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EDISON
Cambia l'energia.

Press Release

EDISON: 2010 GROUP RESULTS AT BREAKEVEN DUE TO THE NATURAL GAS MARKET AND WRITEDOWNS

Revenues increase to 10,446 million euros (+18%), thanks to growth by the sales activities, and EBITDA amount to 1,369 million euros (-6.9%), reflecting the impact of non-existent margins on natural gas imports and sales.

Group net profit totals 21 million euros (240 million euros in 2009), after conservative asset writedowns and provisions of more than 400 million euros.

No dividend distribution, due to the loss reported by Edison Spa (-86 million euros).

Milan, March 21, 2011 – Edison's Board of Directors met today to review the Annual Financial Statements at December 31, 2010.

HIGHLIGHTS OF THE EDISON GROUP

in millions of euros	**2010**	**2009**	**Δ %**
Sales revenues	**10,446**	8,867	*17.8*
EBITDA	**1,369**	1,471	*(6.9)*
EBIT	**273**	699	*(60.9)*
Profit before taxes	**172**	529	*(67.5)*
Group interest in net profit	**21**	240	*(91.2)*

HIGHLIGHTS OF THE ELECTRIC POWER AND HYDROCARBONS OPERATIONS

in millions of euros	**2010**	**2009**	**Δ %**
Electric Power Operations			
Sales revenues	**7,289**	6,463	*12.8*
Reported EBITDA	**1,055**	1,227	*(14.0)*
Adjusted EBITDA[a]	***1,130***	*1,086*	*4.1*
Hydrocarbons Operations			
Sales revenues	**5,040**	4,158	*21.2*
Reported EBITDA	**413**	347	*19.0*
Adjusted EBITDA[a]	***338***	*488*	*(30.7)*

[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 (+75 million euros in 2010, -141 million euros in 2009).

Operating Performance of the Group

In 2010, **demand grew both for electric power and natural gas, rising by 1.8% and 6.6%, respectively, but was still below the pre-crisis levels of 2008 (-3.9% for electric power and -2% for natural gas).** Current forecasts call for the demand for energy to return to pre-crisis levels only over the medium term and project a continuation of the current phase of uncertainty for the next few years.

In the **electric power sector,** the negative effects of weaker demand were also magnified by new generating capacity entering the market. **The commissioning of new combined-cycle and coal-fired power plants,** product of investment decisions developed in a reference scenario structurally different from the one that exists today, **created strong competitive pressure on sales prices of electric power, squeezing available profit margins.**

The natural gas market is going through an even more delicate and unpredictable phase, with all the characteristics of an actual "bubble," affecting not just Italy, but Europe as a whole. The impact of a slump in demand was exacerbated, on the one hand, by **an increase, in the last five years, of about 25% in overall import capacity both in Europe and Italy** and, on the other hand, by the availability of considerable quantities of spot gas (mainly LNG) at the main European hubs. **Increased production of non-conventional gas in the United States** effectively made the U.S. economy independent, causing huge quantities of liquefied natural gas (LNG) to flood the international markets.

The arrival of this supply of spot gas at Europe's hubs caused a growing and radical **misalignment between spot gas prices and the cost of gas under traditional long-term natural procurement contracts,** which are indexed to the price of Brent crude. The effect on sales in the residential and industrial market was a drastic reduction in prices, which drifted lower to the level of the abovementioned spot prices. As a result, distribution margins suffered from a strong decrease for all the operators with long-term procurement contracts.

In order to restore its profitability, Edison has begun contract renegotiations with its suppliers or filed for arbitration and is continuing this process with the aim of enforcing the right to obtain margins that are fair in light of the take-of-pay commitments it has undertaken. Edison intends to assert its rights **without the immediate need to secure short-term fixes that could prove to be detrimental over the medium term.**

In this highly complex environment, **Edison** achieved positive and improving results in all of its businesses, with the exception of natural gas imports and sales. Noteworthy developments included:

- a **positive sales performance,** with higher sales volumes both for the electric power operations (+17%) and the hydrocarbons operations (+20%);

- the full operational availability of the **Rovigo regasification terminal,** which enabled the Group to **optimize the average cost of purchased gas;**

- in the hydrocarbons area, a positive performance by the **exploration and production activities** both in Italy and internationally;

- **maximization of the economic return (173 million euros) from the voluntary, early termination of the CIP 6/92 contracts** for the Jesi, Milazzo, Porto Viro and Porcari power plants, which more than offset the reduction in profitability caused by the scheduled expiration of some contracts;

- **expansion of generating capacity from renewable-source facilities,** which has grown to account for 15.5% of Edison's total electric power generating capacity.

