November 7, 2013 (effective as of November 14), the first four trade repositories were authorized: DTCC Derivatives Repository Ltd (UK), Krajowy Depozyt Wartosciowych (PL), Regis-TR SA (Lux) and UnaVista Ltd (UK). Reporting is supposed to being on February 12, 2014.
All derivative traded on regulated market will be subject to reporting requirements starting on February 14, 2014.
By September 2014, ESMA must define, with implementative measures, the OTC derivative subject to the clearing requirement and the date when the clearing requirement will go into effect. By the end of this year, the first clearing houses should already be approved.

Final approval of the European Network Code for the Allocation of Gas Transmission Capacity. Regulation No. EC/984/2013, which transforms the first European Network Code for natural gas into a regulation binding on all member countries, was approved and published on October 14, 2013. It is a Transmission Capacity Allocation Code that introduces common rules for the allocation of transmission capacity at the interconnection points between European transmission networks.
The main innovations of the Code, which must be implemented by all member countries starting on November 1, 2015, include:

- the obligation to allocate available transmission capacity exclusively through auctions and, eventually, on a single E.U. platform;
- The obligation to allocate capacity as a “linked” (or bundled) product, or selling as a single product outbound capacity from a system and inbound capacity into another system, so as to create a hub-to-hub capacity and thus foster the creation of market liquidity.

Pilot projects for early implementation of the provisions of the Network Code are already underway, including the activation of the PRISMA European Platform, where capacity on the networks of 24 European transmission operators is being allocated since April 1, 2013, and the launch of auctions for the joint daily allocation of interconnection between Italy and Austria.

Approval of the European Network Code for Gas Balancing. The member countries and the European Commission approved the second European Network Code for the gas market, which will introduce harmonized rules for the design of balancing mechanisms for gas networks. The objective of the Code is to develop national balancing systems in which the monetization of the flexibility used by transmission companies to maintain the network in balance is based on the outcomes of market transactions. The Code also views the network users as the main parties responsible for balancing, which they must accomplish through access to the maximum flexibility available in the system and adequate information about feed-outs and feed-ins throughout the day.
Member countries are required to make their national balancing systems consistent with the European model by October 1, 2015. However, the Agency for the Cooperation of Energy Regulators (ACER) and the Commission have repeatedly indicated their preference for an early implementation of the Code.

OVERVIEW OF THE YEAR. PERFORMANCE OF THE GROUP'S BUSINESSES

ELECTRIC POWER OPERATIONS

Quantitative Data

Sources

GWh (*)	2013	2012	% change
Edison's production:	**18,717**	**22,463**	***(16.7%)***
- Thermoelectric power plants	13,503	17,657	*(23.5%)*
- Hydroelectric power plants	4,338	3,881	*11.8%*
- Wind farms and other renewables	876	925	*(5.2%)*
Other sources	**37,625**	**28,626**	***31.4%***
- Edipower (up to 5/24/12)	-	2,391	*n.m.*
- other purchases [1]	37,625	26,235	*43.4%*
Total sources in Italy	**56,342**	**51,089**	***10.3%***
Production outside Italy	**1,338**	**1,892**	***(29.3%)***

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

Uses

GWh (*)	2013	2012	% change
CIP 6/92 dedicated	**215**	**1,673**	***(87.1%)***
Captive and other customers	**921**	**945**	***(2.5%)***
Deregulated market:	**55,206**	**48,471**	***13.9%***
- End customers [1]	19,149	18,102	*5.8%*
- IPEX and mandates	3,099	6,750	*(54.1%)*
- Wholesalers and industrial portfolio	22,267	14,528	*53.3%*
- Other sales [2]	10,691	9,091	*17.6%*
Total uses in Italy	**56,342**	**51,089**	***10.3%***
Sales of production outside Italy	**1,338**	**1,892**	***(29.3%)***

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

Financial Highlights

(in millions of euros)	2013	2012 (*)	% change
Sales revenues	**7,319**	**6,961**	***5.1%***
Reported EBITDA	696	605	*15.0%*
Adjusted EBITDA [1]	706	583	*21.1%*
Capital expenditures	39	96	*(59.4%)*
Number of employees [2]	1,189	1,229	*(3.2%)*

(1) See note on page 20.
(2) Year-end data.
(*) The 2012 amounts reflect the adoption of IAS 19 Revised.

Production and Procurement

The Group's production in Italy decreased to 18,717 GWh, or 16.7% than in 2012; more specifically, thermoelectric production contracted by 23.5%, due mainly to an across-the-board reduction in national demand for electric power, that particularly affected production facilities that use fossil fuel.
With regard to production from renewables in 2013, on the one hand, the output of hydroelectric power plants increased (+11.8%), in line with the national trend and, on the other hand, production from wind farms decreased (-5.2%) due to less windy weather during the year.

Technicians at work
at the S. Potito and Cotignola (RA)
gas storage center.

Other purchases carried out to round out the sources portfolio rose by 43.4% compared with 2012; the different mix reflects a decision to increase outside purchases, particularly on the IPEX.
However, it is important to keep in mind that this category includes purchases that occur when facilities operate in bidding mode and other transactions with relatively low unit margins.

Production outside Italy, consisting of the output of the facilities operated by Elpedison Power in Greece, decreased by 29.3% in 2013 due to a further reduction in national demand for deregulated electric power (-8.0%) that reflected the milder average temperature recorded in 2013 and the increasing penetration of renewable sources; the shutdown of the Thisvi power plant for scheduled extraordinary maintenance, which began in September and lasted until early November, also had an impact on production levels.

Sales and Marketing

In 2013, sales of electric power totaled 56,342 GWh, up 10.3% compared with the previous year (51,089 GWh).
The reduction in sales in the CIP 6/92 segments (-87.1%) is the result of the of the early termination of the contract for the Piombino thermoelectric power plant, effective January 1, 2013.
In the deregulated market, sales dynamics differed depending of the type of portfolio; specifically, sales to end customers grew by 5.8%, volumes sold on the IPEX were lower and sales to wholesalers and in the forward markets increased. This performance reflects a different strategy to hedge the risk of price volatility in the various markets.
As mentioned above in the section on procurement, other sales in the deregulated market include volumes generated with the production facilities operating in bidding mode.

Operating Performance

In 2013, sales revenues increased to 7,319 million euros, for a gain of 5.1% compared with 2012, due mainly to the effect of higher sales volumes.
Adjusted EBITDA were up sharply (+123 million euros), rising to 706 million euros (583 million euros in 2012), thanks to the effects of an integrated management of the portfolio of thermoelectric power plants in the different target markets (Day Ahead Market, Dispatching Services Market and forward markets) and the outstanding contribution of the hydroelectric power plants that, already in the first half of the year, benefited from a significant increase in production made possible by an abundance of water resources.

Capital Investments

Capital expenditures by the electric power operations, which totaled 39 million euros in 2013, referred mainly to minor projects and to maintenance upgrades at hydroelectric and thermoelectric power plants in Italy and Greece.

HYDROCARBONS OPERATIONS

Quantitative Data

Sources of Natural Gas

Gas in millions of cubic meters	2013	2012	% change
Production in Italy [1]	410	611	*(32.9%)*
Imports (pipeline + LNG)	12,512	12,285	*1.8%*
Other purchases	3,078	3,328	*(7.5%)*
Change in stored gas inventory [2]	(341)	(449)	*(24.1%)*
Total sources in Italy	**15,659**	**15,775**	***(0.7%)***
Production outside Italy [3]	**1,799**	**1,906**	***(5.6%)***

(1) Net of self-consumption and stated at Standard Calorific Power.
(2) Includes pipeline leaks. A negative change reflects an addition to the stored inventory.
(3) Counting volumes withheld as production tax.

Uses of Natural Gas

Gas in millions of cubic meters	2013	2012	% change
Residential use	2,737	2,346	*16.7%*
Industrial use	2,707	1,725	*56.9%*
Thermoelectric fuel use	6,578	8,770	*(25.0%)*
Other sales	3,637	2,934	*23.9%*
Total uses in Italy	**15,659**	**15,775**	***(0.7%)***
Sales of production outside Italy [1]	**1,799**	**1,906**	***(5.6%)***

(1) Counting volumes withheld as production tax.

Crude Oil Production

In thousands of barrels	2013	2012	% change
Production in Italy	1,940	1,809	*7.3%*
Production outside Italy [1]	1,640	1,737	*(5.6%)*
Total production	**3,580**	**3,546**	***1.0%***

(1) Counting volumes withheld as production tax.

Financial Highlights

(in millions of euros)	2013	2012 (*)	% change
Sales revenues	**5,872**	**6,571**	***(10.6%)***
Reported EBITDA	424	608	*(30.3%)*
Adjusted EBITDA [1]	414	630	*(34.3%)*
Capital expenditures	135	245	*(44.9%)*
Investments in exploration	92	116	*(20.7%)*
Number of employees [2]	1,421	1,369	*3.8%*

(1) See note on page 20.
(2) Year-end data.
(*) The 2012 amounts reflect the adoption of IAS 19 Revised.

Production and Procurement

In 2013, production of natural gas, counting the combined output of the Italian and international operations, decreased from 2,518 million cubic meters to 2,209 million cubic meters, for a reduction of 12.3%. Production was down 32.9% in Italy, due to the decline of production curves for some fields, while outside Italy, production contracted by a more modest 5.6%, due to the normal depletion of the Rosetta concession in Egypt.

The Leonis floating storage
and offloading (FSO) vessel
is operating at the Vega offshore field.

The Group's production of crude oil held relatively steady overall, with a gain in Italy (+7.3%), resulting from the resumption of production from the Rospo field around mid-year, and a decrease abroad (-5.6%) caused by lower output from the Egyptian concessions.
Natural gas imports were substantially stable at 12.5 billion cubic meters (+1.8% compared with the previous year).

Sales and Marketing

Natural gas volumes sold to customers in Italy totaled 15,659 million cubic meters, virtually unchanged compared with 2012.
Specifically, gains in sales to residential users (2,737 million cubic meters, +16.7%) and to industrial users (2,707 million cubic meters, +56.9%) are the result of sales programs launched to acquire new customers, while the decrease in deliveries to thermoelectric users (6,578 million cubic meters, -25%) reflects the impact of a contraction in national demand and strong growth in the output of renewable-source facilities.

Operating Performance

In 2013, sales revenues amounted to 5,872 million euros, or 10.6% less than in 2012, due mainly to a downward trend in the Brent and VEF scenario.
Adjusted EBITDA totaled 414 million euros, for a reduction of 216 million euros compared with the previous year.
This EBITDA amount is the combined result of the contribution of the Exploration & Production activities (about 444 million euros, down from the previous period, due to the contraction in production mentioned above), the EBITDA earned by regulated gas infrastructures and those of the Group's activities engaged in buying and selling natural gas. With regard to the latter, it is worth mentioning that the EBITDA reported in 2013 benefited from the positive effect of the price and volume revision of contracts to supply natural gas from Algeria and Qatar, a portion of which is attributable to gas volumes purchased in previous years.
It is also worth mentioning that unit sales margins currently remain negative on average for the current portion and that, consequently, Edison is committed to pursuing to completion a second round of price renegotiations for all of its procurement contracts, in the belief that it is essential to restore a reasonable level of profitability to its portfolio of multi-year contracts.

