2010 ANNUAL REPORT

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EDISON

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EDISON Spa
Income Statement at December 31, 2010

(in euros)	See Note	2010	2010 amount with related parties	2009	2009 amount with related parties
Sales revenues	1	5,590,781,569	2,221,714,059	5,007,395,305	2,337,041,233
Other revenues and income	2	367,820,638	37,303,431	238,347,969	27,222,976
Total revenues		**5,958,602,207**	**2,259,017,490**	**5,245,743,274**	**2,364,264,209**
Raw materials and services used (-)	3	(5,451,392,518)	(212,871,334)	(4,462,674,358)	(107,409,325)
Labor costs (-)	4	(139,683,328)		(136,557,212)	
EBITDA	5	**367,526,361**		**646,511,704**	
Depreciation, amortization and writedowns (-)	6	(403,854,683)		(368,327,088)	
EBIT		**(36,328,322)**		**278,184,616**	
Net financial income (expense)	7	(37,699,247)	71,628,299	(49,166,484)	72,009,132
Income from (expense on) equity investments	8	(33,815,022)	(32,693,242)	309,760,739	323,482,105
Other income (expense), net	9	43,825,689	-	(9,286,450)	4,000,000
Profit before taxes		**(64,016,902)**		**529,492,421**	
Income taxes	10	18,007,978		(106,234,886)	
Profit (Loss) from continuing operations		**(46,008,924)**		**423,257,535**	
Profit (Loss) from discontinued operations	11	(40,000,000)		-	
Profit (Loss) for the year		**(86,008,924)**		**423,257,535**	

Other Components of the Comprehensive Income Statement

(in euros)	See Note	2010	2009
Net profit for the year		**(86,008,924)**	**423,257,535**
Other components of comprehensive income:			
- Change in the cash flow hedge reserve	23	82,906,922	320,439,925
- Profit (Loss) from available-for-sale investments	23	(1,872,460)	2,309,368
Income taxes attributable to other components of comprehensive income (-)		(31,421,724)	(118,723,095)
Total other components of comprehensive income net of taxes		**49,612,738**	**204,026,198**
Total comprehensive profit for the period		**(36,396,186)**	**627,283,733**

EDISON Spa
Balance Sheet at December 31, 2010

(in euros)	See Note	12.31.10	amount with related parties	12.31.09	amount with related parties
ASSETS					
Property, plant and equipment	12	3,269,102,161		3,699,853,371	
Investment property	13	1,318,858		2,210,509	
Goodwill	14	2,632,320,046		2,632,320,046	
Hydrocarbon concessions	15	175,678,088		193,839,383	
Other intangible assets	16	23,377,572		20,742,051	
Investments in subsidiaries and associates	17	2,308,534,037	2,308,534,037	2,011,838,365	2,011,838,365
Available-for-sale investments	17	292,062,652		302,987,790	
Other financial assets	18	6,854,020	6,854,019	21,772,180	6,854,019
Deferred-tax assets	19	-		-	
Other assets	20	98,389,610		8,590,676	
Total non-current assets		**8,807,637,044**		**8,894,154,371**	
Inventories		212,575,591		218,093,236	
Trade receivables		1,243,314,244	652,818,136	976,238,162	536,651,246
Current-tax assets		18,562,181		188,666	
Other receivables		369,122,654	104,723,852	319,026,599	77,698,946
Current financial assets		2,070,700,456	2,036,973,218	2,342,621,992	2,315,365,537
Cash and cash equivalents		285,397,946		567,252,676	
Total current assets	21	**4,199,673,072**		**4,423,421,331**	
Assets held for sale	22	**209,262,200**		**-**	
Total assets		**13,216,572,316**		**13,317,575,702**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,291,700,671		5,291,700,671	
Statutory reserve		125,290,832		90,313,590	
Other reserves		648,712,477		612,914,104	
Retained earnings (Loss carryforward)		884,494,863		710,615,256	
Net profit (loss) of the period		(86,008,924)		423,257,535	
Total shareholders' equity	23	**6,864,189,919**		**7,128,801,156**	
Provision for employee severance indemnities and provision for pensions	24	26,743,407		29,559,806	
Provision for deferred taxes	25	279,560,739		301,867,715	
Provision for risks and charges	26	630,745,808		689,389,189	
Bonds	27	1,791,324,994		1,198,770,873	
Long-term financial debt and other financial liabilities	28	847,490,051		1,475,964,731	
Other liabilities	29	22,342,857		22,342,857	
Total non-current liabilities		**3,598,207,856**		**3,717,895,171**	
Bonds		527,677,188		720,626,189	
Short-term financial debt		859,124,350	641,458,844	702,631,624	472,410,976
Trade payables		1,181,924,463	201,837,152	758,937,035	122,953,320
Current taxes payable		-		17,735,445	
Other liabilities		181,656,247	15,598,343	270,949,082	46,395,529
Total current liabilities	30	**2,750,382,248**		**2,470,879,375**	
Liabilities held for sale	31	**3,792,293**		**-**	
Total liabilities and shareholders' equity		**13,216,572,316**		**13,317,575,702**	

EDISON Spa
Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in 2010 (amounting to about 285 million euros), compared with the corresponding data for 2009.

(in euros)	See Note	2010	amount with related parties	2009	amount with related parties
Profit (Loss) of Edison Spa from continuing operations		(46,008,924)		423,257,535	
Profit (Loss) of Edison Spa from discontinued operations		(40,000,000)		-	
Total profit (loss) of Edison Spa		**(86,008,924)**		**423,257,535**	
Amortization, depreciation and writedowns	6	403,854,683		368,327,088	
(Gains) Losses on the sale of non-current assets		3,923,444		(8,557,596)	
(Revaluations) Writedowns of non-current financial assets		360,094,978	359,069,535	15,001,971	15,001,208
Change in provision for employee severance indemnities and provision for pensions	23	(1,460,128)		(1,421,695)	
Change in operating working capital		147,343,853	(37,283,058)	205,249,553	(53,129,371)
Change in other operating assets and liabilities		(235,289,322)	(57,822,092)	136,412,141	38,641,377
A. Cash flow from operating activities provided by continuing operations		**592,458,584**		**1,138,268,997**	
Additions to intangibles and property, plant and equipment (-)	13	(201,435,437)		(217,039,345)	
Additions to equity investments and other non-current financial assets (-)		(655,900,804)	(655,900,804)	(172,395,250)	(118,074,212)
Proceeds from the sale of intangibles and property, plant and equipment		2,647,707		37,007,495	
Proceeds from the sale of non-current financial assets and capital distributions		8,199,038	162,802	-	
Change in other current assets		271,921,536	278,392,319	(1,396,758,171)	(1,387,354,203)
B. Cash used in investing activities		**(574,567,960)**		**(1,749,185,271)**	
Proceeds from new medium-term and long-term loans	27-28	1,100,000,000		2,050,000,000	
Redemptions of medium-term and long-term loans (-)	27-28	(1,330,895,936)		(278,467,635)	
Capital contributions provided by controlling companies or minority shareholders		-		-	
Dividends paid to controlling companies or minority shareholders (-)		(228,215,051)	(177,567,787)	(267,902,807)	(208,903,148)
Other changes in financial debt, net		159,365,633	169,047,868	(345,418,343)	5,914,239
C. Cash used in financing activities		**(299,745,354)**		**1,158,211,215**	
D. Net change in cash and cash equivalents (A+B+C)		**(281,854,730)**		**547,294,941**	
E. Cash and cash equivalents at the beginning of the year		**567,252,676**		**19,957,735**	
F. Cash and cash equivalents at the end of the year (D+E)		**285,397,946**		**567,252,676**	
G. Total cash and cash equivalents at end of the year (F)		**285,397,946**		**567,252,676**	
H. (-) Cash and cash equivalents of discontinued operations		**-**		**-**	
I. Cash and cash equivalents of continuing operations (G-H)		**285,397,946**		**567,252,676**	

EDISON Spa
Statement of Changes in Shareholders' Equity at December 31, 2010

(amounts in euros)	Share capital (a)	Statutory reserve (b)	Cash flow hedge reserve (c)	Available-for-sale investments (c)	Other reserves and ret. earnings (loss carryforw.) (c)	Profit for the year (d)	Total (a+b+c+d)=(e)
Balance at December 31, 2008	**5,291,700,671**	**71,608,395**	**(170,914,673)**	**(4,210,182)**	**1,207,132,103**	**374,103,915**	**6,769,420,229**
Appropriation of the 2008 profit and dividend distribution	-	18,705,195	-	-	87,495,914	(374,103,915)	(267,902,806)
Change in comprehensive income for the year (*)	-	-	201,716,830	2,309,368	-	-	204,026,198
Net profit for 2009 (*)	-	-	-	-	-	423,257,535	423,257,535
Balance at December 31, 2009	**5,291,700,671**	**90,313,590**	**30,802,157**	**(1,900,814)**	**1,294,628,017**	**423,257,535**	**7,128,801,156**
Appropriation of the 2009 profit and dividend distribution	-	34,977,242	-	-	160,065,242	(423,257,535)	(228,215,051)
Change in comprehensive income for the year (*)	-	-	51,485,198	(1,872,460)	-	-	49,612,738
Net profit for 2010 (*)	-	-	-	-	-	(86,008,924)	(86,008,924)
Balance at December 31, 2010	**5,291,700,671**	**125,290,832**	**82,287,355**	**(3,773,274)**	**1,454,693,259**	**(86,008,924)**	**6,864,189,919**

(*) included in comprehensive income.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2010

The Adriatic LNG offshore regasification terminal near Rovigo.