These positive developments could mitigate only in part the impact of margins that contracted to zero, actually turning negative in the last quarter of the year, on imports and sales of natural gas.

Edison ended **2010** with a **17.8%** increase in **sales revenues,** which grew to **10,446 million euros, thanks to positive performances both by the electric power operations (+12.8%) and the hydrocarbons operations (+21.2%).** The rise in sales of electric power was driven mainly by volumes sold to end customers (+9.2%) and wholesalers (+74.5%). In the hydrocarbons area, where volumes were up 19.9%, most of the increase came from thermoelectric users (+26.3%) and industrial users (+6%).

EBITDA totaled 1,369 million euros, down 6.9% compared with 1,471 million euros earned in 2009. This decrease in profitability reflects a **reduction in the adjusted EBITDA of the hydrocarbons operations** (338 million euros, or 30.7% less than in 2009) caused by the **impossibility to earn a profit margin on the importation and sales of natural gas,** as explained above. This decrease could be offset only in part by the **positive performance of the exploration and production of hydrocarbons activities** (+7.2% gas volumes and +31.2% oil volumes compared with 2009), which benefitted from the growing contribution provided by the Abu Qir and Rosetta concessions, outside Italy, and the resumption of production from the Vega platform in Sicily. On the other hand, the **adjusted EBITDA of the electric power operations increased by 4.1% to 1,130 million euros,** due mainly to steady results from the merchant business, in which the impact of lower margins was compensated by unit sales gains and portfolio optimization, and the nonrecurring benefit (173 million euros) provided by the early termination of CIP 6/92 contracts for some of the Group's thermoelectric facilities, which more than offset a reduction in profitability caused by the scheduled expiration of some other CIP 6/92 contracts.

EBIT amounted to 273 million euros compared with 699 million euros in 2009 (-60.9%). This decrease reflects the combined impact of the reduction in EBITDA commented above and more than 400 million euros in writedowns (56 million euros in 2009). These writedowns include, inter alia, 213 million euros for the Egyptian assets, which reflect both a reduction of the Abu Qir concession's estimated reserves (72 million euros) and an assessment of the specific risk (130 million euros) related to the special situation in this North African country. As for electric power assets, writedowns of about 140 million euros reflect a reduction in the expected profitability of some thermoelectric power plants that, following the early termination of their CIP 6/92 contracts, will be dispatched in the free market. Lastly, a thermoelectric power plant slated for divestment was written down by 40 million euros. This charge is reflected in the net loss from discontinued operations.

Profit before taxes amounted to 172 million euros, down from 529 million euros in 2009, reflecting the impact of the decrease in EBIT commented above, offset in part by a 12-million-euro reduction in financial expense (144 million euros compared with 156 million euros in 2009), due mainly to gains on transactions hedging euro/dollar exchange differentials and a lower cost of money, and other net income of 44 million euros from the settlement of litigation and the reversal of some existing provisions for risks and charges upon the cancellation of the corresponding guarantees.

The Group's **interest in net profit** was just above breakeven, totaling 21 million euros, down from 240 million euros in 2009.

At December 31, 2010, **net financial debt** amounted to 3,708 million euros, down from 3,858 million euros owed at December 31, 2009, for a **debt/equity ratio of 0.46 (0.47 at December 31, 2009)**, which is still one of the best in the industry.

As for debt due within 18 months, variable-rate bonds with a total face value of 500 million euros issued in 2004 will mature on July 19, 2011.

Outlook for 2011

As announced to the market on March 14, 2011, **EBITDA for 2011 could be exposed to a negative impact, currently estimated at about 200 million euros, which would reduce projected EBITDA to about 900 million euros.** This projection takes into account the expected length of the arbitration proceedings for long-term gas contracts, which, in some cases, could plausibly extend beyond the end of 2011, and the possibility that out-of-court settlements could be reached for other contracts. The Company's objective will continue to be to secure in the next few years both reasonable margins on its gas contracts and lump-sum compensation payments for the previous years, thereby making up the negative impact mentioned above.