Capital Investments

Capital investments totaled 135 million euros in 2013. The main investments in Italy included 20 million euros to develop the San Potito and Cotignola field, which went into service in June, 35 million euros to drill new wells in the Rospo field and activities to develop the Tresauro field (7 million euros) and the Fauzia field (11 million euros).
Investment projects outside Italy focused on the concessions in Egypt (8 million euros), the Zidane concession in Norway (10 million euros) and preliminary activities for the Polarled pipeline, which will link the Zidane concession with the mainland (8 million euros).

Exploration Activities

In 2013, the Group invested a total of about 92 million euros in exploration, with the largest amount going for projects in Norway (60 million euros), mainly to drill the Skarfjell North, Skarfjel South and Brattholmen exploratory wells, the Falkland Islands (18 million euros), for hydrocarbon exploration activities in the southern area, and the United Kingdom (12 million euros) to drill the Handcross 1X well in the North Sea.

Hydrocarbon Reserves

The Group's hydrocarbon reserves (proven reserves plus 50% of probable reserves) totaled about 50.4 billion cubic meter equivalent at December 31, 2013, compared with 50.0 billion cubic meter equivalent at the end of 2012. Therefore, net of the volumes produced in 2013 (about 2.8 billion cubic meter equivalent), hydrocarbon reserves increased by about 3.2 billion cubic meter equivalent. The main contribution to this result came from the positive outcome of the appraisal wells drilled in the PL418 permit in Norway, which added about 1.8 billion cubic meter equivalent in new reserves. An additional contribution was provided by the acquisition of reserves in the North Sea totaling about 0.5 billion cubic meter equivalent and the reassessment of reclassification (from probable to proven) of reserves recognized the previous year. More detailed information is available in the section of the consolidated financial statements entitled "Additional Disclosure About Natural Gas and Oil."

CORPORATE ACTIVITIES AND OTHER SEGMENTS

Financial Highlights

(in millions of euros)	2013	2012 (*)	% change
Sales revenues	**52**	**48**	*8.3%*
EBITDA	(111)	(110)	*(0.9%)*
as a % of sales revenues	*n.m.*	*n.m.*	
Capital expenditures	5	2	*n.m.*
Number of employees (1)	630	650	*(3.1%)*

(1) Year-end data.
(*) The 2012 amounts reflect the adoption of IAS 19 Revised.

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

In 2013, sales revenues and EBITDA were substantially in line with those reported the previous year.

DISCONTINUED OPERATIONS

Financial Highlights

(in millions of euros)	2013	2012	% change
Net profit (loss) from discontinued operations	**-**	**50**	***n.m.***
Capital expenditures	-	-	-
Number of employees (1)	-	-	-

(1) Year-end data.

In 2012 the net profit of 50 million euros reported by the discontinued operations is the result of an 80-million-euro revision of the sales price of the equity stake in Edipower Spa, net of the negative margin realized by the toller under the tolling agreement.

RECONCILIATION OF THE PARENT COMPANY'S NET PROFIT AND SHAREHOLDERS' EQUITY TO THE CORRESPONDING DATA FOR THE GROUP

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the schedules that follow provide reconciliations of the Group's interest in net profit and the shareholders' equity attributable to Parent Company shareholders at December 31, 2013 to the corresponding data for Edison Spa, the Group's Parent Company.

Reconciliation of the Net Profit of Edison Spa to the Group's Interest in Net Profit

(in millions of euros)	2013	2012
Net profit (loss) of Edison Spa	**78**	**56**
Intra-Group dividends eliminated in the consolidated financial statements	(260)	(156)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	271	188
Lower net result of discontinued operations	-	(30)
Other consolidation adjustments	7	23
Group interest in net profit (loss)	**96**	**81**

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

(in millions of euros)	12.31.2013	12.31.2012
Shareholders' equity of Edison Spa	**5,999**	**5,946**
Carrying amount of investments in associates eliminated against the corresponding interests in the shareholders' equities of the investee companies, including:		
- Elimination of the carrying values of the investments in consolidated associates	(1,345)	(1,279)
- Recognition of the shareholders' equities of consolidated companies	2,492	2,417
Valuation of investments in associates measured by the equity method	12	13
Other consolidation adjustments	(32)	(42)
Shareholders' equity attributable to Controlling Company shareholders	**7,126**	**7,055**

SOCIAL RESPONSIBILITY. OUR ACTIONS

INNOVATION, RESEARCH AND DEVELOPMENT

In 2013, an increased commitment to activities in the hydrocarbon sector, with special emphasis on natural gas, was followed by a reorganization of the structure of the Research, Development and Innovation Department. The existing portfolio of projects, focused primarily on technologies in the electric power sector and thermoelectric applications for natural gas, was broadened to include new activities, with additional projects planned for the coming months in the upstream and midstream segments of the business and non-thermoelectric uses. In addition, the Research, Development and Innovation Department was tasked with coordinating the research and development program of the EDF Group in this area.

The main projects pursued by the Department focused on the following areas:

Energy from Renewable Sources

Various photovoltaic technology were the subject of studies and experimental assessment both at the Trofarello Research Center and a field testing site established at the Group's Altomonte power plant. In addition to these projects, typically involving experimental assessments, carried out also collaboratively with the Les Renardières laboratory of EDF's R&D organization, the Group conducted studies focused on the technical-economic assessment of integrated photovoltaic and battery storage solutions, carried out in tandem with an experimental installation at the Trofarello center.

Advanced Materials

The issues tackled by materials science are transversal to many innovation projects in the energy sector and, for this reason, the topic of materials was the subject both of research projects at the Group's laboratory specialized in "thin film" deposition techniques and scientific collaborative projects.

Energy Efficiency

In order to pursue this topic as effectively as possible, Edison monitors on an ongoing basis technologies for the delivery of energy efficiency services and performs specific tests in this area. Test projects focused on heat pumps for heating and air conditioning, solar thermal energy and small-scale cogeneration. In addition, the R&D Department provides technical support for marketing initiative of the efficiency services developing various consumption monitoring systems.
The work conducted in this area also included the commercial launch of the "Energy Control" service, for which the Research, Development and Innovation Department followed all of the technical development phases of the metering device and the consumption analysis content. This service, which is aimed at residential customers, consists of an easily installable device, which records consumption data from the home meter and sends them to a centralized database, and a Web portal for accessing the service's content. By accessing the portal via the internet, also on a tablet or smartphone, customers can visualize consumption and cost data, receive a text message alerting them of unusually high consumption, compare their energy usage with those of comparable households and assess their consumption patterns and obtain personalized advice on how to reduce energy use and improved the efficiency of home appliances.

Fuel Cells

Research in this area is being pursued by a dedicated laboratory at the Edison Research Center engaged in activities that may also be included in European projects, working in close collaboration with the EIFER Institute in Karlsruhe, Germany, the Chemistry and Energetics Departments of Turin's Polytechnic University and Milan's Polytechnic University.

The jacket of the Vega A platform in the Sicily Channel.

Data Mining

The evolution of the energy scenario resulting from the widespread use of generating facilities powered by renewable sources and the complete deregulation of the market significantly increased the need to analyze and process large quantities of data in order to project the production profile of renewable source facilities or classify and interpret energy consumption profiles. In this area, the Research, Development and Innovation Department activated a research project adopting the most modern Computational Intelligence analysis tools and working in concert with the most prestigious national research entities.

In April, Edison honored the management of CERN in Geneva with the EPS Edison-Volta European Physics Award for the enormous progress made in high energy physics, which culminated with the discovery of the Higgs Boson, the particle from which mass, i.e., the main component of matter,

No accident with an impact on the environmental matrices occurred in 2013. All sites carried out at least one environmental emergency drill to test the effectiveness of the organization.

originates. The EPS Edison-Volta Award builds on the tradition of the Francesco Somaini Physics Award, which, established in 1953 in honor of Alessandro Volta, the physicist from Como, is still regarded as one of the most prestigious physics awards. Edison, together with the Alessandro Volta Center for Scientific Culture in Como and the European Physics Society decided to give to the award a European dimension and continue the tradition.

In October, Edison, through the Research, Development and Innovation Department, delivered the support that it promised to the University of L'Aquila after the 2009 earthquake. The financial resources provided will be used to create a research laboratory at the university's School of Industrial Engineering, Information and Economics, fund four two-year course of doctoral studies with the corresponding annual study grants and provide financial support for five students enrolled in training courses in the oil and natural gas sector. Edison's commitment to the University of L'Aquila will last through 2018.

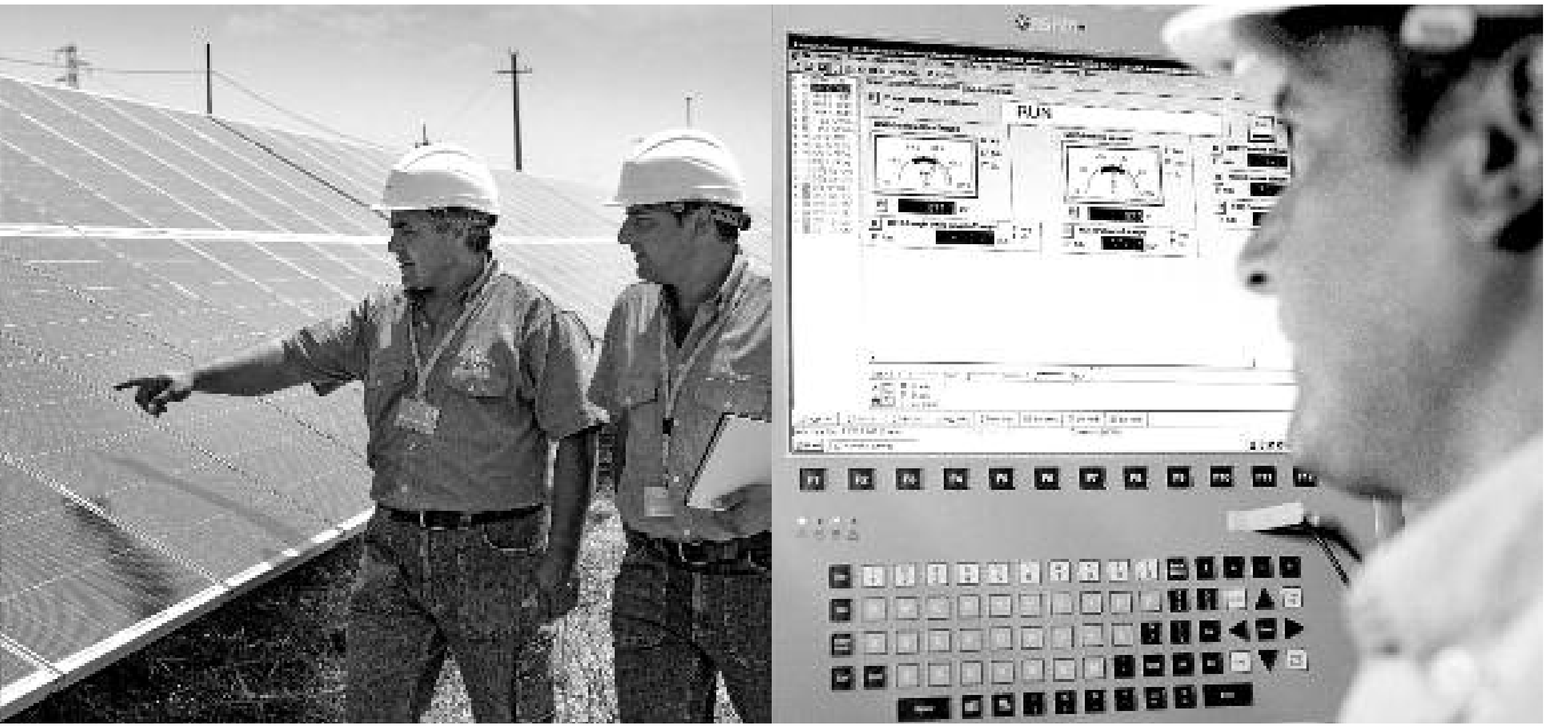
HEALTH, SAFETY AND THE ENVIRONMENT

The main achievements of 2013 and projects under development are reviewed below.

