Edison Spa

Press Office
Foro Buonaparte, 31
20121 Milan – MI

Tel. +39 02 6222.7331
Fax. +39 02 6222.7379
ufficiostampa@edison.it

EDISON
Cambia l'energia.

Press Release

EDISON: Revenues up to 2,966 million euros (+8.2%) thanks to the sales increase in the electric power sector, EBITDA down (-43%) due to the lack of profitability of long-term gas procurement contracts

Investments of 104 million euros to grow in the renewable sources sector and strengthen E&P and storage activities

Milan, May 9, 2011 – Edison's Board of Directors met today to review the interim report on operations at March 31, 2011.

HIGHLIGHTS OF THE EDISON GROUP

in millions of euros	**Q1 2011**	**Q1 2010**	**Δ %**
Sales revenues	**2,966**	2,742	*8.2*
EBITDA	**183**	321	*(43.0)*
EBIT	**26**	149	*(82.6)*
Profit (Loss) before taxes	**(13)**	131	*(109.9)*
Group interest in net profit (loss)	**(20)**	67	-

HIGHLIGHTS OF THE ELECTRIC POWER AND HYDROCARBONS OPERATIONS

in millions of euros	**Q1 2011**	**Q1 2010**	**Δ %**
Electric Power Operations			
Sales revenues	**1,882**	1,746	*7.8*
Reported EBITDA	**147**	211	*(30.3)*
Adjusted EBITDA[a]	**180**	221	*(18.6)*
Hydrocarbons Operations			
Sales revenues	**1,511**	1,503	*0.5*
Reported EBITDA	**60**	135	*(55.6)*
Adjusted EBITDA[a]	***27***	*125*	*(78.4)*

[a] **Adjusted EBITDA** reflect the reclassification of the results of Brent crude and foreign exchange hedges executed in connection with contracts to import natural gas. Consistent with the policies to manage business risks, the purpose of these hedges is to mitigate the risk of fluctuations in the cost of natural gas earmarked for the production and sale of electric power and for direct gas sales. The gains or losses generated by these transactions, which for the reasons explained above are recognized by the Hydrocarbons Operations, were reclassified under the Electric Power Operations for the portion of gains or losses attributable to them (+33 million euros in 2011, +10 million euros in 2010). This reclassification is being made, in view of the impact of fluctuations in commodity prices and foreign exchange parities during the reporting period, to provide an operational presentation of the Group's industrial results

Operating Performance of the Group in the First Quarter of 2011

In the first quarter of 2011, **demand was up slightly for electric power** (+1.1% compared with the same period in 2010), but **reduced by 2.6% for natural gas,** as consumption by residential customers decreased due to an unusually mild winter. Overall, demand for electric power and natural gas was still well below pre-crisis level, showing that the period of unsettled market conditions that began in 2008, is still lasting.

The negative effects of weaker demand were magnified by a **strong increase in Brent prices** (+36% to USD 105.20 per barrel), which caused a significant growth in the costs of natural gas purchased under long-term procurement contracts.

In the **electric power sector,** the trend registered in fuel procurement transactions contributed to an **increase in the time-weighted average of the PUN (single national price)**, which grew to 66.50 euros/MWh, or 5.6% more than in the first three months of 2010. However, it is important to keep in mind that the differential between peak-hour prices (down 1% to 76.7 euros/MWh) and "empty-hour" prices (up 9% to 61.6 euros/MWh) narrowed considerably during the first quarter.

In this scenario, Edison ended the first quarter of 2011 with revenues up 8.2% to 2,966 million euros, thanks to a strong performance by the Electric Power Operations (+7.8% compared with the first quarter of 2010) and a positive contribution by the Hydrocarbons Operations (+0.5% compared with the same period last year).

The **growth in sales reported by the Electric Power Operations** was driven by an increase in average sales prices, for the reasons explained above, and by an upturn in volumes sold in the deregulated market (+7.7%), particularly to wholesaler customers (+74%). The revenues reported by the **hydrocarbons Operations** benefited from the positive results generated by upstream activities in Egypt and from the trend of Brent prices, which offset the impact of a reduction in national demand for natural gas.