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Content and Presentation of the Financial Statements

Dear Shareholders:
We submit for your approval the separate financial statements of Edison Spa at December 31, 2010, which consist of an Income Statement, a schedule of Other Components of the Comprehensive Income Statement, a Statement of Financial Position, a Statement of Cash Flows, a Statement of Changes in Shareholders' Equity and the accompanying notes.
The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Accounting Standards Board (IASB), as published in the *Official Journal of the European Union* (*O.J.E.U.*).

Effective January 1, 2010, some international accounting principles and interpretations have been amended. However, none of these amendments had a material impact on the financial statements of Edison Spa. Specifically:

- **IFRS 1** revised, pursuant to which parties who adopt the IFRS principles for the first time must prepare a First-time Adoption document.
- Amendments to **IFRS 2** concerning the accounting for Group Cash-settled Share-based Payment Transactions and concurrent withdrawal of IFRIC 8 and IFRIC 11.
- **IFRS 3 revised**, which introduces changes on how business combinations should be recognized, including the following: a) when the acquisition of control is achieved in multiple phases, the fair value of the entire equity interest held must be remeasured; b) transactions executed with third parties subsequent to the acquisition of control, and assuming that control will be maintained, must be recognized in equity; c) acquisition costs must be charged immediately to income; d) changes in contingent consideration are recognized in profit or loss.
- **IAS 27** revised, concerning the valuation of investments in associates in case of an increase or decrease in the interest held. If there is a change in the interest held but no loss of control, the effects must be recognized in equity. If there is loss of control, the remaining interest must be measured at its fair value.
- **IFRIC 12** "Service Concession Arrangements" is an interpretation applicable to the financial statements of private-sector companies that operate activities of public interest on a concession basis, when the grantor (i) controls/regulates, by determining their price, which public utility services must be provided by the operator through infrastructures that the operator manages under concession or builds; and (ii) controls, through ownership or otherwise, the concession itself and any other residual interest in the infrastructures when the concession expires.
- **IFRIC 15** "Agreements for the Construction of Real Estate" does not apply to the Company at this point.
- **IFRIC 16** "Hedges of a Net Investment in a Foreign Operation." This interpretation applies to those cases in which a company wants to hedge the foreign exchange risk entailed by an investment in a foreign entity and qualify this transaction as a hedge pursuant to IAS 39.
- **IFRIC 17** "Distribution of Non-cash Assets to Owners." This interpretation clarifies when a dividend should be recognized, how it should be valued and, when the dividend is distributed, how to recognize any difference between the carrying amount of the distributed assets and the carrying amount of the distributable dividend.
- **IFRIC 18** "Transfers of Assets from Customers." This interpretation deals with how the assets or cash payments received from customers for connecting them to a distribution network should be recognized. IFRIC 18 shall be applied exclusively by parties who are not required to adopt IFRIC 12.
- Other marginal amendments to other accounting principles and interpretations.

For the sake of full disclosure, it is important to point out that certain marginal amendments to the international accounting principles and interpretations published in the *O.J.E.U.* in 2010 will be applicable starting in 2011 that will not involve material impact for the company. They include the following:

- IAS 24 revised, which requires additional disclosures concerning related-party commitments;
- IFRIC 14 "Prepayments of a Minimum Funding Requirement;"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments."

The publication of these separate financial statements was authorized by the Board of Directors on March 21, 2011. The separate financial statements were audited by PricewaterhouseCoopers in accordance with a three-year assignment (from 2005 to 2008) it received from the Shareholders' Meeting of April 19, 2005. On April 5, 2008, the assignment awarded to the abovementioned Independent Auditors was extended up to the approval of the financial statements at December 31, 2010.

Unless otherwise stated, the amounts that appear in the Notes to the Separate Financial Statements are in thousands of euros.

Presentation Format of the Financial Statements

The presentation format chosen by Edison Spa for its financial statements incorporates the changes required by the adoption of "IAS 1 Revised 2008." The financial statements have the following characteristics:

- The **Income Statement** is a step-by-step income statement, with the different components analyzed by nature. It also provides a disclosure of **Other Components of the Comprehensive Income Statement,** showing the components of net profit or loss that were provisionally recognized in equity.
- In the **Statement of Financial Position** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the end of the reporting period, respectively, are shown separately.
- The **Statement of Cash Flows** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.
- The **Statement of Changes in Shareholders' Equity included in the separate financial statements** shows separately the flows reflected in the reserves for cash flow hedge transactions and for held-for-sale investments.

Valuation Criteria

Property, Plant and Equipment and Investment Property

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

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

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

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

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

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

The range of depreciation rates applied is shown below:

	Electric Power		Hydrocarbons		Corporate	
	min.	max.	min.	max.	min.	max.
Buildings	4.0%	9.7%	-	8.8%	-	2.3%
Plant and machinery	4.0%	20.0%	1.8%	51.3%	6.8%	27.1%
Manufacturing and distribution equipment	5.0%	10.0%	17.5%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	6.0%	25.0%	6.0%	25.0%
Investment property	-	-	-	-	2.0%	2.4%

In addition, items of property, plant and equipment appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures are recognized as assets and depreciated in accordance with the unit of production method, which is also used to amortize the underlying concessions. The depreciation rate is determined as the ratio between the quantity produced during the year and the estimated remaining available reserves at the beginning of the year.

Thermoelectric power plant that sell energy under the CIP 6/92 rate schedule are depreciated by a method based on the economic benefits produced. The resulting depreciation process follows a step-down process, with straight line depreciation for each of the periods. This method reflects the differences between the amounts charged under the CIP 6/92 rate schedule for the eight-year incentivized period, those for the following seven years and the market rates applicable upon the expiration of the CIP 6/92 contracts.

The depreciation of assets transferable free of charge is taken on a straight-line basis over the remaining term of the respective contracts or their estimated useful lives, whichever is shorter.

Assets acquired under a finance lease are recognized as "Property, plant and equipment," offset by a financial liability of equal amount. The liability is gradually eliminated in accordance with the principal repayment schedule of the respective lease agreement. The value of the asset recognized as property, plant and equipment is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.

Upon first-time adoption of the IFRS principles, the Company used fair value as deemed cost. As a

result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognized. The accumulated depreciation and amortization and the provision for writedowns discussed in the notes to the financial statements refer exclusively to depreciation, amortization and writedowns accumulated after January 1, 2004.
If there are indications of a reduction in value, assets are tested for impairment in the manner described below under "Impairment of Assets." When the reasons for a writedown no longer apply, the asset's cost can be reinstated.
Beginning on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset with a significant useful life are capitalized, when the investment amount exceeds a predetermined threshold. Until December 31, 2008, financial expense was not capitalized.

Goodwill

Goodwill acquired for consideration, which in the transition process was recognized at the same carrying amount as in the statutory financial statements at December 31, 2003, and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can be reasonably allocated. The impairment test is described below in the paragraph entitled "Impairment of Assets." Writedowns cannot be reversed in subsequent periods.
The decision to take the conservative approach of using for the transition to the IAS/IFRS principles on January 1, 2004 the same carrying amounts as those used in the statutory financial statements prepared in accordance with Italian accounting principles is justified by the uncertainty that currently exists with respect to the accounting treatment that should be applied to these assets in the separate financial statements prepared in accordance with the IAS/IFRS principles.

Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits qualify as intangible assets. Intangible assets are recognized at their purchase price or internal production cost, including incidentals, in accordance with the same criteria used for "Property, plant and equipment."
Development costs can be capitalized, provided they can be identified reliably and it can be demonstrated that the asset is capable of producing future economic benefits.
Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives, starting when they are available for use.

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets. If an exploration project is later abandoned, the residual cost is immediately recognized in profit or loss.
Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as intangible assets but their full amount is amortized in the year they are incurred.
Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment," in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method.
The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (the decommissioning costs) are capitalized and amortized in accordance with the unit of production (UOP) method.
Hydrocarbon production concessions are amortized in accordance with the unit of production method. The amortization rate is determined as the ratio between the quantity produced during the year and the estimated remaining available reserves at the beginning of the year, taking into account any significant change in reserves that occurred during the year. In addition, a test is conducted each year to ensure that the carrying

The study of innovative, high-efficiency photovoltaic systems is continuing, both in the laboratory and in the field. Photovoltaic systems installed within the compound of the Altomonte (CS) power plant are being tested to assess their application and development potential.

amounts of these assets are not greater than their realizable values computed by discounting future cash flows, which are estimated based on future production programs and market values.