Occupational Safety Performance

In 2013, the Group further strengthened its efforts aimed at managing with a global approach the effect of programs to promote a culture of occupational health and safety; occupational safety indices are computed combining the data for Edison's personnel and for employees of suppliers, assigning across-the-board to management improvement objectives compared with the average results for the previous three years.

In this area, in 2013, the combined Injury Incidence Rate for activities in Italy was 3.1, in line with the trend at the end of the previous year (2.9), and the number of injuries was the same (18 in 2012 and



18 in 2013), but the hours worked decreased by 8% compared with the previous year (-15% for employees of contractors and -2% for Group employees).

The aggregate Lost Workday Incidence Rate for Italy was 0.18 in 2013, up from 0.08 in 2012, due mainly to protracted absences resulting from events involving employees of contractors.

For activities outside Italy, the Injury Incidence Rate was 0.4 in 2013, for a further increase compared with 2012, despite a fatal injury suffered in Egypt by an external contractor in a car accident that occurred in transit.

In the aggregate, adding the data for the Italian and international operations, Edison's Injury Incidence Rate was 2.3 for 2013, in line with the comparable result at the end of 2012, when the rate was roughly the same. More specifically, the improvement trend for Group employees continued, with the rate falling to 1.2 (1.8 in 2012), but deteriorated for employees of external contractors, for which the Injury Incidence Rate was 5.0 at the end of 2013 (3.0 in 2012).

Activities Concerning Occupational Health and Safety

The main activities carried out or launched in 2013 in this area are reviewed below:

- The Risk Assessment Documents were reviewed and updated. The results of the assessments were discussed at the periodic safety meetings required by current regulations (Article 35 of Legislative Decree No. 81/08), during which progress reports on the implementation of training processes and the macro-results of employee health monitoring programs were also presented. An update of the assessment of risk from work-related stress, designed in accordance with the general guidelines of the European Agreement of October 8, 2004 was also presented on that occasion.
- Training and development programs about health and safety were completed in accordance with the requirements of the agreement between the central government and the regional administrations of December 21, 2011, including a specific training programs for managers and supervisors.
- The annual training program for managers of the Prevention and Protection Service was completed, with theme-specific training sessions for a total of 28 hours a year per capita, plus 16 hours on the topic of "Training the Trainers" introduced into the national regulations in 2013.
- A training program on "Risk Perception" for all employees of the Power Assets Business Unit was completed. This program is aimed at enhancing personal attitude to perceive and control risk in the workplace. A similar training program was implemented for the Renewable Sources Business Unit.
- The project aimed at raising the awareness of employees of contractors upon initial access to one of our sites was completed.
- Construction of the San Potito Cotignola gas storage facility was completed. This construction project, carried out jointly by Edison Stoccaggio and the Engineering Division of Edison SpA, was completed with zero injuries during a total of 714,450 hours worked.
- In 2013, the dissemination and usability of the "Monthly Safety Message" was consolidated by issuing it through the Company intranet. This made it possible to further increase employee awareness of specific health and safety issues that concern not only their work environment but also their private lives and families.
- Edison's employee were encouraged to participate in the European Safety Week, focusing on the theme "Working Together to Prevent Risk." As part of this effort, special meetings were held with Managers of the Preventions and Risk Service and safety union representatives, a workshop was organized at the Foro Buonaparte head office with the participation of external and internal company speakers and a training course offered in e-learning mode was completed by 37% of the Company's staff, for a total of about 1,200 people.
- Edison was an active participant in all programs organized within the framework of the Health and Safety (H&S) community of the EDF Group, including, in particular, the preparation of a draft update of the H&S Group policy, which will be published in the early months of 2014.

Environmental Activities

There were no accidents with an impact on the environmental matrices (soil, subsoil, surface waters and biodiversity) in 2013. All sites carried out at least one environmental emergency test, in order to verify the effectiveness of the Group's organization.

The main activities carried out or launched in 2013 in this area are reviewed below:

- Subsequent to the activities carried out at the Cellino facility, a study of the safety reports prepared in accordance with the "Seveso Directive" was successfully completed for the Potito Cotignola and Collalto gas storage facilities.

- Site characterization, safety assurance and environmental remediation work continued. Most of these activities involve highly significant industrial sites potentially polluted by activities carried out in the past by the Montedison Group. At the same time, work continued on environmental remediation procedures for soil and aquifer contamination plumes identified or started in previous years at some of the Group's thermoelectric and hydroelectric power plants.
- In response to regulations issued during the year, the Group successfully carried out activities concerning the disclosure of equipment containing fluorinated gases and the online reporting of generated waste. Another project completed in this area involved an assessment of the actions resulting from the issuance of the Single Environmental Permit and the restart of the Waste Tracking System.
- Specific projects were launched concerning biodiversity, specifically targeting the Vega and Rospo Mare offshore fields, that entailed monitoring over a certain period of time the marine species present at that location. Another monitoring project was carried out at the sites of the hydroelectric power plants of the Meduno Area, the result of which are currently being assessed.
- The annual training program for technicians of the environmental professional family was completed, with theme-specific training sessions for a total of 20 hours per annum per capita. The issued addressed in 2013 included sustainability and corporate social responsibility, emissions into the atmosphere, effluents and management of inspections by supervisory entities.

Combined Quality, Environmental, Heath and Safety Activities

The following monitoring inspections of certified management systems were successfully completed in 2013: 9001 quality management system at the Marketing, Sales and Energy Services Division, Edison Energia SpA, the Engineering Division and Edison Distribuzione Gas; 18001 integrated health and safety management system and 14001 environmental system at all operational locations (both of electric power and hydrocarbon production); in 2013, the Trofarello Research and Development Center and the Engineering Division successfully completed the first stage for 14001 environmental certification (which will be added to the current 18001 health and safety certification).

Lastly, monitoring inspections were successfully completed for the EMAS environmental registration at the Comiso II gas production facility and the Castellavazzo biomass power plant.

A new revision of General Company Regulation No. 3 concerning "Management of Activities with Contractor Companies," which is the reference Company regulation for all jobsite activities carried out in Italy by Edison using contractors, was completed and published. This regulation defines and describes the operational modalities that should be adopted in response to the different safety legislations with regard to issues concerning jobsite organization, security and access management, jobsite management and management of the administrative and insurance process.

The update of the dedicated software for the management of access documents for external contractors (DIMP) was updated with the aim of simplifying its use and making it more efficient. Training course were provided to all employees who operate this software.

Within the framework of the internal auditing process concerning quality, environmental, health and safety issued conducted in 2013, a total of 86 engagements were completed, according to plan. The findings of these audits are being addressed internally through the management systems of the various corporate organizations.

A total of 29,969 hours of training on environmental, health and safety issues were provided during the year, for an increase of 9% compared with the previous year, plus an additional 11,276 hours of technical training.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Human Resources

At December 31, 2013, counting the staff of companies consolidated on a proportional basis, the Edison Group had a total of 3,240 employees on its payroll, roughly the same as at the end of 2012 (3,248 employees).

Total labor costs amounted to 226 million euros in 2013, for an increase of 3.6% compared with the previous year, mainly due to the change in price/mix related to salary increases.

Industrial Relations

The two main collective bargaining agreements applicable to employees of the Group were renewed in 2013.

Electric Power Operations

The National Collective Bargaining Agreement for the Electric Power Sector, which expired on December 31, 2012 and is applicable to about 1,700 employees of the Edison Group, was renewed on February 18, 2013 for three year, from 2013 to 2015.
The negotiations addressed both economic and prescriptive issues.
Insofar as the economic part is concerned, the agreement addressed two main issues:

- increase of contract minimums, in line with the projected index (IPCA) for the next three years;
- definition of a "productivity salary" contribution aimed, though company-level agreements, to increase the productivity and competitiveness of businesses during this particularly critical moment.

The following issues were addressed in the prescriptive area:

- new industry-wide regulation of the right to strike (completing complex negotiations that lasted 10 years);
- rules governing a professionalism developing apprenticeship contract;
- strengthening of bilateral entities in the areas of training, the environment and safety;
- actions to comply with the new provisions introduced by Law No. 92/2012 (the "Fornero Law") in the areas of short-term, service and part-time contracts, parenting protection and illness.

Hydrocarbons Operations

The National Collective Bargaining Agreement for Energy and Oil, which expired on December 31, 2012 and is applicable to about 300 employees of the Edison Group, working mainly in the E&P sector and in "regulated" infrastructures, such as gas storage and transmission, was renewed on January 22, 2013 for three year, from 2013 to 2015.
For the economic part, increases reflected the projected inflation rate for the three-year period, taking also into account the permanent elimination of seniority wage increases starting in 2016.
In the prescriptive area, in response to the need to identify tools to improve productivity, changes were made affecting work schedules.

In addition, between the end of 2012 and the beginning of 2013, a total of six thermoelectric power plants (Sulmona, Termoli, Jesi, Porto Viro, Sarmato, Cologno Monzese) were mothballed and, consequently, consistent with the spirit of the agreement reached with the unions on October 30, 2012, Edison availed itself of the social safety net provided by the Special Long-term Unemployment Fund (47,544 hours in 2013), which helped provide income for the 89 affected employees while they searched for employment opportunities within the Group or in the local market.
The process of requalification and reassignment for redundant staff at the six production facilities succeeded in reassigning within the Edison Group 71% of the affected employees, while another 10% found employment locally.

Organization and Services to Employees

The main organizational changes that occurred in 2013 are listed below:

- Redefinition and updating of the Code of ethics and the Organizational and Management Model pursuant to Legislative Decree No. 231/2001, in connection with which the 231 Protocols were also updated for the new environmental crimes.
- Redefinition of the activities and responsibilities of the central technical units of the Exploration and Production Division, which at the same time opted for being named in English, given the magnitude of its international operations.
- Reconfiguration of the organizational model of the Research, Development and Innovation Department aimed at supporting an expansion of the scope of the competencies devoted to research, development and innovation, extended to the natural gas sector as well.
- Establishment of a Non-performing Credit entity to manage extraordinary activities for the collection of receivables owed by terminated customers in the small and medium business and residential segments.
- Reconfiguration of the Marketing, Sales & Energy Services Division, which at the same time redefined its organization, superseding its previous organizational model based on two separate Business Units. An Energy Efficiency Services Department has been established within the Division, to which the assets and resources of the Energy Efficiency & Sustainable Development Business Unit have been reassigned.
- Further expansion of the "Edison per TE" program of Company benefits with the aim of finding a more balance approach to addressing personal and professional commitments of employees, further improving activities to protect the health of those who work at the Group and helping their families. This program, launched in April 2008, is revised each year based on the suggestions provided by employees through special surveys and other communication channels. All of the services provided through the "Edison per Te" program are designed to provide easy access, fast use, time savings and economic benefits for employees and associates. In 2013, about 59% of the employees availed themselves of the services offered by "Edison per Te."

Training and Development

In 2013, Edison carried out a training program of about 99,000 total hours (96,000 in 2012). The plan covered more than 2,000 employees for teaching costs of almost 2.9 million euros (2.6 million euros in 2012), including about 500,000 euros financed through the training account of the Fondimpresa and Fondirigenti interprofessional funds.