Results of the Group's Parent Company

Edison Spa, the Group's Parent Company, ended 2010 with a net loss of 86 million euros (net profit of 423 million euros in 2010), due mainly to a 279-million-euro reduction in EBITDA (368 million euros in 2010, compared with 647 million euros in 2009) and writedowns of investments in industrial subsidiaries totaling 360 million euros (21 million euros in 2009).

Appropriation of the Year's Result

The Board of Directors will recommend that the Shareholders' Meeting replenish the loss of 86 million euros incurred by Edison Spa by using in full its additional paid-in capital of 1.3 million euros and a portion of the retained earnings for the balance.

Notice of Shareholders' Meeting

The Board of Directors amended the Agenda of the Shareholders' Meeting, convened for April 26, 2011 on the first calling and April 27 on the second calling, to include the approval of the 2010 annual financial statements and the motion to replenish the loss for the year.

Key Events of 2010

March 4, 2010 – Edison, BEH (Bulgarian Energy Holding) and DEPA (Greece's national gas company) finalize an agreement to establish an asset company that will build the new IGB (Interconnector Greece–Bulgaria) gas pipeline. The IGB pipeline will have a length of about 160 km, running between Komotini (Greece) and Stara Zagora (Bulgaria). With an annual capacity of 3 to 5 billion cubic meters of natural gas, it will provide Bulgaria with access to new supply sources by way of Greece.

March 10, 2010 – Edison completes the placement of a five-year bond issue, listed on the Luxembourg Exchange, for a total amount of 500 million euros, sold exclusively to qualified investors. The bonds, which were offered at a 99.70 issue price, mature on March 17, 2015 and carry a gross annual coupon of 3.25%. The bonds were issued within the framework of a 2-billion-euro Euro Medium-Term Note Program approved by the Board of Directors on June 25, 2009.

June 25, 2010 – Edison officially resumes production from the Vega oil field (60% Edison, as operator, and 40% Eni) after an interruption of almost two years, required to replace the oil storage system. From 1987 to present, the field has produced 55.5 million barrels of oil and its remaining reserves are estimated at 12 million barrels of oil.

July 20, 2010 – Edison, acting through its Edison Energie Speciali subsidiary, completes the purchase from Gamesa Energia of 100% of Parco Eolico San Francesco, which operates a wind farm in the municipality of Melissa (KR) with an installed capacity of 26 MW and annual production of about 46 Gigawatt Hours.

September 17, 2010 – A consortium comprised of Edison (20%), RWE (40%), Maersk Oil Norway (20%) and the Norwegian Energy Company (20%) discovers a new gas field in the Sea of Norway, with recoverable gas estimates ranging between 5 and 18 billion standard cubic meters.

September 24, 2010 – Edison's Board of Directors agrees to increase from 2 to 3 billion euros the maximum amount of bonds that may be issued under the Euro Medium-term Note Program approved by the Board at a meeting held on June 25, 2009. The Board of Directors also approves the placement of up to 1 billion euros in new bonds, issued as part of the abovementioned program.

October 14, 2010 – Moody's Investor Service downgrades Edison's long-term rating from Baa2, Negative Outlook, to Baa3, Stable Outlook.

November 2, 2010 – Standard & Poor's downgrades Edison's long-term rating from BBB+ to BBB, Stable Outlook, and confirms the A-2 short-term rating.

November 3, 2010 – With demand more than double the bonds on offer (about 1.3 billion euros), Edison completes the placement of 600 million euros in bonds issued within the framework of a 3-billion-euro Euro Medium Term Note Program, as updated in October 1, 2010.

November 18, 2010 – Just two years after it first entered the residential market, Edison announces that it achieved the milestone of one million retail customers. Every day, since October 2008, over 2,000 households choose Edison as their electric power and natural gas supplier.

Conference Call

The results presented in the 2010 Annual Report will be reviewed today at 3:30 PM (2:30 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 Annual Report at December 31, 2010, together with the reports of the Independent Auditors and the Board of Statutory Auditors, will be available to the public on or before April 4, 2011 at the Company's head office and on the websites of Borsa Italiana Spa (www.borsaitaliana.it) and Edison Spa (www.edison.it).