Environmental Securities (Emissions Rights and Green Certificates)

Edison Spa secures a supply of environmental securities (emissions rights and green certificates) to meet its own requirements in the exercise of its industrial activities ("own use").

Specifically, "Other intangible assets" can include emissions rights and green certificates, which are recognized at the cost incurred to acquire them, provided that the rights or certificates carried by the Company at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each calendar year or the production generated, will be derecognized using any reserves for risks set aside the previous year.

Equity Investments in Subsidiaries and Affiliated Companies

Subsidiaries are companies with respect to which Edison has the power to independently make strategic corporate decisions for the purpose of obtaining the resulting benefits. As a rule, control is presumed to exist when the controlling company holds, directly or indirectly, more than half of the votes that can be cast at an Ordinary Shareholders' Meeting, counting the so-called "potential votes" (i.e., votes conveyed by convertible instruments).

Affiliated companies are companies with respect to which Edison exercises a significant influence over the process of making strategic corporate decisions, even though it does not have control, when the so-called "potential votes" (i.e., voting rights conveyed by convertible instruments) are counted. A significant influence is presumed to exist when the controlling company holds, directly or indirectly, more than 20% of the votes that can be cast at an Ordinary Shareholders' Meeting.

Equity investments in subsidiaries and affiliated companies are valued at cost, written down to reflect any distributions of share capital or equity reserves or any impairment losses detected as a result of an

impairment test. If the reasons that justified the writedown cease to apply in subsequent years, the original cost is reinstated.

Impairment of Assets

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

Translation of Items Denominated in Foreign Currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the year, cash assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences are recognized in profit or loss. Non-cash assets and liabilities denominated in foreign currencies are valued at cost and translated at the exchange rates in force on the transaction date.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries and affiliate companies) that are held for trading and held-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and other current financial assets, such as cash and cash equivalents. Cash and cash equivalents include deposits in bank and postal accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. Financial instruments also include loans payable, trade and other payables, other financial liabilities and derivatives.
Financial assets and financial liabilities are recognized at fair value when the Company acquires the rights or assumes the obligations conveyed contractually by the financial instrument.

The initial amount at which these items are recognized shall include transaction costs directly attributable to the purchase or the issue costs that are included in the initial valuation of all assets and liabilities that can be classified as financial instruments. Subsequent measurements will depend on the type of instrument, as follows:

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses are recognized in profit or loss. This class of assets consists mainly of equity investments held for trading and of the so-called trading activities, as described below;
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction costs incurred un the purchasing/selling phase (e.g., issue premiums or discounts, costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value has been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in profit or loss for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Assets held for sale** are measured at fair value and any resulting gain and losss are recognized in equity until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in profit or loss when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses, but the original cost can be reinstated in subsequent years if the reasons for the writedowns are no longer applicable. This category includes equity investments representing an interest of less than 20%.
- **Derivatives** are measured at fair value and, as a rule, any resulting changes are recognized in the income statement. However, whenever possible, the Group uses hedge accounting and, consequently, derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, while the ineffective portion is recognized directly in the income statement. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in the income statement. The carrying amount of the hedged items is adjusted accordingly, to reflect changes in fair value associated with the hedged risk.

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

Financial liabilities are derecognized when the corresponding contractual obligations have been extinguished.

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

Trading Activities

Approved activities that are part of the Company's core businesses include physical and financial trading in commodities. These activities must be carried out in accordance with special procedures and are segregated at inception in special Trading Portfolios, separate from the other core activities (so-called Industrial Activities). Trading Activities include physical and financial contracts for commodities, which are measured at fair value, with changes in fair value recognized in profit or loss. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in profit or loss. The amounts shown in the income statement for revenues and raw materials and services used reflect a presentation that recognizes only the resulting "trading margin" (so-called "net presentation").

Inventories

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

Valuation of Long-term Take-or-pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the importer is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the importer is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The portion of the payment that qualifies as an advance on future deliveries is recognized in "Other assets," current or non-current depending in expected timing of recovery, while the portion that qualifies as a penalty for failure to take delivery is recognized in profit or loss. These valuations are also applicable to quantities that are undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognized as a commitment in the memorandum accounts.

Employee Benefits

The **provision for employee severance indemnities and the provisions for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in profit or loss as a labor cost. The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to financial income (expense). Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized in profit or loss, taking into account the average working lives of the employees.

Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for the vested employee severance benefits that remained with the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits was paid to separate entities (supplemental pension funds or INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future (the so-called "defined-contribution plan").

Stock option plans are valued at the time the options are awarded by determining the fair value of the options granted. This amount, net of any subscription costs, is allocated over the plan's vesting period. The corresponding cost is recognized in profit or loss, with an offsetting entry posted to an equity reserve (so-called "equity-settled payments").

Provision for Risks and Charges

Provision for risks and charges are recognized exclusively when there is a present obligation arising from past events that can be reliably estimated. These obligations can be legal or contractual in nature or can be the result of representations or actions by the Company that created valid expectations in the relevant counterparties that the Company will be responsible for complying or will assume the responsibility of causing others to comply with an obligation (implied obligations). If the time value of money is significant, the liability is discounted and the effect of the discounting process is recognized as a financial expense.

Recognition of Revenues and Expenses

Revenues and income and costs and expenses are recognized net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of goods or the provision of services. Sales revenues are recognized when title to the goods passes to the buyer. As a rule, this occurs when the goods are delivered or shipped. Materials used include the cost of green certificates and emissions rights attributable to the period. Financial income and expense is recognized when accrued. Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders' Meeting that approves a distribution of earnings or reserves.

Income Taxes

Current **income taxes** are recognized based on an estimate of taxable income, in accordance with the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and taking into account any applicable exemptions or available tax credits.
Deferred-tax assets and liabilities are computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, using the tax rates that are expected to be in effect when the temporary differences are reversed. Deferred-tax assets are recognized only when their future recovery is reasonably certain. Otherwise, they are written off. The valuation of deferred-tax assets must be carried out taking into account future tax liabilities, as projected in approved Company industrial plans. When gains and losses are recognized directly in equity, the corresponding current income taxes and deferred-tax assets or liabilities must also be recognized in equity.

Use of Estimated Values

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.
The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in profit or loss. The use of estimates is particularly significant for the following items:

- Amortization and depreciation (assets with a finite useful life) and impairment tests of property, plant and equipment, goodwill and other intangible assets. The process of determining depreciation and amortization expense entails reviewing periodically the remaining useful lives of assets, the available hydrocarbon reserves, the decommissioning/shutdown costs and the assets' recoverable values. Information about the impairment test is provided later in these Notes, in the paragraph entitled "Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles," which includes a description of the methods and assumptions used.
- Valuation of derivatives and financial instruments in general. Information about valuation criteria and quantitative disclosures are provided, respectively, in the paragraph entitled "Financial Instruments" and in the Notes to the financial statement, which supplement and complete the financial statements. The methods applied to determine fair value and manage inherent risks in connection with energy commodities traded by the Company, foreign exchange rates and interest rates are described in the section of these Notes entitled "Financial Risk Management."
- Measurement of certain sales revenues, particularly for CIP 6/92 contracts, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on currently available information.

NOTES TO THE INCOME STATEMENT

At December 31, 2010, Edison Spa reported a **net loss** of 86 million euros, as against a net profit of 423 million euros the previous year. The loss is the combine result of:

- a **net loss from continuing operations**, amounting to 46 million euros, mainly arising from writedowns of equity investments and some industrial assets and to a reduction in operating margins, as explained below;
- a **loss from discontinued operations** of 40 million euros, caused by a writedown of the Taranto power plants, recognized to adjust the carrying amount of these assets to their estimated realizable value.

More specifically, **sales revenues** grew to 5,591 million euros, for an increase of 11,7% compared with 2009, thanks to a gain sales volumes by the **hydrocarbons operations,** which offset in part the effect of a reduction in average unit sales prices. On the other hand, the sales revenues of the **electric power operations** were down slightly, as unit sales did not grow enough to compensate the decrease in revenues per unit.

EBITDA totaled 368 million euros, for a decrease of 43% compared with December 31, 2009. More in detail, in addition to reflecting the negative impact of the costs incurred by the Corporate Activities (-102 million euros), reported EBITDA are the net result of the following:

- lower EBITDA by the **electric power operations,** which totaled 254 million euros, or 53% less than the 541 million euros earned in 2009, and include a gain of 24 million euros generated by the early termination of CIP 6/92 contracts;
- slighly higher EBITDA by the **hydrocarbons operations,** which grew to 215 million euros, for a gain of 3% compared with 209 million euros in 2009, when, however, the reported amount reflected the impact of charges of 134 million euros for commodity hedges.