In 2013, the training program was again characterized by a broad and transversal coverage of the different Company populations, including both professional development and technical training (about 25,000 hours) and the customary commitment to safety and the environment (almost 30,000 hours).

Among "continuous training" initiatives, its is important to mention the training program on "risk perception," which was provided to employees of the electric power operations, and the program on specialized techniques for delivery and storage operators in the hydrocarbon areas, as well as, with regard to storage, thermoelectric staff reassigned to gas storage facilities in 2013.

The Company continued to monitor with its customary commitment new developments in the regulatory, legislative and industry frameworks, organizing symposia and internal seminars benefiting management, in collaboration with the academic community in some cases.

It is also worth mentioning the continuous investment in institutional and managerial training, aimed at preparing young recent graduates for assignments of increasing managerial responsibility, which in 2013 included the successful conclusion of some training programs for Edison's Young Community provided to support newly appointed managers in collaboration with the EDF Corporate University.

Lastly, as part of the Group's Talent Policy, a program aimed at identifying and providing early development of the growth potential of young employees, benefiting Edison and the Group, was launched in September 2013.

RISKS AND UNCERTAINTIES

Risk Management at the Edison Group

Enterprise Risk Management

Edison developed an integrated risk management model based on the international principles of Enterprise Risk Management (ERM), the COSO framework (sponsored by the Committee of Sponsoring Organizations of the Treadway Commission) specifically. The main purpose of ERM is the adoption of a systematic approach in identifying the Company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to minimize them.

In pursuit of this objective, Edison adopted a Corporate Risk Model and a risk mapping and risk scoring method that assigns a relevance index to risks based on an assessment of their overall impact, probability of occurrence and level of control.
Working with the support of the Risk Office, the managers of the Company's business units and departments use a Risk Self-Assessment process to identify and assess the risks that affect the areas under their jurisdiction and provide an initial indication of the mitigating actions they have taken. The results of this process are then consolidated at the central level into a mapping system in which risks are prioritized based on the scores assigned to them and aggregated, so as to facilitate the coordination of mitigation plans within the framework of an integrated risk management approach.
The Corporate Risk Model, which was developed based on best industry and international practices, covers within an integrated framework the types of risks that are inherent in the businesses in which the Group operates and makes a distinction between risks related to the external environment and internal process and strategic risks.

The Enterprise Risk Management process is closely linked to the strategic planning process in order to correlate the Group's overall risk profile with the return on investment projected in the plan/budget document. The results produced by ERM and Risk Self-Assessment are communicated to the Control and Risk Committee and Board of Directors on predetermined dates and are used by the Internal Auditing Department as a source of information to prepare special risk-based audit plans.

Energy Risk Management

Within the risk management activities, a separate process specifically addresses the commodity risk, which is the risk associated with price fluctuations in the financial and physical markets in which the Company operates with respect to such energy raw materials as electric power, natural gas, coal, crude oil and derivative products, and the related foreign exchange risk.
The specific objectives and operating procedures of the energy risk management process are discussed in detail in the section of the Condensed Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management," which should be consulted for additional information.

Risk Factors

Risks Related to the External Environment

Legislative and Regulatory Risk

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

The main changes in the legislative framework, which are discussed in detail in the section of this Report entitled "Legislative and Regulatory Framework," are reviewed below:

- **Renewals of Hydroelectric Concessions**
  Article 37 of Decree Law No. 83 of June 22, 2012, setting forth "Urgent Measures for the Country's Development" (converted into law No. 134/2012), substantially amended the regulations governing hydroelectric concessions. Pursuant to the new rules, issues related to concessions that expired or are in the process of expiring are also addressed in the law by means of transitional provisions (for concessions that have already expired and those expiring up to December 31, 2017, to which the five year period provided under Article 12, Section 1, of the Bersani Decree is not applicable, the new concession starts five years after the original expiration date, but never later than December 31, 2017). Publication of a long-awaited Ministry decree that specifies the criteria for responding to calls for tenders is expected shortly to complete the regulatory framework. This decree should be a source of reliable certainty for operators, also with regard to planning future investments and the submission of bids for the renewal of concessions.

Price Risk and Foreign Exchange Risk Related to Commodity Activities

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, including, specifically, electric power, natural gas, coal, petroleum products and environmental securities. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting foreign exchange rate risk.
The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits, in terms of economic capital, and the use of financial derivatives that are commonly available in the market for the purpose of containing the risk exposure within preset limits.
Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special trading portfolios. Trading portfolios are monitored by means of strict risk limits and compliance with these limits is verified by an organizational unit independent of those who execute the transactions.
A more detailed analysis of these risks is available in the disclosure provided pursuant to IFRS 7 in the section of the Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management."

Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexed contractual components. Revenues and expenses denominated in a foreign currency can be influenced by fluctuations in exchange rates, with an impact on sales margins (economic risk), while trade and financial receivables and payables can be affected by the translation rates used, with an impact on the economic results (transactional risk). Lastly, fluctuations in exchange rates have an effect also on the consolidated result and the interest in shareholders' equity attributable to Parent Company shareholders, due to the fact that the financial statements of some investee companies are denominated in currencies other than the euro and need to be translated into euros (translational risk).
The objectives pursued when managing the exchange rate risk are set forth in specific Exchange Risk Policies, depending on the different nature of the risk in question. For a detailed analysis of this risk please see the IFRS 7 disclosure provided in the section of the Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management."

Interest Rate Risk

Because it is exposed to fluctuations in interest rates primarily with regard to the measurement of debt service costs, the Edison Group assesses on a regular basis its exposure to the risk of changes in

interest rates and uses derivatives to hedge its positions. The Group's main interest rate exposure is to the Euribor.
A more detailed analysis of the interest rate risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management."

Credit Risk
The credit risk represents Edison's exposure to potential losses caused by the failure of commercial and financial counterparties to honor the commitments they have undertaken. The Edison Group's exposure to the credit risk is related to sales of electric power and natural gas, the investment of temporary excess liquidity and financial derivative positions.
To control this risk, the Group implemented procedures and activities that are described more in detail in the disclosure provided pursuant to IFRS 7 in the section of the Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management."

Competitive Pressure
The energy markets in which the Group operates are subject to intense competition. Specifically, in the Italian electric market, Edison competes with other Italian and international producers and traders who sell electric power to industrial, commercial and residential customers. In order to address the risks entailed by its involvement in the domestic electric power market, the Group has been pursuing in recent years lines of action aimed mainly at developing a portfolio of customers in the deregulated segment of the market, consistent with a strategy of gradual downstream integration, geographic diversification, optimization of the production mix, and development of renewable energy sources.
In the Italian natural gas market, Edison is faced with an increase in competition from Italian and international operators, which has caused a steady erosion of natural gas sales margins. In addition, some foreign producers from countries with abundant hydrocarbon reserves are planning to sell natural gas directly to end customers in Italy. This threatens the market position of companies that, like Edison, resell to end customers natural gas that they buy in other countries. Moreover, in recent years, the natural gas market has been going through a phase of excess supply that developed due to a number of concomitant factors, including the full availability of new importation infrastructures started in previous years, an ample supply of LNG and the development of major reserves of non-conventional gas in the United States, which resulted in an increase in the availability of gas in an environment characterized by falling consumption.
Among the various actions taken to minimize the competitive pressure risk in the hydrocarbon area, a major contractual tool is the enforcement of clauses allowing the renegotiation of prices, based on changes in the benchmark energy scenario and market conditions, which are included in long-term natural gas supply contracts. In this respect, Edison successfully completed a first round of renegotiations of the existing contracts with all of its current suppliers of natural gas. The success of these negotiations made it possible to relieve over the near term the pressure on sales margins that the Group is continuing to experience in the natural gas area. More specifically, Edison closed with favorable awards the arbitration proceedings activate against its suppliers Sonatrach (first half of 2013) and RasGas and Eni (2012), which came on the heels of the settlement reached with Promgas in 2011, to adjust the price of natural gas to the changed conditions of the Italian gas market. In July 2013, in the second round of negotiations, Edison executed commercial agreement with RasGas and Sonatrach for the long-term procurement contracts for gas supplied from Qatar and Algeria, and arbitration proceedings got under way with Gazprom and Eni for the supply contracts from Russia and Libya.

Technological Innovation
Radical changes in the electric power generation technologies currently in use or under development could make certain technologies more competitive than those currently represented in the Group's production mix. To minimize this risk, Edison monitors on an ongoing basis the development of new technologies both in the electric power and the hydrocarbon sectors. The Company is also engaged in

the assessment of innovative technologies in the fields of energy efficiency and generation from renewable sources. Additional information about activities in this area is provided in the section of this Report on Operations at December 31, 2013 entitled "Innovation, Research and Development."

Demand for Electric Power and Natural Gas

Generally, demand for electric power and natural gas is tied to changes in gross domestic product (GDP). Starting in the last quarter of 2008 and accelerating in 2009, the impact of the global economic crisis produced a drastic reduction in consumption of electric power that was followed by a partial recovery in 2010 and 2011. Significant declines in consumption continues in 2012 and even more so in 2013, bringing demand for electric power down to a level comparable with 2009 and making a rebound to pre-crisis levels of demand highly uncertain.

Demand for natural gas was also affected by the global economic crisis, as shown by the consumption levels recorded starting in 2009, when demand was down sharply compared with 2008. During the ensuing years, demand for natural gas recovered in 2010 only to fall back in 2011 and especially in 2012. The negative trend of recent years continued in 2013, a year characterized by a sharp drop in demand for gas due mainly to lower consumption by thermoelectric power plants.

The reduction in the overall level of demand for energy put significant pressure on sales margins, already adversely affected by the competitive pressure developments described in the preceding paragraph, particularly in the natural gas area, with a potential impact on the Group's exposure to take-or-pay clauses in long-term contracts for the supply of natural gas. Under these clauses, Edison is required to take delivery each year of contractually determined volumes of natural gas or, should it fail to do so, pay the full amount, or a portion thereof, owed for the undelivered volumes up to the contractual minimum. However, under the take-or-pay clauses, Edison can take delivery of the abovementioned prepaid volumes in subsequent contract years. Based on internally developed forecasts, management believes that it will be able to take delivery, within the applicable contract terms, of the gas volumes prepaid at December 31, 2013, thereby recovering the cash advances paid, net of the finance charges associated with the abovementioned advances.

A possible resurgence in the future of the negative trend in the demand for energy could have an impact in terms of lower sales volumes of electric power and natural gas by Edison and, consequently, reduce the Group's overall sales margins.

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

Country Risk

The Edison Group operates in the international markets, focusing mainly on the Balkans and Southeast Europe, with some foreign branches that engage in the marketing of electric power. It is also present in Greece, where it produces and markets electric power through a joint venture with Hellenic Petroleum, its Greek partner. In addition, the Edison Group is active in hydrocarbon exploration and production, with a particularly important presence in Egypt, where it produces natural gas and crude oil as the operator of the Abu Qir offshore concession, and with smaller operations in the Ivory Coast and other countries. Because of its presence in these international markets, the Group is exposed to the so-called "country risk," i.e., a whole series of risks deriving mainly from political, economic, social, regulatory and financial differences compared with conditions in the country of origin. These risks can vary widely from those faced when operating exclusively in the domestic market and, consequently, can have a negative effect on the profitability and valuation of foreign investments.