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*As required by Article 154-*bis*, Section 2, of the Uniform Finance Code (Legislative Decree No. 58/1998), Marco Andreasi, in his capacity as "Dirigente Preposto alla redazione dei documenti contabili societari" of 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. The 2010 financial statements were audited by the independent auditors, who are also reviewing the Report on Operations and the Report on Corporate Government. This engagement is currently in the completion phase.*

This press release and, specifically, the section entitled "Outlook for the Balance of 2011" contain 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 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 balance sheet and income statement, showing the other components of the comprehensive income statement, together with the cash flow statement and the statement of changes in consolidated shareholders' equity are annexed to this press release.

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

CONSOLIDATED INCOME STATEMENT
(in millions of euros)

	2010	2009 (*)
Sales revenues	10.446	8.867
Other revenues and income	638	517
Total net revenues	**11.084**	**9.384**
Raw materials and services used (-)	(9.462)	(7.673)
Labor costs (-)	(253)	(240)
EBITDA	**1.369**	**1.471**
Depreciation, amortization and writedowns (-)	(1.096)	(772)
EBIT	**273**	**699**
Net financial income (expense)	(144)	(156)
Income from (Expense on) equity investments	(1)	(3)
Other income (expense), net	44	(11)
Profit before taxes	**172**	**529**
Income taxes	(83)	(278)
Profit (Loss) from continuing operations	**89**	**251**
Profit (Loss) from discontinued operations	(40)	-
Profit (Loss)	**49**	**251**
Broken down as follows:		
Minority interest in profit (loss)	28	11
Group interest in profit (loss)	**21**	**240**
Earnings per share (in euros)		
Basic earnings per common share	0,0034	0,0448
Basic earnings per savings share	0,0334	0,0748
Diluted earnings per common share	0,0034	0,0448
Diluted earnings per savings share	0,0334	0,0748

(*) The data are being re-presented merely for comparative purposes to reflect the adoption of IFRIC 12.

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

	2010	2009
Profit (Loss)	**49**	**251**
Other components of comprehensive income:		
A) Change in the Cash Flow Hedge reserve	**58**	**188**
- Gains (Losses) arising during the year	93	306
- Reclassification of gains (losses) recognized in the initial carrying amount of hedged items (basic adjustment)	-	(8)
- Income taxes (-)	(35)	(110)
B) Change in reserve for available-for-sale investments	**(2)**	**2**
- Gains (Losses) arising during the year	(2)	2
- Income taxes (-)	-	-
C) Differences on the translation of assets in foreign currencies	**3**	**7**
D) Pro rata interest in other components of comprehensive income of investee companies	**-**	**-**
Total other components of comprehensive income net of taxes (A+B+C+D)	**59**	**197**
Total comprehensive profit (loss)	**108**	**448**
Broken down as follows:		
Minority interest in comprehensive profit (loss)	28	11
Group interest in comprehensive profit (loss)	**80**	**437**

CONSOLIDATED BALANCE SHEET

(in millions of euros)

	12.31.2010	12.31.2009 (*)
ASSETS		
Property, plant and equipment	7.002	7.445
Investment property	11	12
Goodwill	3.534	3.538
Hydrocarbon concessions	985	1.259
Other intangible assets	109	108
Investments in associates	48	43
Available-for-sale investments	293	304
Other financial assets	91	98
Deferred-tax assets	182	103
Other assets	112	21
Total non-current assets	**12.367**	**12.931**
Inventories	331	308
Trade receivables	2.375	1.862
Current-tax assets	35	33
Other receivables	655	545
Current financial assets	69	30
Cash and cash equivalents	472	748
Total current assets	**3.937**	**3.526**
Assets held for sale	**209**	**-**
Total assets	**16.513**	**16.457**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	5.292	5.292
Reserves and retained earnings (loss carryforward)	2.548	2.526
Reserve for other components of comprehensive income	78	19
Group interest in profit (loss)	21	240
Total shareholders' equity attributable to Parent Company shareholders	**7.939**	**8.077**
Shareholders' equity attributable to minority shareholders	198	177
Total shareholders' equity	**8.137**	**8.254**
Provision for employee severance indemnities and provisions for pensions	62	64
Provision for deferred taxes	504	584
Provisions for risks and charges	823	837
Bonds	1.791	1.199
Long-term financial debt and other financial liabilities	942	2.184
Other liabilities	34	30
Total non-current liabilities	**4.156**	**4.898**
Bonds	528	721
Short-term financial debt	1.073	611
Trade payables	2.153	1.469
Current taxes payable	82	38
Other liabilities	380	466
Total current liabilities	**4.216**	**3.305**
Liabilities held for sale	**4**	**-**
Total liabilities and shareholders' equity	**16.513**	**16.457**

(*) The data for "Property, plant and equipment" and "Other intangible assets" are being re-presented merely for comparative purposes to reflect the adoption of IFRIC 12.