EBITDA totaled 183 million euros, or 43% less than the 321 million euros earned in the first quarter of 2010. The main reason for this decrease in profitability is a reduction in the adjusted EBITDA of the Hydrocarbons Operations (-78.4% to 27 million euro from 125 million euros in the first quarter of 2010). This decline in margins is entirely due to the natural gas trading activity, which has been negative over the past quarter because of the deterioration of margins on gas purchased under long-term procurement contracts. The gas sales margins have remained negative because of the oversupply in the Italian market as well as in the European one, which produced an high level of competition on the sales side, and also because of the demand weakness and the widening of the gap between spot prices and those under long term procurement contracts.The impact of lower margins was offset only in part by the positive effect of the renegotiation of long-term contracts to purchase natural gas in Norway, by a good performance by the hydrocarbon exploration and production activities at the Egyptian concessions and finally by a positive contribution by the natural gas storage and distribution activities.

The drop in the adjusted EBITDA of the **Electric Power Operations** was lower (-18.6% to 180 million euro from 221 million euros in the first quarter of 2010). Good results in the hydroelectric sector, the growing contribution provided by the international activities, (following the commissioning of the Thisvi thermoelectric power plant in Greece), and by the renewable resource activities (which now include the San Francesco wind farm in the Calabria Region), offset in part the absence of CIP 6/92 subsidies, due to the early termination, at the end of 2010, of the CIP 6/92 contracts for the Jesi, Milazzo, Porcari and Porto Viro power plants and the expiration of the incentivized period for the Bussi and San Quirico power plants.

EBIT totaled 26 million euros, down from 149 million euros in 2010 (-82.6%) as consequence of the reduction in margins explained above and a lower amortization (15 million euro), resulting from the early termination of CIP 6/92 contracts and the writedowns recognized in 2010. The **result before taxes** was a loss of 13 million euros, as against a profit of 131 million euros in 2010, that reflects the combined impact of a reduction in EBIT and an increase in net financial expense (42 million euros in the first three months of 2011 compared with 25 million euros in the same period last year), caused mainly by net currency translation losses incurred in connection with gas purchases on long term contracts.

The Group reported a **net loss** of 20 million euros (net profit 67 million euros in the first quarter in 2010). Factors with an impact on the bottom line, in addition to the reduction in industrial margins discussed above, include a lower depreciation, and the increase in net financial expense (17 million euro) commented above, coupled with a lower tax rate (8 million euro in first quarter 2011 from 63 million euro in the same period of 2010) due to a decrease in results.

At March 31,2011, **net financial debt** totaled 4.054 million euros compared with 3.708 million euros at December 31, 2010. The **debt/equity ratio** is 0.5 (0.46 at December 31, 2010).

In the first quarter of 2011, the Group's **investments totaled 104 million euros.** They were used primarily to strengthen the **E&P** activities focusing on the Abu Qir fields and to increase the **storage** capacity (for a total amount of 62 million euros), as well as to expand generating capacity from **renewable sources** (22 million euros), by upgrading the S. Giorgio (Bn) wind farm and expanding the Foiano (Bn) wind farm, by developing photovoltaic power plants in Oviglio (AL) and Cascine Bianche (AL) with a total capacity of about 4 MW and also by renewing some other hydroelectric plants.

<u>Outlook for 2011</u>

As announced to the market on March 14, 2011, **EBITDA projected for 2011 is about 900 million euro.** The reduction of profitability will remain until negotiations and arbitration proceedings for the long-term gas contracts reach a positive conclusion. The Company's objective is to secure in the current and in the next few years both reasonable margins on its gas contracts and lump-sum compensation payments for the previous years.

<u>Key Events of the First Quarter of 2011</u>

January 19, 2011 – Edison is awarded three new hydrocarbon exploration licenses in Norway

February 11, 2011 – Edison successfully completes price renegotiations with ENI for the long-term contract to supply natural gas from Norway, obtaining significant cost savings compared with the price previously in effect.

Indipendence Requirements

The Board of Directors on the basis of the declarations released by the Directors Mario Cocchi, Gregorio Gitti and Gian Maria Gros-Pietro ascertained that those Directors have the requirements of independence as required by art. 148, comma 3 of D.Lgs. 58/1998 as well as by the Italian Stock Exchange corporate governance code.