Greece continues to be characterized by a difficult macroeconomic scenario, combined with ongoing

The Calusco d'Adda power plant,
dedicated to Guido Semenza,
was commissioned in 1920.

uncertainty about the stability of the internal political environment. Nevertheless, the determination of the euro zone countries to keep Greece in the monetary union, through the decision of providing it with considerable financial aid, caused, at the end of 2013, the Standard and Poor's rating agency to raise the rating of Greece's long-term sovereign debt from "selective default" to B-, with stable outlook, thanks also to the Greek government's commitment to continue pursuing an adequate fiscal policy. in 2013, the Fitch rating agency also raised its long-term rating to B- (with stable outlook), a decision that reflects the improved balance of the local economy , the progress made towards the elimination of the deficit and a decrease of the risk of exiting the Eurozone. It is worth mentioning that, in this context, the Group's Parent Company constantly monitors the stability of the regulatory framework of the Greek electric power market and, more specifically, the structure of the safeguard mechanism, which, since the last quarter of 2010, ensures the coverage of the costs of electric power production facilities. Despite the uncertainties in the overall macroeconomic environment, the Company is confident that, thanks to the aid package agreed upon with the European Union, the European Central Bank and the International Monetary Fund, coupled with the strict fiscal policies defined by the new Greek government, it should be possible to restore investor confidence and support for the Greek economy, leading to the country's recovery.

Egypt has been struggling in its challenging pursuit of an institutional transition following the fall of Mubarak's regime and the deposing of President Morsi by the Armed Forces: the road map adopted by the current caretaker government calls for the adoption of a new Constitution and the holding of parliamentary elections in the first half of 2014, followed by presidential elections. This path is being pursued in an extremely complex and constantly changing political context and must be followed by programs to improve social and economic conditions.

The lack of a medium/long-term macroeconomic strategy is the reason why, in May 2013, Standard and Poor's downgraded the rating of Egypt's long-term sovereign debt, cutting it from B- to CCC+. The rating agency revised its assessment in November, reinstating Egypt's B- credit rating, with stable outlook. The reason for this decision stems mainly from the aid provided to Egypt by the Gulf countries, which is sufficient to bring public finances back on a sustainable path and avoid a balance of payments crisis. The financial support provided to Egypt by the Gulf countries, which should continue over the medium term, should enable the Egyptian authorities to manage the most pressing problems, including a weak tax and debt position, a deterioration of reserves and a scarcity foreign currency. In this environment, the potential repercussions on Edison's ability to continue operating under economically viable and safe conditions are being closely monitored by the Group's Parent Company. In any case, internal tensions had no impact at the operational level on natural gas and crude oil production from the Abu Qir concession, which, since the time of acquisition, has steadily generated positive economic results and steadily rising production volumes.

Process Risks

Operational Risk

Edison's core businesses include building and managing technologically complex facilities for the production of electric power and hydrocarbons that are interconnected along the entire length of the value chain. The risk of losses or damages can arise from the unexpected unavailability of one or more pieces of equipment or facilities of critical importance for the production process caused by damaging events, including material damages to the equipment or specific components of it, that cannot be fully covered or transferred by means of insurance policies.

Therefore, Edison pursues an industrial risk management policy that includes risk prevention and control activities, the adoption specific security standards developed by international recognized entities, such as the National Fire Protection Association (NFPA) and Factory Mutual (FM), implementation of the upgrades required by national laws and local entities with regulatory authority over such issues, and frequently scheduled equipment overhauls, contingency planning, inventory management and maintenance activities. When appropriate, an effective industrial insurance and expert evaluation strategy that includes the use of Erection All-Risk, Property All-Risk and Exploration and Production policies that also provide coverage for indirect damages or delays in the availability of new facilities can help minimize the potential consequences of such damage events.

Additional information about the management of environmental and occupational safety risks is provided in the section of this Report on Operations at December 31, 2013 entitled "Health, Safety and the Environment."

Information Technology

The Group's operations are supported by complex information systems, specifically with regard to the technical, commercial and administrative areas. Risks issues exist with regard to the adequacy of these systems and the integrity and confidentiality of data and information. With regard to the first of these issues, important projects were developed in 2013 specifically focused on:

- revising the processes of the Marketing, Sales & Energy Services Division, through the adoption of a new integrated information system (NICE Project);
- adopting a new information system for ERP processes (Accounting, Management Control, Purchasing, Investments, Maintenance, Human Resources);
- upgrading the gas portfolio management process, consistent with the new Italian directives, and enable access to new international markets.

These project will be put into production in 2014.

On the other hand, with regard to the risk of activity interruption caused by a system fault, Edison has adopted a high reliability hardware and software configuration for those applications that support critical activities. Specifically, a project for transforming the disaster recovery service into a business continuity service that will guarantee the continuity of processes even in case of a disaster event at the main data processing center has been completed and the selected technical solution was implemented in 2013.
Lastly, the risk of the occurrence, including in 2013, of ever new types of cyber attacks is being mitigated with the adoption of strict security standards and authentication and profiling systems. In this regard, the option is being considered, at the EDF Group level, of establishing an ESOC (European Security Operation Center) that would provide the services needed to manage these new types of cyber attacks.

Liquidity

Managing the liquidity risk means addressing the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.
Insofar as the strategic objectives of liquidity risk management are concerned, the process of integrating Edison and its subsidiaries with EDF, its reference shareholder, was completed in the first half of 2013. Inter alia, the system adopted entails a centralized cash management system that will provide Edison with flexibility for its own short-term cash needs and those of its consolidated subsidiaries, while optimizing the management of daily cash surpluses and needs. As part of this integration process with EDF, the Group developed a medium/long-term refinancing plan that will provide coverage for all the financial needs contemplated in the expenditure plan.
A more detailed analysis of this risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Consolidated Financial Statements at December 31, 2013 entitled "Group Financial Risk Management."

Strategy and Planning Risks

Investments in Development and Acquisitions

The development of the core businesses of the Edison Group must be supported with direct investments (internal growth) and acquisitions.
Insofar as direct investments in the electric power sector are concerned, the Edison Group is constantly engaged in programs to develop new power plants and upgrade older facilities in order to increase their profitability, efficiency and operating flexibility. In addition, the average age of the thermoelectric power plants in Edison's portfolio of production facilities is quite low, because in recent years the Group completed an ambitious program to expand electric power generating capacity in Italy. Moreover, also in the areas of electric power distribution and production, the Group is engaged in the development of investments outside Italy, focusing on the Balkans and Southeast Europe.
As a result of these activities, the Edison Group is exposed to permit risks; risks of delays in the construction and launch of commercial activity of new projects; risk of increases in operating, materials and service costs; risks related to new developments in existing technologies; and risks related to changes in the political and regulatory framework in some of the foreign countries where it operates or plans to operate in the future (see the "Country Risk" section above).
As for direct investments in the hydrocarbon sector, the Group is engaged in exploration, development and production in the natural gas and crude oil areas, with the aim of increasing its hydrocarbon reserves and develop its asset portfolio as an integrated energy operator, while pursuing projects for the development of gas storage fields and thus increase the reliability of Italy's gas system.
With regard to the hydrocarbon development and production activities, in addition to the remarks provided above concerning investments made to develop the electric power operations and the considerations about country risk (disclosed in a special section of this chapter), please note that they are typically subject to uncertainties with regard to estimates of proven reserves, projections of future production rates and the timing of development investments, due to the fact that estimates of proven reserves depend on a long series of factors, assumptions and variables. Moreover, between the

exploration phase and the start of subsequent phases involving the development and commercial exploitation of the discovered hydrocarbon reserves there is usually a significant time lag needed to assess the commercial viability of the discovered hydrocarbon deposits, authorize the development project and build and put into service the necessary equipment (time to market). During this time period, a project's profitability can be affected by volatility in oil and gas prices and by the variability of development and production costs.

Moreover, future hydrocarbon production levels will depend on the Group's ability to access new reserves through new discoveries made possible by its exploration activities, the success of its development activities and its ability to negotiate concession agreements with the countries that possess known hydrocarbon reserves.

Additional investment and some carefully selected divestments, implemented as part of a strategy to streamline the overall portfolio, are planned for the future to support the growth of the Group's core businesses both in the electric power sector and the hydrocarbons area. As mentioned above, this development strategy also calls for expansion of the Group's international operations outside the European Union, in countries where Edison is already present, but where the political, social and economic environment could be less stable.

As for the strategy of growth through acquisitions, its success is predicated on Edison's ability to identify and seize opportunities available in the market to acquire assets or companies that could help the growth of the Group's core businesses at an acceptable cost. In this area, there can be no absolute guarantee that Edison will be able to achieve the benefits initially expected from such transactions. Specifically, this could result from an ineffective integration of the acquired assets or from losses and costs not originally anticipated. Moreover, acquisition also entail the financial risk of being unable to cover purchasing costs, due to the occurrence of a protracted weakness in prices and the benchmark scenario.

In order to minimize these risks, Edison adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to requiring the use of appropriate written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorization processes, project risk assessment activities and strict project management and project control activities.

Policies and Management Tools Adopted by the Group

Energy Risk Policy

Governance

Pursuant to the rules governing Energy Risks Management, risk limits, stated in terms of economic capital, may be approved exclusively by the Board of Directors together with the budget.

The Risk Committee defines the policies, monitors risk levels, approves hedging strategies and defines any subsets of risk limits.

Consistent with the need to establish a clear separation of functions, the Risk Office, which reports to the CFO, prepares the items on the agenda of Risk Committee meetings and monitors compliance with limits and the results of financial hedges, while the Front Office, which reports to the manager of the Energy Management BU, executes transactions in the financial markets, striving to optimize their structure, timing and counterparties.

Financial Hedges

One of the objectives of the Group's risk management activity is to stabilize the cash flows generated by the existing portfolio of assets and contracts and use strategic hedging to protect the Group's industrial margins from fluctuations caused by the effect of the price risk and the foreign exchange risk (as defined above in the Risk Factors section of this chapter) on the commodities used.

Strategic hedging is carried out by means of financial hedges that are activated gradually during the year, based on market trends and changes in projections of the volumes of physical buy and sell contracts and the production of the Group's assets.


The activities carried out to celebrate the Company's 130-year history included an advertising campaign that was extremely well received by the Italian public.

The gradual implementation of strategic hedging helps minimize the execution risk, which refers to the possibility that all hedges will be activated during an unfavorable market phase, the volume risk, which is related to the variability of the underlying items that require hedging based on the best volume projections, and the operational risk, which is related to implementation errors.
Moreover, the Group's policy is designed to minimize the use of financial markets for hedging purposes by maximizing the benefits of the vertical and horizontal integration of its different business segments. Accordingly, the Group makes it a planning priority to physically balance the volumes of physical energy commodities that it will sell in the market on the different due dates, using for this purpose the production assets it owns and its portfolio of medium/long-term contracts and spot contracts.
In addition, the Group pursues a strategy designed to homogenize sources and physical uses, so that the formulas and indexing mechanisms that determine the revenues generated by the sale of energy commodities reflect as much as possible the formulas and indexing mechanisms that govern the costs that the Group incurs to purchase energy commodities in market transactions and to supply its production assets.
To manage the price and foreign exchange risk on the remaining exposure of its portfolio of assets and contracts, the Group can use structured hedges executed in the financial markets in accordance with a cash flow hedging strategy.
Financial hedges can also be established in response to specific requests by individual business units to lock in, with operational hedging, the margin earned on a single transaction or a limited number of related transactions.