Net financial expense totaled 38 million euros. The decrease of 11 million euros compared with 2009 is the combined result of an increase in net gains on transactions that hedged EUR/USD exchange differentials, offset in part by a rise in financial expense caused by a higher average net financial debt in the second half of 2010, due mainly to investments in the share capital and reserves of susidiaries.

Net **expense on equity investments** amounted to 34 million euros, mainly due to writedowns of investments in some subsidiaries and affiliated companies totalling 360 million euros, partially offset by 327 million euros in dividends income. These writedowns, which were recognized to adjust the corresponding carrying amounts for impairment losses, include 311 million euros for Edison International Spa, 34 million euros for Selm Holding Sa (related to the writedown of Edison International Spa, in which Selm holds an equity investment) and 12 million euros for Sarmato Energia Spa.

Other income, net of other expenses, of 44 million euros reflects primarily the reversal in earning of provisions for risks upon the expiration of some guarantees provided in previous years in connection with sale of equity investments and as a result of settlements of some pending disputes.

Income taxes decreased by 124 million euros compared with 2009 due to a lower operating profit for the period and the positive impact of what is known as the *Tremonti-ter* Law and of Circular No. 35/E of June 2010, which, by ruling that the corporate income tax surcharge (the so-called Robin Hood Tax) applicable to 2009 taxable income was unchanged at 5.5% and that the increase to 6.5% was applicable starting on 2010, made it possible to reverse the excess tax liability recognized the previous year.

1. Sales Revenues

A breakdown by type of the Company's sales revenues, which were booked mainly in Italy, is provided below:

(in thousands of euros)	2010	2009	Change	% change
Revenues from the sale of:				
- Electric power	2,210,895	2,299,580	(88,685)	(3.9%)
- Natural gas	3,066,660	2,483,903	582,757	23.5%
- Oil	109,255	54,166	55,089	n.a.
- Steam	88,578	74,761	13,817	18.5%
- Green certificates	12,945	1,745	11,200	n.a.
- Water and other utilities	1,276	894	382	42.7%
- Sundry items	18,799	7,157	11,642	n.a.
Sales revenues	**5,508,408**	**4,922,206**	**586,202**	**11.9%**
Revenues from services provided	64,166	69,656	(5,490)	(7.9%)
Revenues from power plant maintenance	11,055	11,036	19	0.2%
Transmission revenues	3,471	4,497	(1,026)	(22.8%)
Service revenues	**78,692**	**85,189**	**(6,497)**	**(7.6%)**
Margin on trading activities	3,682	-	3,682	n.a.
Total sales revenues	**5,590,782**	**5,007,395**	**583,387**	**11.7%**

Breakdown of Revenues by Business Segment

(in thousands of euros)	2010	2009	Change	% change
Electric power operations	2,350,266	2,412,509	(62,243)	(2.6%)
Hydrocarbons operations	3,215,115	2,567,549	647,566	25.2%
Corporate activities	25,401	27,337	(1,936)	(7.1%)
Total	**5,590,782**	**5,007,395**	**583,387**	**11.7%**

Overall, sales revenues increased compared with the previous year, driven by a rise in unit sales that offset in part a reduction in revenues per unit.

The **sales** revenues reported by the **electric power operations** totaled 2,350,266,000 euros in 2010, down slightly (-2.6%) compared with 2009, as the benefit of higher unit sales was not sufficient to compensate the impact of a reduction in average unit sales prices caused by changes in the benchmark scenario and heightened competitive pressure.
Revenues also reflect the impact of Resolution No. 77/08, amounting to 93,950,000 euros, and of Resolution No. 113/06, amounting to 16,407,000 euros, regarding refunds of costs incurred by CIP 6/92 facilities for emissions rights and green certificated, respectively.

As for the **hydrocarbons operations,** sales revenues grew by 25.2%, reflecting the impact of higher unit sales, particularly in the thermoelectric area, offset in part by a drop in unit revenues caused by a supply overhang in the market. The crude oil activities performed particularly well, with gains both in sales volumes (+36.9%) and sales revenues (+55 million euros).
Revenues from services provided refer mainly to the coordination support provided by Edison to other Group companies and to engineering services.

2. Other Revenues and Income

(in thousands of euros)	2010	2009	Change	% change
Swaps and exchanges of natural gas	111,712	40,161	71.551	n.m.
Commodity derivatives	97,380	59,596	37,784	63.4%
Out of period income	44,516	44,204	312	n.m.
Utilizations of allowances for doubtful accounts and sundry provisions for risks	18,555	2,754	15,801	n.m.
Recovery of costs from partners in hydrocarbon exploration projects	19,240	16,080	3,160	19.7%
Insurance settlements	17,811	9,716	8,095	n.m.
Recovery of payroll costs	7,026	6,885	141	2.0%
Contractutal compensation - free energy	5,000	4,843	157	3.2%
Leases of Company-owned property	3,184	3,030	154	5.1%
Operating grants	2,857	1,840	1,017	n.m.
Gains on the sale of property, plant & equipment	1,831	16,237	(14,406)	(88.7%)
Revenues from sales of sundry materials	1,359	1,215	144	11.9%
Sundry items	37,350	31.787	5,563	n.m.
Total	**367,821**	**238,348**	**57,922**	**24.3%**

The substantially higher amount shown for **swaps and exchanges of natural gas** reflects a rise in volumes traded on the Virtual Exchange Facility, which more than doubled compared with 2009.

The increase in income from **commodity derivatives** reflects primarily the results of financial derivatives executed to lock-in the price of natural gas used to produce electric power sold at a fixed price.

Out-of-period income includes 10,299,000 euros in refunds for the utilization of strategic storage capacity in 2005 and 2006, 4,353,000 euros from the settlement of a dispute and 3,700,000 euros in refunds of costs incurred for CO_2 emissions rights by some CIP 6/92 power plants.

Sundry items include income of 24,492,000 euros generated by the early termination, pursuant to a Decree issued by the Ministry of Economic Development, of CIP 6/92 contracts for the Porto Viro and Porcari power plants.

Margin on Trading Activities

The table below shows the results from natural gas trading activities, which the Company launched in 2010. These results are included in sales revenues, net of the corresponding costs.

(in thousands of euros)	Note	12.31.2010	12.31.2009	Change	% change
Margin on physical trading activities					
Sales revenues		53,309	-	53,309	n.m.
Raw materials and services used		(49,627)	-	(49,627)	n.m.
Total margin on trading activities	1	**3,682**	**-**	**3,682**	**n.m.**

Physical trading in natural gas involved the use of physical spot contracts and forward contracts with delivery at a set price on the Baumgarten gas market in Austria and the Virtual Exchange Facility in Italy.

3. Raw Materials and Services Used

The table below provides a breakdown of raw materials and services used. The increase compared with 2009 is consistent with the information provided about sales revenues.

(in thousands of euros)	2010	2009	Change	% change
- Natural gas	4,009,576	3,019,911	989,665	32.8%
- Electric power	7,114	8,097	(983)	(12.1%)
- Blast furnace, recycled and coke furnace gas	339,913	229,255	110,658	48.3%
- Oil and fuel	11,136	29,468	(18,332)	(62.2%)
- Demineralized industrial water	34,919	31,348	3,571	11.4%
- Green certificates	51,471	87,267	(35,796)	(41.0%)
- CO_2 emissions rights	56,530	27,169	29,361	n.m.
- Utilities and other materials	57,857	41,792	16,065	38.4%
Total	**4,568,516**	**3,474,307**	**1,094,209**	**31.5%**
- Facilities maintenance	111,591	101,333	10,258	10.1%
- Transmission of electric power and natural gas	371,913	380,490	(8,577)	(2.3%)
- Regasification fee	108,274	-	108,274	n.m.
- Professional services	73,999	84,159	(10,160)	(12.1%)
- Insurance services	22,447	20,205	2,242	11.1%
- Writedowns of trade and other receivables	3,087	23,505	(20,418)	(86.9%)
- Commodity derivatives	20,368	204,321	(183,953)	(90.0%)
- Additions to provisions for miscellaneous risks	8,677	11,181	(2,504)	n.m.
- Change in inventories	(8,642)	40,466	(49,108)	n.m.
- Use of property not owned	46,990	39,935	7,055	17.7%
- Sundry charges	124,173	82,772	41,401	50.0%
Total	**5,451,393**	**4,462,674**	**988,719**	**22.2%**

Breakdown of Raw Materials and Services Used by Business Segment

(in thousands of euros)	2010	2009	Change	% change
Electric power operations	715,741	583,233	132,508	22.7%
Hydrocarbons operations	4,620,146	3,763,810	856,336	22.8%
Corporate activities	115,506	115,631	(125)	(0.1%)
Total	**5,451,393**	**4,462,674**	**988,719**	**22.2%**

The main reasons for the higher amount shown for purchases of **natural gas** compared with 2009 are an increase in consumption by thermoelectric power plants, consistent with a rise in thermoelectric output, and an increase in average prices paid caused primarily by the terms of long-term natural gas supply contracts. This item also includes the positive impact generated by the effective portion of derivatives hedging foreign exchange risks on commodities, which amounted to 21,557,000 euros (costs of 16,770,000 euros at December 31, 2009).