CASH FLOW STATEMENT

(in millions of euros)	2010	2009
Group interest in profit (loss) from continuing operations	61	240
Group interest in profit (loss) from discontinued operations	(40)	-
Minority interest in profit (loss) from continuing operations	28	11
Profit (Loss)	**49**	**251**
Amortization, depreciation and writedowns	1.096	772
Interest in the result of companies valued by the equity method (-)	(1)	5
Dividends received from companies valued by the equity method	1	1
(Gains) Losses on the sale of non-current assets	6	(9)
Change in the provision for employee severance indemnities and provisions for pensions	(2)	(1)
Change in operating working capital	148	274
Change in other operating assets and liabilities	(315)	(132)
A. Cash flow from continuing operations	**982**	**1.161**
Additions to intangibles and property, plant and equipment (-)	(557)	(1.745)
Additions to non-current financial assets (-)	(7)	(56)
Price paid on business combinations (-)	(42)	(80)
Proceeds from the sale of intangibles and property, plant and equipment	8	43
Proceeds from the sale of non-current financial assets	-	15
Repayment of capital contribution by non-current financial assets	8	-
Change in other current assets	(39)	(4)
B. Cash used in investing activities	**(629)**	**(1.827)**
Receipt of new medium-term and long-term loans	1.124	2.074
Redemption of medium-term and long-term loans (-)	(1.420)	(540)
Change in short-term net financial debt	(84)	(26)
Capital contributions provided by controlling companies or minority shareholders	10	-
Dividends paid to controlling companies or minority shareholders (-)	(259)	(278)
C. Cash used in financing activities	**(629)**	**1.230**
D. Liquid assets from changes in the scope of consolidation	**-**	**(4)**
E. Net currency translation differences	-	-
F. Net cash flow from operating assets of discontinued operations	**-**	**-**
G. Net cash flow for the year (A+B+C+D+E+F)	**(276)**	**560**
H. Cash and cash equivalents at the beginning of the year	**748**	**188**
I. Cash and cash equivalents at the end of the year (G + H)	**472**	**748**
L. Total cash and cash equivalents at end of the year (I)	**472**	**748**
M. (-) Cash and cash equivalents of discontinued operations	**-**	**-**
N. Cash and cash equivalents of continuing operations (L-M)	**472**	**748**

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 inProfit (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, 2008	**5.292**	**2.449**	**(171)**	**(4)**	**(3)**	**-**	**346**	**7.909**	**164**	**8.073**
Appropriation of the previous year's profit	-	346	-	-	-	-	(346)	***-***	-	***-***
Dividends distributed	-	(268)	-	-	-	-	-	***(268)***	(12)	***(280)***
Change in the scope of consolidation	-	(2)	-	-	-	-	-	***(2)***	15	***13***
Other changes	-	1	-	-	-	-	-	***1***	(1)	***-***
Total comprehensive profit (loss)	-	-	188	2	7	-	240	**437**	11	**448**
of which:										
- Change in comprehensive income for the year	-	-	188	2	7	-	-	***197***	-	***197***
- Profit for 2009	-	-	-	-	-	-	240	***240***	11	***251***
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)***	(16)	***(244)***
Share capital increase	-	-	-	-	-	-	-	***-***	10	***10***
Other changes	-	10	-	-	-	-	-	***10***	(1)	***9***
Total comprehensive profit (loss)	-	-	58	(2)	3	-	21	**80**	28	**108**
of which:										
- Change in comprehensive income for the year	-	-	58	(2)	3	-	-	***59***	-	***59***
- Profit for 2010	-	-	-	-	-	-	21	***21***	28	***49***
Balance at December 31, 2010	**5.292**	**2.548**	**75**	**(4)**	**7**	**-**	**21**	**7.939**	**198**	**8.137**