Enterprise Risk Management Policy

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

The Enterprise Risk Management process is carried out concurrently with the development of the Budget and Strategic Plan by means of a Risk Self-Assessment process, the results of which are presented on predetermined dates at meetings of the Control and Risk Committee and the Board of Directors. In this case as well, the model is based on information provided by the individual operating units and departments, each of which, limited to the areas under its jurisdiction, prepared a map of the existing risks based on three parameters that measure their overall impact, the probability of occurrence and the level of control.

The overall results for 2013 are reviewed in the Risk Factors section of this Report.

A coordinator is designated for each of the mapped priority risks and specific mitigating actions are identified and codified within predefined classes of actions. Regular updates are performed during the year to review the results of the selected mitigating actions and assess their potential impact.

Provisions for Risks and Charges

In addition to the disclosures provided above concerning risk management and mitigation activities, whenever it incurs current obligations arising from past events, which can be of a legal or contractual nature or implied by Company declarations or conduct such as to create in a third party a valid expectation that the Company will be responsible or assume responsibility for the performance of an obligation, the Edison Group sets aside appropriate amounts in special provisions for risks and charges, which are shown among the liabilities on the balance sheet (see also the Notes to the Consolidated Financial Statements). Specifically, in the normal course of business, Group companies have become parties to judicial proceedings and tax disputes, a description of which is provided in the section entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2013," within the "Commitments and Contingent Risks" chapter of the Consolidated Financial Statements.

OTHER INFORMATION

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

- At December 31, 2013, it did not hold treasury shares or shares of its parent company, either directly or indirectly through nominees or other third parties. No transactions involving treasury shares or shares of the parent company were executed during the year, either directly or indirectly through nominees or other third parties.
- In 2013, the Group executed significant transactions with related parties, a description of which is provided in the section of the consolidated financial statements entitled "Intercompany and Related-Party Transactions."
- No secondary registered offices have been established.

Information about the Company's ownership structure and corporate governance, which includes the fees paid to the independent auditors, is provided in the Report on Corporate Governance 2013; data about the equity investments, compensation and stock option plans of Directors and Statutory Auditors and executives with strategic responsibilities are listed in the Annual Compensation Report. Both of these Reports are contained in a separate volume which is an integral part of this annual report.

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.

MOTION FOR A RESOLUTION

Dear Shareholders,

Your Company's separate financial statements at December 31, 2013 close with a net profit of **77,614,769.38** euros, or **77,614,769.00** euros rounded to the nearest integer.

If you concur with the criteria adopted to prepare the financial statements and the accounting principles and methods applied for that purpose, we recommend that you adopt the following resolutions:

"The Shareholders' Meeting

- having reviewed the company's separate financial statements and the Group's consolidated financial statements at December 31, 2013, together with the report of the Board of Directors on operations and the report on corporate governance and the company's ownership structure;
- having examined the report of the Board of Statutory Auditors to the Shareholders' Meeting pursuant to Article 153 of Legislative Decree No. 58/1998 (Uniform Financial Code);
- having examined the reports of the Independent Auditors on the separate financial statements and consolidated financial statements at December 31, 2013;
- taking into account the provisions of Article 2430 of the Italian Civil Code and those of Article 25 of the Bylaws concerning the preferred dividend payable to the savings shares and their right to cumulative dividends;
- considering that, due to the transition to and adoption of the IFRS principles, the Company's shareholders' equity at December 31, 2013 includes unavailable reserves pursuant to Articles 6 and 7 of Legislative Decree No. 38/2005;
- taking into account the provisions of Article 109, Section 4, of Presidential Decree No. 917/1986, in the version in effect until December 31, 2007, to the extent that it is still applicable;
- taking into account that the Company's share capital amounts to 5,291,700,671.00 euros, divided into 5,181,545,824 common shares and 110,154,847 savings shares;

resolves

FIRST RESOLUTION

i) to approve the report of the Board of Directors on operations for the 2013 reporting year;
ii) to approve the company's separate financial statements for the year ended December 31, 2013 in their entirety and individual entries;

SECOND RESOLUTION

iii) to allocate 5% of the net profit for the year of **77,614,769.38 euros** to the statutory reserve for a total of	**3,880,738.47 euros**
iv) to appropriate as follows the net profit of **73,734,030.91** euros that remains after the partial utilization for an allocation to the statutory reserve, as per Item (iii) above:	
a) **as** a dividend on the 110,154,847 savings shares: - 5% of the par value, i.e., 0.050 euros per share, as preferred dividend for the 2013 reporting year, for a total of	**5,507,742.35 euros**
b) **as** a dividend on the 5,181,545,824 ordinary shares: - 0.011 euros per share, for a total of	**56,997,004.06 euros**
c) **as** retained earning the remaining balance, taking into the recommendations of Items (iii) and (iv) a) b) above	**11,229,284.50 euros**

The dividend on the saving shares will be payable as of April 17, 2014, with coupon presentation date April 14, 2014 and *record date* April 16, 2014.

The dividend on the ordinary shares will be payable as of April 17, 2014.

Milan, February 12, 2014

The Board of Directors
by: Bruno Lescoeur
Legal Representative

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF EDISON S.P.A. PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98

Dear Shareholders:

In the year ended December 31, 2013, the Board of Statutory Auditors of Edison S.p.A. (the "**Company**" or "**Edison**") carried out its oversight activities pursuant to law, performing its work in accordance with the rules of conduct for Boards of Statutory Auditors of corporations with shares traded on regulated markets published by the Italian Board of Certified Public Accountants and Accounting Experts and consistent with Consob pronouncements concerning corporate controls and the activities of the Board of Statutory Auditors.

* * *

The Board of Statutory Auditors currently in office was elected by the Shareholders' Meeting of April 26, 2011, in accordance with the provisions of the Bylaws, which, as amended by the Shareholders' Meeting of June 26, 2007, incorporate the statutory requirement that the Chairman of the Board of Statutory Auditors be elected from the slate of Statutory Auditors filed by minority shareholders.
On March 22, 2013, the Shareholders' Meeting confirmed the appointment to the post of Statutory Auditor of Giuseppe Cagliero, who replaced a resigning Statutory Auditor on May 24, 2012, and filled the vacancies on the Board of Statutory Auditors by electing Luigi Migliavacca and Vincenzo D'Aniello to the post of Alternate.
The term of office of the Board of Statutory Auditors will end with the Shareholders' Meeting convened to approve the Company's financial statements at December 31, 2013. The Shareholders' Meeting will be required to elect a new Board of Statutory Auditors in accordance with the new provisions of the Bylaws approved by the Shareholders' Meeting on March 22, 2013, which, due to the delisting of the Edison common shares, call for ending the use of slates of candidates for the election of Statutory Auditors and complying with the criteria set forth in the provisions currently governing gender parity.
The members of the Board of Statutory Auditors are in compliance with the limit on the number of governance posts held set forth in the Bylaws and Article 144-*terdecies* of the Consob Issuers' Regulations No. 11971 and, during the year, met their disclosure obligations toward the Consob.
Pursuant to Legislative Decree No. 58/1998 ("**TUF**") and Legislative Decree No. 39/2010, the Shareholders' Meeting of April 26, 2011, acting further to a reasoned recommendation by the Board of Statutory Auditors, awarded the assignment to perform statutory, independent audits of the financial statements to the Independent Auditors Deloitte & Touche S.p.A., whose reports should be consulted for additional information. The assignment to the Independent Auditors is for a period of nine years (2011-2019), as allowed under current regulations.

* * *

With regard to the manner in which we performed in 2013 the activities assigned to us, we confirm that:
- We attended the Shareholders' Meetings and the meetings of the Board of Directors held during the year and obtained from the Directors timely and suitable information about the Company's operating performance and business outlook, as well as about transactions executed by the Company and its subsidiaries that qualified as highly material, because of their size and characteristics;
- We obtained the information needed to perform the activities assigned to us regarding compliance with the law and the Bylaws, compliance with the principles of sound management and the level of adequacy of the Company's organization through direct observation, information obtained from managers of Company departments, periodic exchanges of information with the company retained to perform statutory, independent audits of the annual and consolidated financial statements, attendance at meetings of the Control and Risk Committee (formerly the Audit Committee), the Compensation Committee and the Oversight Board;

- We monitored the working and effectiveness of the system of internal controls and the adequacy of the administrative and accounting system, specifically with regard to the latter's reliability in presenting the results from operations;
- We carried out our monitoring activities in accordance with Article 19 of Legislative Decree No. 39/2010, which requires the Board of Statutory Auditors to perform the function of the "Internal Control and Audit Committee" with regard to: a) the financial reporting process, b) the effectiveness of the internal control, internal auditing and risk management systems, c) the statutory, independent auditing of the annual and consolidated financial statements, d) the independence of the Independent Statutory Auditors.

  With regard to the required monitoring of the activities of the Independent Auditors, we exchanged information on a regular basis with the Independent Auditors about the work they performed pursuant to Article 150 of the TUF; we reviewed the work performed by the Independent Auditors; we received from the Independent Auditors the reports required by Article 14 and Article 19, Section Three, of Legislative Decree No. 39/2010; we received from the Independent Auditors their "Annual Independence Confirmation," required pursuant to Article 17, Section Nine, Letter a), of Legislative Decree No. 39/2010; we analyzed, pursuant to the abovementioned Article 17, Section Nine, Letter a), of Legislative Decree No. 39/2010, the risks related to the independence of the company performing statutory, independent audits of the financial statements and the measures it adopted to minimize such risks;
- We monitored the functionality of the control system for Group companies and the adequacy of the instructions given to them, also pursuant to Article 114, Section 2, of Legislative Decree No. 58/1998;
- We were informed of the preparation of the Compensation Report required pursuant to Article 123 *ter* of Legislative Decree No. 58 of February 24, 1998 and Article 84 *quarter* of Consob Regulation No. 11971/1999 ("**Issuers' Regulations**") and have no remarks to make in this regard.
- We ascertained that the amendments to the Bylaws were in compliance with statutory and regulatory requirements, including Law No. 120 of July 12, 2011, which added Articles 147 *ter* and 148, setting forth gender parity requirements in the management and control bodies of listed companies, to Legislative Decree No. 58 of February 24, 1998;
- We monitored the concreted methods deployed to implement the corporate governance rules of the Corporate Governance Code for listed companies promoted by Borsa Italiana S.p.A., as adopted by the Company;
- We ensured that the internal procedure concerning related-party transactions was consistent with the principles set forth in the Regulation approved by the Consob with Resolution No. 17221 of March 12, 2010, as amended, and that the abovementioned procedure was being complied with, pursuant to Article 4, Section 6, of the abovementioned Regulation;
- We monitored the corporate information process and verified compliance with laws and regulations governing the preparation and presentation of the separate and consolidated financial statement schedules and the related supporting documents;
- We ascertained the methodological adequacy of the impairment process applied to determine if any Company assets were impaired;
- We verified that the 2013 Report of the Board of Directors on Operations complied with current laws and regulations, was consistent with the resolutions adopted by the Board of Directors and the facts presented in the separate and consolidated financial statements. No remarks by the Board of Statutory Auditors were required with regard to the Semiannual Consolidated Report. The Semiannual Report and the Quarterly Reports were publicly disclosed in the manner required by current laws and regulations.

In the course of our oversight activities, carried out in the manner described above, we did not uncover any material developments requiring disclosure to control entities or mention in this Report.

* * *

The specific disclosures that must be provided with this Report, pursuant to the Consob Communication of April 6, 2011, as subsequently updated, are listed below.