The Board of Directors, with reference to the independence requirement set by law and Edison's Corporate Governance Code, also ascertained the absence of commercial, financial or professional relationships existing or existed during the last financial year, directly or indirectly among those Directors and the Company, and also the non-existence of additional salary on top of the fixed remuneration during the last three financial years for the above mentioned Directors.

Conference Cal

The results presented in the interim report on operations at March 31, 2011 will be reviewed today at 06:30 PM (05:30 PM GMT) during a conference call. Journalists may follow the presentation by telephone, in listen-only mode, by dialing +39 02,80,58,827, **The presentation will also be available on the Company website: www.edison.it.**

Pertinent Documents

The interim report on operations at March 31, 2011 of the Edison Group, approved today by the Board of Directors of Edison Spa, will be available to the public **on May 11, 2011** at the Company's head office and on the websites of Borsa Italiana Spa (www.borsaitaliana.it) and Edison Spa (www.edison.it).

***

Edison's External Relations Department

Andrea Prandi
External Relations Director
T 02 6222 7331

Stefano Amoroso
Head of Media Relations
T 02 6222 7276

Elena Distaso
T 02 6222 8522

Florian Ciornei
T 02 6222 8124

Lucia Caltagirone
T 02 6222 8283

Investor Relations Edison: T 02 62228415; E investor.relations@edison.it
Edison news in real time on www.edison.it and twitter.com/EdisonNews

As required by Article 154-bis, Section 2, of the Uniform Financial Code (Legislative Decree No. 58/1998), Marco Andreasi, in his capacity as "Dirigente Preposto alla redazione dei documenti contabili societari di Edison S.p.A.", attests that the accounting information contained in this press release is consistent with the data in the Company's documents, books of accounts and other accounting records.

This press release and, specifically, the section entitled "Outlook for the Balance of 2011" contains forward looking statements. These statements are based on the Group's current projections and expectations with regard to future events, which, by their very nature, are subject to an intrinsic component of risk and uncertainty. Actual results could be materially different from those contained in the abovementioned statements due to a number of factors, including continued volatility and a further deterioration of the capital and financial markets, fluctuations in raw material prices, changes in macroeconomic conditions and economic growth rates and other changes in business conditions, changes *in the statutory and regulatory framework and institutional scenario (both in Italy and abroad), and many other factors, most of which are beyond the Group’s control.*

The Group’s income statement (including the Other Components of the Comprehensive Income Statement), balance sheet, cash flow statement and statement of changes in consolidated shareholders’ equity are annexed to this press release.

Please note that the Interim Report on Operations at March 31, 2011 was not audited.

Public disclosure required by Consob Resolution No. 11971 of May 14, 1999, as amended.

CONSOLIDATED INCOME STATEMENT
(in millions of euros)

2010 full year		**1st quarter 2011**	1st quarter 2010
10.446	Sales revenues	2.966	2.742
638	Other revenues and income	142	133
11.084	**Total net revenues**	**3.108**	**2.875**
(9.462)	Raw materials and services used (-)	(2.858)	(2.493)
(253)	Labor costs (-)	(67)	(61)
1.369	**EBITDA**	**183**	**321**
(1.096)	Depreciation, amortization and writedowns (-)	(157)	(172)
273	**EBIT**	**26**	**149**
(144)	Net financial income (expense)	(42)	(25)
(1)	Income from (Expense on) equity investments	4	(1)
44	Other income (expense), net	(1)	8
172	**Profit (Loss) before taxes**	**(13)**	**131**
(83)	Income taxes	(8)	(63)
89	**Profit (Loss) from continuing operations**	**(21)**	**68**
(40)	Profit (Loss) from discontinued operations	-	-
49	**Profit (Loss)**	**(21)**	**68**
	Broken down as follows:		
28	Minority interest in profit (loss)	(1)	1
21	**Group interest in profit (loss)**	**(20)**	**67**
	Earnings (Loss) per share (in euros)		
0,0034	Basic earnings (loss) per common share	(0,0041)	0,0121
0,0334	Basic earnings per savings share	0,0125	0,0421
0,0034	Diluted earnings (loss) per common share	(0,0041)	0,0121
0,0334	Diluted earnings per savings share	0,0125	0,0421

OTHER COMPONENTS OF THE COMPREHENSIVE INCOME STATEMENT
(in millions of euros)