The costs incurred to purchase **CO_2 emissions rights** grew by 29,361,000 euros, due both to higher market prices and to an increase in the quantity needed to cover the Company's requirements (deficit), while those related to **green certificates** decreased by 35,796,000 euros, owing in part to the cogenerating status awarded to a thermoelectric power plant.

The sharp decrease in charges for **commodity derivatives** is consistent with the trends in the prices of the hedged commodities, as discussed in the Financial Risk Management section of this Report.

Additions to provisions for risks refer mainly to costs that the Company expects to incur in future years for environmental remediation projects at some decommissioned industrial sites.

The main components of **sundry charges** are out-of-period charges (13,057,000 euros), advertising expenses (8,690,000 euros) incurred mainly for corporate communications, corporate expenses (6,463,000 euros), losses on disposals of property, plant and equipment (5,754,000 euros) and indirect taxes and fees (6,297,000 euros).

4. Labor Costs

Labor costs totaled 139,683,000 euros, or 3,126,000 euros more than in 2009 (136,557,000 euros) due mainly to contractual increases in wages and salaries.

At December 31, 2010, the Company had 1,740 employees, 5 more than at the end of 2009. The table that follows provides a breakdown by category of the Company's staff:

(number of employees)	01.01.10	Added to payroll	Removed from payroll	Change of classification/ Other	12.31.10	Average payroll
Executives	125	1	(1)	1	126	128
Office staff and middle managers	1,316	66	(60)	(5)	1,317	1,328
Production staff	294	17	(14)	-	297	280
Total	**1,735**	**84**	**(75)**	**(4)**	**1,740**	**1,736**

At December 31, 2010, a total of 119 employees worked at the Taranto power plants included in the Disposal Group.

5. EBITDA

(in thousands of euros)	2010 EBITDA	As a % of sales revenues	2009 EBITDA	As a % of sales revenues	% change
Electric power operations	254,155	10.8%	540,693	22.4%	(53.0%)
Hydrocarbons operations	215,153	6.7%	208,922	8.1%	3.0%
Corporate activities	(101,782)	n.m.	(103,103)	n.m.	(1.3%)
Total	**367,526**	**6.6%**	**646,512**	**12.9%**	**(43.2%)**

EBITDA decreased by 43.2% in 2010 chiefly as a result of a reduction in the profitability of the electric power operations.

More specifically:

- The **electric power operations** reported **EBITDA** of 254,155,000 euros, down 53% compared with 2009 (540,693,000 euros), due mainly to a reduction in unit margins. However, the Company's 2009 EBITDA were boosted by income of 116,076,000 euros recognized in connection with refunds for green certificates and CO_2 emissions rights.
  Net production of electric power rose to 27,428 GWh, or 792 GWh more than in 2009 (+2.9%), driven by an increase in thermoelectric production and an upturn in hydroelectric output in the closing quarter of 2010. In addition, there was a slight decrease in the CIP 6/92 segment and higher sales in the captive and deregulated market segments, which are less profitable.

  Lastly, EBITDA were boosted by the following positive factors:
  - 93,950,000 euros for the effect of Resolution No. 77/08, which defined the criteria for refunds of the costs incurred by CIP 6/92 facilities to comply with emissions rights requirements (benefit of 84,100,000 euros in 2009);
  - 24,329,000 euros for the proceeds paid by the GSE for early termination of CIP6/92 contracts;
  - 17,811,000 euros for insurance settlements (9,716,000 euros in 2009);

- 16,407,000 euros for the reimbursement of green certificate costs provided to CIP 6/92 facilities pursuant to AEEG Resolution No. 113/06 (15,040,000 euros in 2009);
- 3,700,000 euros in out-of-period income for refunds of CO_2 costs incurred by some power plants operating under CIP 6/92 contracts.

• The EBITDA of the **hydrocarbons operations** totaled 215,153,000 euros, for a gain of 3,0% compared with 2009 (208,922,000 euros). These amounts include the effect of foreign exchange and commodity hedging financial instruments, which generated income of 77,013,000 euros in 2010, as against charges totaling 134,042,000 euros the previous year.

In 2010, the excess supply that exists in the market caused natural gas prices to decrease sharply, particularly in comparison with purchasing prices paid under existing long-term procurement contract, which are not affected by the current competitive scenario. On a more positive note, the hydrocarbons operations benefitted from the positive contribution provided by crude oil production from fields located in Italy.

Crude oil production rose to 2,331,000 barrels, up from 1,703,000 barrels in 2009, due mainly to the incremental output generated by bringing the Vega field back on stream.

Natural gas volumes handled in 2010 increased by 20% compared with the previous year, thanks primarily to higher imports (mainly gas coming through the Rovigo terminal), that more than offset a reduction in purchases and lower domestic production caused by the natural depletion of existing fields. The increase in the available supply of natural gas is earmarked primarily for the thermoelectric facilities.

6. Depreciation, Amortization and Writedowns

A breakdown of this item is as follows:

(in thousands of euros)	**2010**	2009	Change	% change
Depreciation of property, plant and equipment	323,229	323,289	(60)	(0.0%)
Depreciation of investment property	55	120	(65)	(54.2%)
Amortization of hydrocarbon concessions	18,161	18,804	(643)	(3.4%)
Amortization of other intangible assets	11,148	11,027	121	1.1%
Writedown of property, plant and equipment	51,055	15,069	35,986	n.m.
Writedown of other intangible assets	207	18	189	n.m.
Total for Edison Spa	**403,855**	**368,327**	**35,528**	**9.6%**

Depreciation of property, plant and equipment shows a decrease of about 5,511,000 euros for the **electric power operations**, due mainly to a revision of the useful lives of some hydroelectric power plants, offset in part by increases for the **hydrocarbons operations** (3,726,000, due to a higher unit of production ratio) and the **corporate activities** (1,709,000 euros for the new building at the Foro Buonaparte headquarters).

Amortization of other intangible assets refers to patents, trademarks and similar rights (6,784,000 euros) and hydrocarbon exploration costs (4,364,000 euros).

Writedowns totaling 51,055,000 euros were recognized mainly to adjust the carrying amounts of the power plants in Porto Viro and Piombino (35,565,000 euros and 15,300,000 euros, respectively), with the latter required by the results of the impairment test.

A detailed analysis of the effects of the impairment test performed by the Edison Group can be found later in this Report, in the disclosure provided in Note 16 "Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles."

Breakdown by Business Segment

An analysis of the main changes that occurred compared with 2009 is provided below:

(in thousands of euros)	2010	2009	Change	% change
Electric power operations	326,224	290,430	35,794	12.3%
Hydrocarbons operations	66,676	68,301	(1,625)	(2.4%)
Corporate activities	10,955	9,596	1,359	14.2%
Total for Edison Spa	**403,855**	**368,327**	**35,528**	**9.6%**

7. Net Financial Income (Expense)

Net financial expense amounted to 37,699,000 euros. The decrease of 11,467,000 euros compared with 2009 reflects an improvement in net foreign exchange gains generated by derivatives executed to hedge foreign exchange risks, which more than offset foreign exchange losses on commercial transactions.

A breakdown of the components of financial income and expense is as follows:

(in thousands of euros)	2010	2009	Change
Financial income			
Financial income from financial derivatives	52,985	36,407	16,578
Financial income from Group companies	73,634	74,179	(545)
Bank interest earned	1,283	537	746
Interest earned on trade receivables	2,407	2,578	(171)
Other financial income	651	942	(291)
Total financial income	**130,960**	**114,643**	**16,317**
Financial expense			
Financial expense from financial derivatives	(49,623)	(18,814)	(30,809)
Interest paid on bond issues	(79,911)	(67,806)	(12,105)
Interest paid to banks	(16,953)	(39,243)	22,290
Financial expense paid to Group companies	(1,996)	(2,170)	174
Bank fees paid	(4,490)	(4,960)	470
Financial expense on decommissioning projects	(13,217)	(12,746)	(471)
Other financial expense	(14,437)	(3,100)	(11,337)
Total financial expense	**(180,627)**	**(148,839)**	**(31,788)**
Net financial income (expense)	**(49,667)**	**(34,196)**	**(15,471)**
Foreign exchange gains (losses)			
Foreign exchange gains	107,443	60,155	47,288
Foreign exchange losses	(95,475)	(75,125)	(20,350)
Net foreign exchange gain (loss)	**11,968**	**(14,970)**	**26,938**
Total net financial income (expense)	**(37,699)**	**(49,166)**	**11,467**

More specifically:

- Information about other **transactions involving financial derivatives** is provided in a separate disclosure elsewhere in this Report;
- **Other financial expense** includes 5,430,000 euros in financial expense on additions to provisions for risks, 2,659,000 euros in charges for transactions involving the assignment of receivables without recourse, 1,531,000 euros in interest paid on the lease for the Leonis ship and 1,359,000 euros in accrued financial expense on employee severance indemnities computed with the method required by IAS 19;
- As mentioned earlier in this Report, foreign exchange gains and losses include the effects of derivatives executed to hedge foreign exchange risks on commodity purchases, which generated a **net gain** of 32,390,000 euros in 2010.