1. Based on the information received and the facts gathered by the Board of Statutory Auditors, we summarize below the transactions with a material impact on the Company's income statement, balance sheet and financial position, including those executed through subsidiaries, all of which were reviewed and approved by the Board of Directors and are discussed in the Report on Operations prepared by the Board of Directors:
   - On January 16, 2013, Edison, through its Edison International SpA subsidiary, was awarded two new hydrocarbon exploration and production licenses in the Norwegian Continental Shelf, which were put out for bids by the Norwegian Oil and Energy Ministry. On June 16, 2013, the same company was awarded four additional new licenses. All of these licenses allow a three-year period for surveying, at the end of which the partners will have to decide whether to proceed with drilling or relinquish the license, under the "drill or drop" provision. One license entails a commitment to drill an exploratory well.
   - On April 9, 2013, Edison Spa signed agreements for two intercompany facilities to refinance an expiring syndicated, standby credit line of 1,500 million euros:
     - The first loan of 800 million euros, a fixed-rate facility with a duration of seven years, hedged for the duration of the loan (7-year IRS), was provided by EDF Investissements Groupe S.A.;
     - The second loan of 600 million euros, a facility with a duration of two years indexed to the Euribor in effect during the utilization period, was provided by EDF S.a.
   - On April 23, 2013, the Court of Arbitration of the International Chamber of Commerce (ICC) handed down its award in the price revision arbitration for the long-term contract between Edison and Sonatrach for the supply natural gas from Algeria, finding that Edison's request for price revision was valid in respect both to form and substance;
   - In July 2013, as part of the second cycle of renegotiations, commercial agreements renegotiating long-term contracts for the supply of natural gas from Qatar and Algeria were signed granting the Edison Group substantial reductions in gas purchase prices. These renegotiations, coupled with the award in the Sonatrach arbitration proceedings, generated a positive effect on EBITDA totaling about 813 million euros, including retrospective benefits.
   - On July 10, 2013. Edison executed a loan agreement with a pool of top Italian and international banks for a facility in the amount of 500 million euros maturing in January 2015. This facility, which is structured as a Club Deal without any subsequent syndication and is not collateralized, calls for drawdowns on a revolving basis and its interest rate is indexed to the Euribor;
   - In October 2013, Edison, through its Edison Energia SpA subsidiary, was the winning bidder in a call for tenders launched by Consip for the supply of electric power to public administrations in 2014. The contract is for 12 months for a total value of 500 million euros in energy supplied;
   - In October 2013, Edison, through Edison International Holding Bv, acquired for 81 million euros from EDF International Sas, and EDF Group company, 100% of the interest in EDF Production UK Ltd, which engages in hydrocarbon exploration, development and production in the North Sea;
   - On December 10, 2013, the Standard & Poor's rating agency raised Edison's long-term credit rating from BBB to BBB+ with Stable Outlook. The rating agency confirmed the A-2 rating for the short-term debt.

2. The characteristics of intercompany and related-party transactions executed in 2013, the parties involved and their financial effects are adequately explained in the section of the 2013 Consolidated Financial Statements entitled "Intercompany and Related-party Transactions," which should be consulted for additional information.
   With regard to this issue, the Board of Statutory Auditors, in the course of its work, did not uncover any atypical and/or unusual intercompany and/or related-party transactions.
   On December 3, 2010, as required by Consob Resolution No. 17221 of March 12, 2010, as amended, Edison's Board of Directors adopted a new internal procedure that governs the decisions-making process and the disclosure requirements concerning related-party transactions (the "**Procedure**"). This Procedure went into effect on January 1, 2011.
   This procedure classifies these transactions into different categories and provides for each category specific validation and implementation methods, in accordance with a process explained in detail in Edison's 2013 Report on Corporate Governance and the Company's Ownership Structure, which should be consulted for additional information.

Pursuant to the Procedure, the Committee of Independent Directors, comprised of independent Directors, is required to render an opinion as to whether related-party transactions executed by the Company and its subsidiaries are in the Company's interest and whether their terms and conditions are beneficial and substantively fair, depending on the type transaction.

3. On February 13, 2014, the Independent Auditors Deloitte & Touche S.p.A. issued the reports required by Article 14 of Legislative Decree No. 39 of January 27, 2010, certifying that the separate and consolidated financial statements at December 31, 2013 were prepared transparently and present truthfully and fairly the financial position, income statement and cash flow of the Company and the Group, and attesting that the Report on Operations and the disclosures provided in the Report on Corporate Governance and the Company's Ownership Structure in accordance with Article 123-*bis,* Section 1, Letters c), d), f), l) and m), and Section 2, Letter b), of Legislative Decree No. 58/1998 are consistent with the Company's Statutory Financial Statements and the Group's Consolidated Financial Statements.

4. In 2013, the Board of Statutory Auditors received no complaints filed pursuant to Article 2408 of the Italian Civil Code or memoranda submitted by third parties.

5. As mentioned earlier in this Report, the Shareholders' Meeting of April 26, 2011, acting upon a reasoned recommendation by the Board of Statutory Auditors, awarded the independent statutory auditing assignment to the Independent Auditors Deloitte & Touche S.p.A. for the 2011-2019 period. Please note that, in 2013, the Independent Auditors Deloitte & Touche S.p.A. received from Edison SpA:
   - the following additional assignments within the framework of the independent audit:
     a. 50,000.00 euros for nonrecurring engagements performed in 2013 in connection with the accounting treatment of long-term contracts to supply natural gas and a transaction in the renewable energy field executed by the Edison Group;
     b. 20,190.00 euros to review the 2013 Pay Schedule for Gas JV Employees in Italy;
     c. 20,190.00 euros to review the 2013 Pay Schedule for Gas JV Employees outside Italy;
     d. 19.000.00 euros for auditing the Sustainability Report;
     e. 6,800.00 euros for green certificate attestations;
     f. 6,732.00 euros to review the 2012 Pay Schedule for expatriates in Egypt;
     g. 4,000.00 euros for attestation of IRAP deduction of personnel costs;

   and from Edison's subsidiaries:
   - the following additional assignments within the framework of the independent audit:
     a. 30,000.00 euros for the renewal of the auditing assignment for the Edison International Nv joint venture;
     b. 22,000.00 euros for the performance of predefined procedures involving an Egyptian company in which Edison International SpA has an equity investment;
     c. 16,800.00 euros for auditing the Israeli branch of Edison International SpA;
     d. 12,500.00 euros for the auditing assignment for Sel Edison SpA;
     e. 10,500.00 euros for the auditing assignment for Compagnia Elettrica Lombarda in liquidation;
     f. 10,300.00 euros for auditing the Edison Energy Solutions S.r.l. subsidiary;
     g. 7,000,00 for auditing Galsi SpA;
     h. 7,000.00 for the renewal of the auditing assignment for Atema.

   In addition, the Board of Statutory Auditors monitored the independence of the Independent Auditors, taking also into account the requirements of Article 19 of Legislative Decree No. 39/2010, ascertaining that they were in compliance with the provisions of the relevant statutes in providing Edison S.p.A. and its subsidiaries with services other than the statutory, independent audits of the financial statements, and determined that no significant assignments were granted in 2013 to members of the network to which the Independent Auditors belong.

6. In 2013, the Board of Statutory Auditors issued the opinions required pursuant to law:
   (i) regarding the compensation awarded to Directors who perform special functions, which was determined by the Board of Directors upon a recommendation by the Compensation Committee;

(ii) regarding the additional independent statutory audit of Edison's financial statements, following the absorption of Sarmato Energia S.p.A. and Montedison S.r.l., and the award to the same independent statutory auditors of assignments different from the audit of the financial statements.
Detailed information about the total compensation of the members of the Board of Directors is provided in a special section of the Compensation Report.

7. In the exercise of its function, in order to obtain the information needed to carry out its oversight activities, the Board of Statutory Auditors performed the following activities:
   - It met on a regular basis and drew up seven minutes of the meetings recording its activities;
   - It attended all meetings of the Board of Directors (seven), obtaining from the Board of Directors a steady flow of information concerning its activity and transactions with a material impact on the Company's income statement, financial position and cash flow executed by the Company and its subsidiaries;
   - Its Chairman attended the meetings of the Control and Risk Committee and the Compensation Committee;
   - It attended the Shareholders' Meeting held on March 22, 2013;
   - It interacted with the governance bodies of the subsidiaries, as required by Article 151 of Legislative Decree No. 58/1998, and held joint meetings with some of them;
   - Its Chairman attended the meetings of the Oversight Board of the Organizational Model adopted pursuant to Law No. 231/2001, for the purpose of exchanging information.

8. The Board of Statutory Auditors monitored compliance with the law and the Articles of Incorporation and with the principles of sound management, ensuring that all transactions approved and executed by the Board of Directors complied with the applicable statutes and the Bylaws, were financially sound, were not manifestly imprudent or reckless, did not give rise to potential conflicts of interest, were not in conflict with resolutions approved by the Shareholders' Meeting and did not compromise the integrity of the Company's assets.
   Subsequent to the acquisition of control by EDF on May 24, 2012, the Board of Directors resolved to award to the Chief Executive Officer the most ample powers to manage the Company, enabling him to carry out, singly with his signature, all acts that fall within the framework of the corporate purpose, except for the limitations applicable pursuant to law and excluding those transactions that are reserved for the sole jurisdiction of the Board of Directors pursuant to law or by a resolution of the Board itself.
   The Board of Statutory Auditors believes that the governance tools and systems adopted by the Company provide adequate assurance that the principles of sound management are being followed in operating practice.

9. The Board of Statutory Auditors monitored the adequacy of the organizational structure of the Company and the Group by gaining an understanding of the organizational structure, obtaining information from the relevant departments and through meetings with managers of various Company functions, the manager of the Internal Auditing Department and the Independent Auditors, with whom it exchanged data and information.
   The Board of Directors, acting directly or through governance bodies delegated to represent it, is responsible for managing the Company.
   Pursuant to the Bylaws, the Chairman of the Board of Directors and the Chief Executive Officer are the Company's legal representative vis-à-vis third parties and in court proceedings.
   The Chairman of the Board of Directors does not have operational authority, serving instead in an institutional, guidance and control function. The Chief Executive Officer has the most ample powers to manage the Company.
   The organizational structure of the Company and the Group is defined by the Chief Executive Officer and communicated by means of a system of organizational communications, by which the Chief Executive Officer appoints the managers of the various departments and business units, and a system

for the delegation of authority, consistent with the assigned responsibilities, the attribution guidelines of which are confirmed within the framework of the Model 231/2001. Similar organizational communications issued by the managers of the different departments and business units and reviewed by the Chief Executive Officer, are used to define the organizational structure at a more operational level. All employees can access these organizational communications on the Company Intranet.
In 2012, the Board of Directors had already validated the redefinition of the Company's organizational structure and the responsibilities of its top management, through the reformulation of the attributions of the Chief Financial Officer, a different allocation of the activities of the Chief Operating Officer and the establishment of an Executive Committee comprised of the managers of the main business areas and corporate functions, within the framework of the new mission assigned to Edison, more focused on the hydrocarbon sector.