2010 full year		**1st quarter 2011**	1st quarter 2010
49	**Profit (Loss)**	**(21)**	**68**
	Other components of comprehensive income:		
58	**A) Change in the Cash Flow Hedge reserve**	**17**	**24**
93	- Gains (Losses) arising during the year	27	39
(35)	- Income taxes (-)	(10)	(15)
(2)	**B) Change in reserve for available-for-sale investments**	**2**	**1**
(2)	- Gains (Losses) arising during the year	2	1
-	- Income taxes (-)	-	-
3	**C) Differences on the translation of assets in foreign currencies**	**-**	**1**
-	**D) Pro rata interest in other components of comprehensive income of investee companies**	**-**	**-**
59	**Total other components of comprehensive income net of taxes (A+B+C+D)**	**19**	**26**
108	**Total comprehensive profit (loss)**	**(2)**	**94**
	Broken down as follows:		
28	Minority interest in comprehensive profit (loss)	(1)	1
80	**Group interest in comprehensive profit (loss)**	**(1)**	**93**

CONSOLIDATED BALANCE SHEET
(in millions of euros)

03.31.2010		03.31.2011	12.31.2010
	ASSETS		
7.455	Property, plant and equipment	6.976	7.002
12	Investment property	11	11
3.538	Goodwill	3.534	3.534
1.245	Hydrocarbon concessions	969	985
121	Other intangible assets	124	109
46	Investments in associates	48	48
303	Available-for-sale investments	286	293
106	Other financial assets	88	91
106	Deferred-tax assets	193	182
20	Other assets	172	112
12.952	**Total non-current assets**	**12.401**	**12.367**
193	Inventories	227	331
2.263	Trade receivables	2.947	2.375
26	Current-tax assets	31	35
635	Other receivables	775	655
50	Current financial assets	60	69
797	Cash and cash equivalents	248	472
3.964	**Total current assets**	**4.288**	**3.937**
-	**Assets held for sale**	**197**	**209**
16.916	**Total assets**	**16.886**	**16.513**
	LIABILITIES AND SHAREHOLDERS' EQUITY		
5.292	Share capital	5.292	5.292
2.540	Reserves and retained earnings (loss carryforward)	2.563	2.548
45	Reserve for other components of comprehensive income	97	78
67	Group interest in profit (loss)	(20)	21
7.944	**Total shareholders' equity attributable to Parent Company shareholders**	**7.932**	**7.939**
172	Shareholders' equity attributable to minority shareholders	166	198
8.116	**Total shareholders' equity**	**8.098**	**8.137**
63	Provision for employee severance indemnities and provisions for pensions	61	62
592	Provision for deferred taxes	499	504
813	Provisions for risks and charges	855	823
1.696	Bonds	1.792	1.791
1.611	Long-term financial debt and other financial liabilities	932	942
30	Other liabilities	34	34
4.805	**Total non-current liabilities**	**4.173**	**4.156**
748	Bonds	499	528
843	Short-term financial debt	1.221	1.073
1.680	Trade payables	2.223	2.153
58	Current taxes payable	96	82
666	Other liabilities	573	380
3.995	**Total current liabilities**	**4.612**	**4.216**
-	**Liabilities held for sale**	**3**	**4**
16.916	**Total liabilities and shareholders' equity**	**16.886**	**16.513**