8. Income from (Expense on) Equity Investments

The table that follows provides a breakdown of this item:

(in thousands of euros)	2010	2009	Change
Income from equity investments			
Dividends:			
Dividends from subsidiaries and affiliated companies			
- Edison Trading	240,000	255,000	(15,000)
- Ibiritermo	12,470	18,268	(5,798)
- Edison Energie Speciali	6,800	15,000	(8,200)
- Edison Stoccaggio	10,000	10,000	-
- Edison Energia	10,000	-	10,000
- Edipower	17,584	-	17,584
- Jesi Energia	8,120	6,300	1,820
- Sel Edison	3,740	5,200	(1,460)
- Termica Milazzo	7,198	4,561	2,637
- Dolomiti Edison Energy	2,695	4,460	(1,765)
- Termica Cologno	2,080	2,275	(195)
- AMG Gas	706	809	(103)
- Other subsidiaries and affiliated companies	6,010	1,609	4,401
	327,403	**323,482**	**3,921**
Dividends from other companies			
- RCS	-	-	-
- Other companies	168	150	18
	168	**150**	**18**
Total dividends	**327,571**	**323,632**	**3,939**
Revaluation of equity investments	**-**	**4,385**	**(4,385)**
Revaluation of trading securities	**62**	**2,871**	**(2,809)**
Gain on the sale of equity investments	**35**	**-**	**35**
Total income from equity investments	**327,668**	**330,888**	**(3,220)**
Expense on equity investments			
Writedowns of equity investments			
- Edison International Spa	(311,000)	-	(311,000)
- Selm Holding Sa	(34,000)	-	(34,000)
- Sarmato Energia Spa	(12,400)	(12,800)	400
- MB Venture NV	(1,000)	-	(1,000)
- Nuova Alba Srl	(697)	(2,019)	1,322
- Galsi Spa	(520)	(2,400)	1,880
- Montedison Srl	(377)	(2,036)	1,659
- Other equity investments	(101)	(1,274)	1,173
Total writedowns of equity investments	**(360,095)**	**(20,529)**	**(339,566)**
Writedowns of trading securities	**(1,388)**	**(598)**	**(790)**
Total expense on equity investments	**(361,483)**	**(21,127)**	**(340,356)**
Income from (Expense on) equity investments, net	**(33,815)**	**309,761**	**(343,576)**

Writedowns of equity investments reflect primarily the outcome of impairment tests performed on the assets of subsidiaries. Specifically, they refer to adjustments to the carrying amounts of the Egyptian hydrocarbon fields recognized by the Edison International subsidiary

9. Other Income (Expense), Net

Net other income, which totaled 43,826,000 euros in 2010, for a gain of 53,112,000 euros compared with the previous year, is the result of nonrecurring items that are not related directly to the Group's industrial or financial operations. The main components of this account are:

- **Income** of 67,887,000 euros, the main components of which are 32,808,000 euros from the expiration of the risk entailed by some guarantees provided in connection with nonrecurring transactions execute in previous years and 25,297,000 euros from the favorable settlement of arbitration proceedings;
- **Expense** of 24,072,000 euros, related for 9,962,000 euros to legal disputes arising from industrial and real estate activities carried out in the past and, for 11,058,000 euros, to registration fees paid in connection with divestments.

10. Income Taxes

A breakdown of income taxes is provided below:

(in thousands of euros)	2010	2009	Change
Current taxes	41,214	166,392	(125,178)
Net deferred-tax liabilities (assets)	(52,732)	(57,824)	5,092
Income taxes attributable to previous years	(6,490)	(2,333)	(4,157)
Total	**(18,008)**	**106,235**	**(124,243)**

Current taxes include 32,000,000 euros for corporate income taxes (IRES) and 10,300,000 euros for regional taxes (IRAP), net of a benefit of 934,000 euros generated by filing a consolidated income tax return.

Income taxes attributable to previous years reflect essentially the positive effect of a reduction of the so-called Robin Hood tax by one percentage point for the 2009 tax year. Specifically, Circular No. 35/E of June 18, 2010 specified that the rate of the Robin Hood tax applicable in 2009 was 5.5%, while the tax liability recognized last year pursuant to Law No. 99 of July 23, 2009 was computed based on a tax rate of 6.5%.

The difference between the tax rate for the year and the nominal theoretical tax rate is due mainly to the effect of:

- the participation exemption on dividends and writedowns of equity investments;
- the tax incentives provided by Law No. 10 of August 23, 2009 (what is known as the *Tremonti - ter* Law);
- a reduction in the tax expense for 2009 resulting from the abovementioned Circular, which lowered to 5.5% the IRES surcharge for 2009.

(in thousands of euros)	2010		2009	
Profit before taxes	**(64,017)**		**529,492**	
Tax calculated at domestic tax rate	**(21,766)**	**34.0%**	**180,027**	**34.0%**
Partecipation exemption on dividends	(105,988)	n.a.	(104,809)	(19.8)%
Income on (expense from) equity investments	122,905	n.a.	4,716	0.9%
Permanenet differences	(5,952)	9.3%	11,341	2.1%
Income taxes attributable to previous years and other differences	(6,089)	9.5%	(3,205)	(0.6%)
"Tremonti-ter"	(4,398)	6.9%	-	0.0%
Deferred taxes	(7,020)	11.0%	(5,635)	(1.1%)
IRAP - regional taxes	10,300	(16.1%)	23,800	4.5%
Income taxes	**(18,008)**	**28.1%**	**106,235**	**20.1%**

The table that follows provides a breakdown of **deferred-tax liabilities and deferred-tax assets** and shows the changes that occurred in 2010:

(in thousands of euros)	12.31.2009	Additions	Utilizations	Riclassif./Other changes	12.31.2010
Provision for deferred taxes:					
Valuation differences of property, plant and equipment	304,953	-	(67,574)	(997)	236,382
Adoption of IAS 17 to value finance leases	28,305	-	(643)	-	27,662
Adoption of IAS 39 to value financial instruments:					
- impact on the income statement	-	-	-	-	-
- impact on shareholders' equity	18,799	50,220	(18,799)	-	50,220
Other deferred taxes	416	-	(384)	-	32
	352,473	**50,220**	**(87,400)**	**(997)**	**314,296**
Offsets	(50,605)	(2,501)	18,371	-	(34,735)
Provision for deferred taxes net of offsets	**301,868**	**47,719**	**(69,029)**	**(997)**	**279,561**
Deferred-tax assets:					
Taxed reserves for risks	49,230	-	(17,535)	-	31,695
Adoption of IAS 39 to value financial instruments:					
- impact on the income statement	592	-	(260)	-	332
- impact on shareholders' equity	-	-	-	-	-
Other deferred-tax assets	783	2,501	(576)	-	2,708
	50,605	**2,501**	**(18,371)**	**-**	**34,735**
Offsets	(50,605)	(2,501)	18,371	-	(34,735)
Deferred-tax assets net of offsets	**-**	**-**	**-**	**-**	**-**

11. Profit (Loss) from Discontinued Operations

The loss of 40,000,000 euros refers to two power plants in Taranto that operate under a CIP 6/92 contract and as a captive facility, respectively, which are part of a Disposal Group. The loss reflects the writedown recognized in 2010 to bring the carrying amount of the assets included in the Disposal Group in line with their estimated realizable value. A more in-depth analysis is provided in the note to Property, plant and equipment.

The pictures show the Torviscosa (Udine) combined cycle thermoelectric power plant.