10. In monitoring <u>the adequacy and effectiveness of the system of internal controls</u>, also with regard to the requirements of Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors met on a regular basis with managers of the Internal Auditing Department and other Company departments and relied on the information obtained by the Chairman of the Board of Statutory Auditors by attending relevant meetings of the Control and Risk Committee and the Oversight Board of the 231/2001 Model.
Edison's System of Internal Controls is a structured and organic set of rules, procedures and organizational structures, applied pervasively throughout the Company, to prevent or minimize the impact of unexpected results and allow the achievement of the Company's strategic and operating objectives (i.e., consistency of the activities with the desired objectives, effectiveness and efficiency in conducting its operations, and protection of the corporate assets), compliance with applicable laws and regulations, and accurate and transparent internal and market communications (reporting).
The Board of Directors, working with the support of the Control and Risk Committee, (i) defines the guidelines of the System of Internal Controls; (ii) regularly reviews the main risks faced by the Company, as defined by the Chief Executive Officer, who is responsible for implementing the guidelines of the system of internal controls; and (iii) assesses the adequacy, efficacy and effectiveness of the System of Internal Controls at least once a year.
The system of internal controls includes an Internal Auditing Department, which is responsible for providing support to the Board of Directors, the Control and Risk Committee and the Company's management in pursuing the objective of a properly functioning internal control and risk management system. The Board of Directors assigned to the manager of this department the task of assessing the adequacy and effectiveness of the overall system of internal controls. The activity of this Department is carried out primarily through an annual plan of auditing and compliance engagements and includes monitoring the actual implementation of recommendations issued in connection with auditing engagements (follow up).
The Board of Statutory Auditors interfaced on a regular basis with the Internal Auditing Department for the purpose of assessing the audit plan and its findings, both in the planning phase and in the review of completed audits and the corresponding follow-up activities.
The Group uses additional tools to monitor progress toward the achievement of operational and compliance objectives, including a structured and periodic planning, management control and reporting system, a financial risk governance system (commodity and foreign exchange risks primarily), a system to manage Company risks in accordance with Enterprise Risk Management (ERM) principles, and the accounting control model required by Law No. 262/2005 in the area of financial disclosures.
As part of the ERM activities, the Company developed a map of the main business risks by implementing a structured risk mapping and risk scoring activity, carried out through a risk self-assessment process that involved all department and business unit managers.
Edison's Risk Officer is responsible for coordinating the risk management process, supporting management in defining the overall strategy and risk policies; analyzing, identifying, assessing and managing risks; and defining and managing an appropriate control and reporting system.
Periodically, the Board of Statutory Auditors, working with managers of the relevant department, reviewed changes in the risk map based on ERM methods.

Edison adopted the organizational model required pursuant to Legislative Decree No. 231/2001 ("**231 Model**"). The Model is designed to prevent the perpetration of the unlawful acts referred to in the abovementioned Decree and, consequently, shield the Company from administrative liability. The 231 Model, of which the Code of Ethics is an integral part, was adopted following an analysis of the Company's operations to identify activities with a risk potential. It includes a series of general principles, rules of conduct, control tools, administrative procedures, training and information programs, and disciplinary systems that are designed to prevent, as much as possible, the occurrence of the abovementioned crimes. The Board of Directors also established an Oversight Board (**OB**), which is responsible for ensuring that the 231 Model is functioning effectively and is kept up to date, and is required to report to the Board of Directors and the Board of Statutory Auditors every six months. The members of the OB include an outside professional, who serves as Chairman, and two independent Directors. The Chairman of the Board of Statutory auditors attends the meetings of the OB (four in 2013).

The Company has been using for some time a procedure for the internal management and external communication of documents and information concerning its activities as an issuer of securities, with special emphasis on insider information. This procedure is an integral part of the 231 Model. This procedure was amended in 2010 to make it more consistent with regulatory changes introduced to reflect European Union rules governing market abuse and to address operational issues that developed in connection with the procedure's implementation.

In the area of internal dealing, in addition to the obligations that already exist pursuant to the regulations concerning market abuse, the Board of Directors, acting pursuant to law, introduced an obligation to refrain, during certain periods of the year, from executing transactions that involve the savings shares and financial instruments related to the savings shares, which is the only class of shares still listed on a regulated market.

In 2013, the Board of Director, based on the available information and evidence, gathered in part thanks to the preparatory work of Control and Risk Committee, carried out an overall assessment of the adequacy of the internal control and risk management system, concluding that it was adequate overall for the purpose of providing a reasonable certainty that the mapped risks are properly managed.

11. In addition, the Board of Statutory Auditors monitored the adequacy of the Company's administrative and accounting system and its reliability in presenting accurately the results from operations, through direct observations, by obtaining information from the managers of the relevant departments, reviewing Company documents and analyzing the information produced by the Independent Auditors.

Acting pursuant to law and based on the mandatory recommendation of the Board of Statutory Auditors, the Board of Directors appointed the Corporate Accounting Documents Officers, who were awarded jointly the attributions that the law requires and were provided with sufficient authority and resources to discharge their duties.

The Board of Directors approved an "Accounting Control Model Pursuant to Law No. 262/2005," the purpose of which is to establish the guidelines that must be applied within the Edison Group to satisfy the obligations set forth in Article 154-*bis* of Legislative Decree No. 58/1998 with regard to the preparation of corporate accounting documents and comply with the resulting certification requirements, and authorized the Chief Executive Officer, acting through the Corporate Accounting Documents Officers, to implement the abovementioned Model.

The preparation of accounting disclosures and of statutory and consolidated financial statements is governed by the Group Accounting Manual and by the other administrative and accounting procedures that are part of the Model adopted pursuant to Law No. 262/2005, including the fast closing procedure. The Model adopted pursuant to Law No. 262/2005 includes official procedures concerning the impairment test, performed in accordance with IAS 36. As in the past, the analysis of the recoverable values of goodwill and other assets was carried out with the support of a highly qualified independent expert and approved by the Board of Directors on February 12, 2014. A detailed description of the methods and assumptions applied is provided in Note 18 to the consolidated financial statements.

The impairment test procedure and its results were monitored on an ongoing basis by the Board of Statutory Auditors through meetings with Company managers and the Independent Auditors and through the attendance by the Chairman of the Board of Statutory Auditors at meetings held by the Control and Risk Committee to review the abovementioned results.

The Board of Statutory Auditors is cognizant of the attestations issued by the Chief Executive Officer and Corporate Accounting Documents Officers of Edison S.p.A. regarding the adequacy of the administrative and accounting system, in light of the Company's characteristics, and the effective implementation of the administrative and accounting procedures required for the preparation of the separate financial statements of Edison S.p.A. and the consolidated financial statements of the Edison Group.

Lastly, the Board of Statutory Auditors monitored the financial information reporting process, obtaining information from Company managers and by other means.

12. The Board of Statutory Auditors monitored the adequacy of the instructions provided by the Company to its subsidiaries pursuant to Article 114, Section 2, of Legislative Decree No. 58/98, making sure that the subsidiaries were providing the information needed to comply with statutory disclosure requirements, and has no objections.

13. No issues requiring disclosure in this Report were raised in the course of periodic meetings held by the Board of Statutory Auditors with the company retained to perform statutory, independent audits of the financial statements, pursuant to Article 150, Section 3, of Legislative decree No. 58/1998.

14. The Board of Statutory Auditors monitored the process adopted to ensure the concrete implementation of the corporate governance rules set forth in the edition currently in effect of the Corporate Governance Code published by Borsa Italiana (the "**Code**"), with the support of the Corporate Affairs Department. The Report on Corporate Governance and the Company's Ownership Structure lists the Code recommendations that the Board of Directors chose not to adopt and explains the reasons for these choices.

15. The Company's Board of Directors is comprised of 12 members, including three independent Directors and three women, while the Board in Office up to the Shareholders' Meeting of March 22, 2013 was comprised of 13 members, including three independent Directors and two women. In 2013, as in past years (except for 2012), the Board of Directors carried out a self-assessment of the size, composition and activities of the Board and its Committees. The results of this process were presented to the Board of Directors at a meeting held on February 12, 2014.
    With regard to the procedure followed by the Board of Directors to ascertain the independence of its members, the Board of Statutory Auditors reviewed the issues over which it has jurisdiction, concluding that the criteria and procedures to verify the independence requirements adopted by the Board of Directors were correctly applied and the requirements concerning the overall composition of the Board of Directors were complied with. On the occasion of the most recent verification of compliance with the independence requirements, performed on February 12, 2014, specifically regarding the uninterrupted service on the Board for more than nine of the past 12 years by the Director Gian Maria Gros-Pietro, the Board of Directors confirmed that the abovementioned Director met the independence requirement, considering substantive criteria and the ethical and professional qualities of the party in question. The abovementioned Director also serves in the capacity as Lead Independent Director and, as such, organized one meeting reserved exclusively for independent Directors in 2013.
    In addition, the Board of Statutory Auditors ascertained that its members met the same independence requirements as the Directors and adopted the Code's recommendation requiring its members to disclose any personal or third-party interest in specific transactions submitted to the Board of Directors for approval. In 2013, there were no instances in which the members of the Board of Statutory Auditors were required to make such a disclosure.
    The following committees were established within the framework of the Board of Directors:
    - The Control and Risk Committee, which is responsible for providing consulting support and making recommendations, reports to the Board of Directors at least once every six months about the work it performed and the adequacy of the internal control and risk management system. This

committee, which is comprised of four non-executive Directors, two independent, met five times in 2013. The committee that was in office until the Shareholders' Meeting of March 22, 2013 was comprised of three non-executive Directors, one independent. The requirement of the Corporate Governance Code that the Control and Risk Committee be comprised exclusively of independent Directors was not complied with for the reasons presented in the 2013 Report on Corporate Governance and the Company's Ownership Structure.

- The Compensation Committee, which is responsible for providing consulting support and making recommendations regarding the compensation policy for Directors and management and is comprised of four non-executive Directors, three independent, met three times in 2013.
- The Committee of Independent Directors, whose functions are governed by the abovementioned Related-party Procedure, is comprised of three independent Directors. This committee held four meetings in 2013 during which it reviewed five related-party transactions, including four Less Material Transactions and a Highly Material Transaction, with regard to which the Committee rendered its opinion, as the Board of Directors, in view of the transaction's material amount, requested that it be reviewed by the Committee of Independent Directors before being executed.

Additional information about the Company's corporate governance is provided in the Report on Corporate Governance and the Company's Ownership Structure, with regard to which the Board of Statutory Auditors has no objections requiring disclosure to the Shareholders' Meeting.

16. Lastly, the Board of Statutory Auditors verified directly compliance with the provisions of the statutes governing the preparation of the draft separate financial statements and consolidated financial statements at December 31, 2013, the respective accompanying Notes and the Report of the Board of Directors. It accomplished this task through direct observations and with the support of managers of Company departments and representatives of the Independent Auditors.
Specifically, the Board of Statutory Auditors attests that the separate and consolidated financial statements of Edison S.p.A. at December 31, 2013 were prepared in accordance with the International Financial Reporting Standards ("IFRS international accounting principles") issued by the International Accounting Standards Board, as published in the *Official Journal of the European Union* (*OJEU*).
The separate and consolidated financial statements are accompanied by the required conformity declarations signed by the Chief Executive Officer and the Corporate Accounting Documents Officers.

* * *

Based on the foregoing considerations, which provide an overview of its activities in 2013, the Board of Statutory Auditors has no remarks, as would be required pursuant to Article 153 of Legislative Decree No. 58/1998, with regard to issues under its jurisdiction concerning the separate and consolidated financial statements, the accompanying notes and the report on operations, and concurs with the motion submitted to the Shareholders' Meeting by the Board of Directors for the appropriation of the year's result.
The Shareholders' Meeting convened to approve the 2013 financial statements marks the end of the term of office of the Board of Statutory Auditors; consequently, the shareholders are being asked to take appropriate action with regard to this issue.

Milan, February 21, 2014

The Board of Statutory Auditors

Alfredo Fossati	Chairman
Leonello Schinasi	Statutory Auditor
Giuseppe Cagliero	Statutory Auditor

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