CASH FLOW STATEMENT

2010 full year		(in millions of euros)	1st quarter 2011	1st quarter 2010
61		Group interest in profit (loss) from continuing operations	(20)	67
(40)		Group interest in profit (loss) from discontinued operations	-	-
28		Minority interest in profit (loss) from continuing operations	(1)	1
49		**Profit (Loss)**	**(21)**	**68**
1.096		Amortization, depreciation and writedowns	157	172
(1)		Interest in the result of companies valued by the equity method (-)	-	-
1		Dividends received from companies valued by the equity method	1	-
6		(Gains) Losses on the sale of non-current assets	(4)	1
(2)		Change in the provision for employee severance indemnities and provisions for pensions	(1)	(1)
148		Change in operating working capital	(398)	(75)
(315)		Change in other operating assets and liabilities	17	(120)
982	**A.**	**Cash flow from continuing operations**	**(249)**	**45**
(557)		Additions to intangibles and property, plant and equipment (-)	(104)	(161)
(7)		Additions to non-current financial assets (-)	-	(2)
(42)		Price paid on business combinations (-)	-	-
8		Proceeds from the sale of intangibles and property, plant and equipment	-	-
-		Proceeds from the sale of non-current financial assets	6	-
8		Repayment of capital contribution by non-current financial assets	8	-
(39)		Change in other current assets	9	(20)
(629)	**B.**	**Cash used in investing activities**	**(81)**	**(183)**
1.124		Receipt of new medium-term and long-term loans	-	527
(1.420)		Redemption of medium-term and long-term loans (-)	(8)	(304)
(84)		Change in short-term net financial debt	118	(40)
10		Capital contributions provided by controlling companies or minority shareholders	-	6
(259)		Dividends paid to controlling companies or minority shareholders (-)	(4)	(2)
(629)	**C.**	**Cash used in financing activities**	**106**	**187**
-	**D.**	**Liquid assets from changes in the scope of consolidation**	**-**	**-**
-	**E.**	**Net currency translation differences**	-	-
-	**F.**	**Net cash flow from operating assets of discontinued operations**	**-**	**-**
(276)	**G.**	**Net cash flow for the period (A+B+C+D+E+F)**	**(224)**	**49**
748	**H.**	**Cash and cash equivalents at the beginning of the year**	**472**	**748**
472	**I.**	**Cash and cash equivalents at the end of the period (G + H)**	**248**	**797**
472	**L.**	**Total cash and cash equivalents at end of the period (I)**	**248**	**797**
-	**M.**	**(-) Cash and cash equivalents of discontinued operations**	**-**	**-**
472	**N.**	**Cash and cash equivalents of continuing operations (L-M)**	**248**	**797**

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income				Group interest in Profit (Loss)	Total shareholders' equity attributable to Parent company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
			Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other com-ponents of comprehen-sive income of investee companies				
Balance at December 31, 2009	**5.292**	**2.526**	**17**	**(2)**	**4**	**-**	**240**	**8.077**	**177**	**8.254**
Appropriation of the previous year's profit	-	240	-	-	-	-	(240)	**-**	-	**-**
Dividends distributed	-	(228)	-	-	-	-	-	**(228)**	(15)	**(243)**
Share capital increase	-	-	-	-	-	-	-	**-**	10	**10**
Other changes	-	2	-	-	-	-	-	**2**	(1)	**1**
Total comprehensive profit (loss)	-	-	24	1	1	-	67	**93**	1	**94**
of which:										
- Change in comprehensive income for the period	-	-	24	1	1	-	-	**26**	-	**26**
- Profit for 1st quarter 2010	-	-	-	-	-	-	67	**67**	1	**68**
Balance at March 31, 2010	**5.292**	**2.540**	**41**	**(1)**	**5**	**-**	**67**	**7.944**	**172**	**8.116**
Dividends distributed	-	-	-	-	-	-	-	**-**	(1)	**(1)**
Other changes	-	8	-	-	-	-	-	**8**	-	**8**
Total comprehensive profit (loss)	-	-	34	(3)	2	-	(46)	**(13)**	27	**14**
of which:										
- Change in comprehensive income for the period	-	-	34	(3)	2	-	-	**33**	-	**33**
- Profit from 04.01.2010 to 12.31.2010	-	-	-	-	-	-	(46)	**(46)**	27	**(19)**
Balance at December 31, 2010	**5.292**	**2.548**	**75**	**(4)**	**7**	**-**	**21**	**7.939**	**198**	**8.137**
Appropriation of the previous year's profit	-	21	-	-	-	-	(21)	**-**	-	**-**
Dividends distributed	-	-	-	-	-	-	-	**-**	(31)	**(31)**
Other changes	-	(6)	-	-	-	-	-	**(6)**	-	**(6)**
Total comprehensive profit (loss)	-	-	17	2	-	-	(20)	**(1)**	(1)	**(2)**
- Change in comprehensive income for the period	-	-	17	2	-	-	-	**19**	-	**19**
- Loss for 1st quarter 2011	-	-	-	-	-	-	(20)	**(20)**	(1)	**(21)**
Balance at March 31, 2011	**5.292**	**2.563**	**92**	**(2)**	**7**	**-**	**(20)**	**7.932**	**166**	**8.098**