NOTES TO THE BALANCE SHEET

Assets

12. Property, Plant and Equipment

Property, plant and equipment, which comprise the Company's production assets, totaled 3,269,102,000 euros. The table below provides a breakdown of this item and shows the changes that occurred in 2010:

(in thousands of euros)	Land and buildings	Plant and machinery	Manufact. and distribution equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/09 (A)	**440,313**	**3,116,615**	**4,506**	**2,576**	**135,843**	**3,699,853**
Changes in 2010:						
- Additions	65,820	96,419	543	2,084	22,514	187,380
- Disposals (-)	(87)	(5,948)	(8)	-	(1,247)	(7,290)
- Depreciation (-)	(22,162)	(298,919)	(1,181)	(967)	-	(323,229)
- Writedowns (-)	-	(51,053)	(2)	-	-	(51,055)
- Other changes	1,526	24,904	106	568	(27,104)	-
- Revision of decommissioning costs	-	(1,428)	-	-	-	(1,428)
- Reclassif. to assets held for sale	(30,349)	(203,639)	(1,029)	(73)	(39)	(235,129)
Total changes (B)	**14,748**	**(439,664)**	**(1,571)**	**1,612**	**(5,876)**	**(430,751)**
Balance at 12/31/10 (A+B)	**455,061**	**2,676,951**	**2,935**	**4,188**	**129,967**	**3,269,102**
Breakdown:						
- Historical cost	548,930	4,239,778	9,190	10,795	129,967	4,938,660
- Writedowns (-)	(2,052)	(121,676)	(5)	(1)	-	(123,734)
- Accumulated depreciation (-)	(91,817)	(1,441,151)	(6,250)	(6,606)	-	(1,545,824)
Net carrying amount	**455,061**	**2,676,951**	**2,935**	**4,188**	**129,967**	**3,269,102**

The total value of these assets includes Construction in progress and advances amounting to 129,967,000 euros, attributable mainly to the repowering of the Bussi, Albano, Caffaro and Sonico power plants (about 48,800,000 euros) and to the investments required to develop the Panda, Cassiopea, Argo, Tresauro and Capparruccia hydrocarbon fields (about 67,276,000 euros).

Additions include the following:
- 97,824,000 invested by the **electric power operations** in projects to repower the Marghera Azotati thermoelectric power plant (20,071,000 euros), the Bussi thermoelectric power plant (22,974,000 euros) and some hydroelectric power plants (30,430,000 euros);
- 23,221,000 euros invested by the **hydrocarbons operations** in connection with the development of some hydrocarbon fields;
- 66,335,000 euros used mainly to purchase and renovate a building at 35 Foro Buonaparte.

Disposals refer mainly to the sale of components from thermoelectric and hydroelectric power plants, which, in the aggregate, generated a net loss of about 5,277,000 euros.

Depreciation totaled 323,229,000 euros, about the same amount as in 2009. More detailed information about this item is provided in the corresponding note to the income statement.

Writedowns included 15,300,000 euros to write down the carrying amount of Piombino's thermoelectric power plants, due to the results of the impairment test, and 35,565,000 euros to adjust the value Porto Viro's power plant.

The amount of 235,129,000 euros shown for **reclassifications to assets held for sale** refers to the assets of the Taranto Power plants (CET2 and CET3), which constitute a Disposal Group further to the signing of a term sheet at the end of 2010, pursuant to which the Company agreed to sell, after transferring them to an assignee company, the business operations comprised of the abovementioned power plants, their fuel and spare parts inventories, their employees and the contract and permits required to operate the power plants. It is worth noting that the carrying amount of the power plants was written down by 40,000,000 euros in connection with their divestment, as explained earlier in these Notes, in the section entitled "Profit (Loss) from Discontinued Operations."

The net carrying amount of property, plant and equipment also includes:
- **Assets transferable without consideration** valued at 105,081,000 euros (127,057,000 euros at December 31, 2009), attributable mainly to Edison's hydroelectric operations, which hold directly 24 concessions
  A breakdown is as follows:

Assets transferable without consideration (in thousands of euros)	Historical cost	Depreciation and writedowns	**Net carrying amount at 12.31.10**	Net carrying amount at 31.12.09
Buildings and other assets	12,098	(6,265)	5,833	6,476
Plant and machinery	289,386	(190,138)	99,248	120,581
Total	**301,484**	**(196,403)**	**105,081**	**127,057**

- A**ssets acquired under finance leases**, which at December 31, 2010 referred to the Leonis ship put into service at the Vega field, were recognized in accordance with the IAS 17 (revised) method.

Assets acquired under finance leases (in thousands of euros)	Historical cost	Depreciation and writedowns	**Net carrying amount at 12.31.10**	Net carrying amount at 12.31.09
Plant and machinery	34,224	(1,990)	32,234	34,186
Total	**34,224**	**(1,990)**	**32,234**	**34,186**

The remaining financial debt owed under leases was 28,442,000 euros.

13. Investment Property

The Group's investment property consists of land and buildings that are not used for production purposes. A breakdown of the changes that occurred in this account is provided below:

(in thousands of euros)	12.31.2010
Balance at 12.31.09 (A)	**2,211**
Changes in 2010:	
- Disposals	(837)
- Depreciation	(55)
Total changes (B)	**(892)**
Balance at 12.31.10 (A+B)	**1,319**
Breakdown:	
- Historical cost	1,643
- Accumulated depreciation	(324)
- Writedowns	-
Net carrying amount at 12.31.10	**1,319**

Disposals refer to the buildings sold in 2010, which generated net proceeds of 1,354,000 euros.

14. Goodwill

Goodwill totaled 2,632,320,000 euros. The residual value of goodwill is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments but must be tested for impairment at least once a year. The method applied to determine the value of goodwill is consistent with the criteria for allocation by business operations, which are set forth in the definition of cash generating units provided in the Notes to the Consolidated Financial Statements.
An impairment test of goodwill showed that no writedowns were required.

15. Hydrocarbon Concessions

Concessions for the production of hydrocarbons include 47 hydrocarbon production leases in Italy. The decrease of 18,161,000 euros compared with December 31, 2009 is the result of the amortization for the period. The table below shows the balance in this account and the changes that occurred in 2010:

(in thousands of euros)	12.31.2010
Balance at 12.31.09 (A)	**193,839**
Changes in 2010:	
- Amortization	(18,161)
Total changes (B)	**(18,161)**
Balance at 12/31/10 (A+B)	**175,678**
Breakdown:	
- Historical cost	329,566
- Accumulated amortization (-)	(153,799)
- Writedowns (-)	(89)
Net carrying amount	**175,678**

Information About the Concessions Held by Edison Spa

The table below shows a breakdown of the concessions held by Edison. As explained earlier in these Notes, the corresponding carrying amounts are included under Intangibles and Hydrocarbon concessions.

	Number	Remaining life	
		from	to
Hydroelectric concessions	24	1	19
Hydrocarbon concessions	47	unit of production (*)	

(*) The amortization and the remaining life of mineral deposits is computed as a ratio of the quantity extracted to the available reserves.

16. Other Intangible Assets

The balance of 23,377,000 euros refers to patents, licenses and similar rights consisting mainly of software licenses (14,667,000 euros), work in progress (3,619,000 euros) and CO_2 emissions rights held in excess of the Company's overall requirements (5,091,000 euros). These rights were measured at fair value and their carrying amount was written down by 208,000 euros.
The table that follows shows the changes that occurred in 2010:

(in thousands of euros)	12.31.2010
Balance at 12.31.09 (A)	**20,742**
Changes in 2010:	
- Additions	14,056
- Amortization	(11,148)
- Disposals	(17)
- Writedowns	(208)
- Reclassification to assets held for sale	(48)
Total changes (B)	**2,635**
Balance at 12.31.10 (A+B)	**23,377**
Breakdown:	
- Historical cost	108,898
- Accumulated amortization (-)	(84,508)
- Writedowns (-)	(1,013)
Net carrying amount at 12.31.10	**23,377**

Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles

Because goodwill is an intangible asset with an indefinite useful life and, therefore, cannot be amortized in regular installments, IAS 36 requires that its value be tested for impairment at least once a year. Since goodwill does not generate cash flow independently and cannot be sold separately, IAS 36 requires a test of the value that can be recovered on a residual basis. This is accomplished by determining the cash flows generated by the complex of assets that constitute the business or businesses to which goodwill is attributable (the cash generating unit or units - CGUs).
A description of the method used is provided in the corresponding note to the Consolidated Financial Statements.
In 2010, in order to reflect their recoverable values, two thermoelectric power plants located in Piombino that are included in the CIP 6/92 and Captive CGU were written down by a total of 15,300,000 euros and the value of Porto Viro's power plant was adjusted by 35,565,000 euros.

17. Investments in Associates and Available-for-sale Investments

The balance of 2,308,534,000 euros includes 1,172,547,000 euros in investments in subsidiaries and 1,135,987,000 euros in investments in joint ventures and affiliated companies. Available-for-sale investments were valued at 292,063,000 euros. They included 278,444,000 euros for a 10% interest in Terminale GNL, the company that owns the offshore regasification terminal near Porto Viro.

The table below shows the main changes that occurred in 2010:

(in thousands of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.09 (A)	**2,011,838**	**302,988**	**2,314,826**
Changes in 2010:			
- Additions	1,771	-	1,771
- Changes in share capital and reserves	634,500	(8,000)	626,500
- Coverage of losses	19,630	-	19,630
- Revaluations (Writedowns) recog. in P&L (-)	(359,069)	(1,026)	(360,095)
- Revaluations (Writedowns) recog. in equity (-)	-	(1,872)	(1,872)
- Other changes (-)	(136)	(27)	(163)
Total changes (B)	**296,696**	**(10,925)**	**285,771**
Balance at 12.31.10 (A+B)	**2,308,534**	**292,063**	**2,600,597**
Breakdown:			
- Historical cost	2,995,546	319,082	3,314,628
- Writedowns (-)	(687,012)	(27,019)	(714,031)
Net carrying amount	**2,308,534**	**292,063**	**2,600,597**

An analysis of the changes is provided below:

- **Additions** include 1,620,000 euros for the purchase of the remaining 10% interest in Eneco Energia Spa;
- **Changes in share capital and reserves** include the contributions provided to Edison International (500,000,000 euros), Edison International Holding (122,000,000 euros), Selm Holding International (7,496,000 euros) and to the Galsi affiliate (5,003,000 euros);
- **Coverage of losses** include 17,500,000 euros provided to Edison International Spa and 2,130,000 euros contributed to Nuova Alba;
- **Revaluations and Writedowns recognized in profit and loss** refer to a charge of 359,069,000 euros for a writedown of the carrying amount of some investments in subsidiaries due to impairment losses, as explained earlier in these Notes in the section entitled "Income from (Expense on) Equity Investments,"
- **Writedowns recognized in equity** refer to the investment in RCS Mediagroup Spa, which was marked to market at the end of the year.

With regard to the investments in Terminale GNL Adriatico Srl, after December 31, 2010, Edison exercised its tag-along right, which enabled it to dispose of a portion of its investment, equal to a 2,703 % interest, for a price of about 80 million euros. However, it is worth noting that the transfer price, defined in accordance with the agreements between the partners, cannot be viewed as indicative of the fair value of the investee company.

18. Other Financial Assets

The net carrying amount of 6,854,000 euros represents loans receivable due after one year. The decrease of 14,918,000 euros compared with the previous year is due for the most par to the release of an interest-bearing escrow deposit established in connection with the sale of Serene Spa.

19. Deferred-tax Assets

As was done in the past, since this item met the requirements of IAS 12, it was offset against the Provision for deferred taxes. Additional information is provided in the corresponding note.

20. Other Assets

Other assets, which totaled 98,390,000 euros, or 89,799,000 euros more than at December 31, 2009 (8,591,000 euros), include the following:

- 91,425,000 for advances paid under long-term natural gas procurement contracts, corresponding to natural gas volumes that Edison was required to pay for, even though it was unable to take delivery (take-or-pay clause). The Company expects to make up the undelivered volumes over the remaining lives of the contracts;
- 4,522,000 euros for tax refunds receivable and accrued interest at December 31, 2010.
- 2,436,000 euros for security deposits.

21. Current Assets

(in thousands of euros)	12.31.2010	12.31.2009	Change
Inventories	212,576	218,093	(5,517)
Trade receivables	1,243,314	976,238	267,076
Current-tax assets	18,562	189	18,373
Other receivables	369,123	319,026	50,097
Current financial assets	2,070,700	2,342,622	(271,922)
Cash and cash equivalents	285,398	567,253	(281,855)
Total current assets	**4,199,673**	**4,423,421**	**(223,748)**

A review of the individual components is provided below:

- **Inventories** consist mainly of stored hydrocarbon products (204,959,000 euros) and supplies and equipment used to maintain and operate the Company's facilities (16,933,000 euros). The engineering materials attributable to the Taranto thermoelectric power plants were reclassfied to assets held for sale.

- **Trade receivables** stem mainly from contracts to supply electric power and steam, contracts to supply natural gas and sales of natural gas. They also reflect the fair value of physical energy commodity contracts held in the Trading Portfolio. A breakdown by business segment is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Electric power operations	592,362	576,425	15,937
Hydrocarbons operations	650,952	399,813	251,139
Total trade receivables	**1,243,314**	**976,238**	**267,076**
Broken down as follows:			
- amount owed by outside customers	599,154	453,723	145,431
- amount owed by subsidiaries and affiliated companies	644,160	522,515	121,645

A breakdown of trade receivables owed by subsidiaries and affiliated companies is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Subsidiaries			
Edison Trading	456,395	440,690	15,705
Edison Energia	133,541	50,822	82,719
Jesi Energia	17,823	9,895	7,928
Termica Milazzo	16,254	11,462	4,792
Sarmato Energia	5,604	2,432	3,172
AMG Gas	5,287	-	5,287
Termica Cologno	4,133	4,066	67
Edison International	2,845	511	2,334
Dolomiti Edison Energy	590	425	165
Montedison srl	354	354	-
Other companies	110	48	62
Subtotal A	**642,936**	**520,705**	**122,231**
Affiliated Companies			
Edipower	111	-	111
GTI Dakar	703	-	703
Sel Edison	410	-	410
Utilità	-	850	(850)
Gasco	-	960	(960)
Subtotal B	**1,224**	**1,810**	**(586)**
Total A+B	**644,160**	**522,515**	**121,645**

Trade receivables are shown net of an allowance for doubtful accounts. The table below shows the changes that occurred in this allowance in 2010:

(in thousands of euros)	Balance at 12.31.09	Utilizations	Additions	Balance at 12.31.10
Electric power operations	13,890	(439)	258	13,709
Hydrocarbons operations	21,680	(9,558)	2,013	14,135
Corporate activities	8,601	(19)	-	8,582
Total allowance for doubtful accounts	**44,171**	**(10,016)**	**2,271**	**36,426**

Lastly, as was the case the previous year, the Company executed transactions in 2010 that involved the assignment of receivables without recourse both on a monthly and quarterly revolving basis and a spot basis, in accordance with a policy that allows the use of such transactions to control and minimize credit risks. The total value of the receivables assigned in 2010 amounted to 1,585 million euros (1,235 at December 31, 2009), including 1,435 million euros assigned on a revolving basis and 150 million euros assigned on a spot basis. In all cases, the residual risk of recourse associated with these transactions is virtually nil.

- **Current-tax assets,** which are carried at 18.562 euros, include 10.821 euros receivable from the tax authorities for estimated payments of the 6.5% corporate income tax (IRES) surcharge (so-called "Robin Hood Tax") made in 2010, net of the tax liability for the year amounting to 6,118,000 euros, and 7,741,000 euros receivable from the tax authorities for estimated regional tax (IRAP) payments made in 2010, net of the tax liability for the year amounting to 10,300,000 euros.

- **Other receivables** are shown net of an allowance for doubtful accounts of 16,501,000 euros. The table below provides a breakdown of the main components of this account:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Valuation of derivatives	164,531	103,654	60,877
Provision of technical, admin. and financial services to Group companies	52,183	37,081	15,102
Consolidated VAT Return	38,085	160	37,925
Amounts owed by partners and assoc. in hydrocarbon exploration projects	23,911	21,108	2,803
Prepaid insurance premiums	15,884	15,223	661
Amounts owed by local governments	11,284	11,284	-
Prepaid contributions to pension funds	7,103	8,656	(1,553)
Amounts owed by the tax administration	6,255	16,823	(10,568)
Advances paid to suppliers	4,470	30,624	(26,154)
Dividends receivable from subsidiaries	1,891	29,008	(27,117)
Prepaid hydroelectric concession fees	1,206	1,049	157
Sundry items	42,320	44,356	(2,036)
Total	**369,123**	**319,026**	**28,989**
Broken down as follows:			
- amount owed by outsiders	286,934	252,447	34,487
- amount owed by subsidiaries and affiliated companies	82,189	66,579	15,610

Receivables owed by the other Group companies refer mainly to receivables arising from the provision of centralized services.

- A breakdown of **current financial assets** is as follows:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Equity investments held for trading	7,699	9,025	(1,326)
Loans receivable	2,036,973	2,315,365	(278,392)
Derivatives	26,028	18,232	7,796
Total current financial assets	**2,070,700**	**2,342,622**	**(271,922)**

Equity Investments Held for Trading

This account, which totaled 7,699,000 euros, includes investments in the following publicly traded companies: ACEGAS APS Spa (2,642,000 euros), ACSM Spa (1,633,000 euros) and AMCS American Superconductor Corp. (3,423,000 euros). The carrying values of these investments were marked to market at the end of 2010.

Loans Receivable

Loans receivable reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intercompany current accounts, a list of which is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Subsidiaries:			
Edison International	1,080,402	1,425,028	(344,626)
Edison Energia	313,822	304,386	9,436
Edison Energie Speciali	284,980	250,046	34,934
Edison Stoccaggio	260,734	233,579	27,155
Edison DG	34,373	39,552	(5,179)
Hydros	20,000	24,002	(4,002)
CEB	9,775	4,801	4,974
Eneco Energia	8,404	68	8,336
Montedison	5,045	3,991	1,054
SDE	1,502	2,086	(584)
Parco Eolico San Francesco	533	-	533
Edison International Holding	457	846	(389)
Edison Idrocarburi Sicilia	6	-	6
Dolomiti Edison Energy	-	14,709	(14,709)
Subtotal (A)	**2,020,033**	**2,303,094**	**52,129**
Affiliated companies:			
Ibiritermo	10,676	11,770	(1,094)
Elite	6,120	-	6,120
Parco Eolico Castelnuovo	144	501	(357)
Subtotal (B)	**16,940**	**12,271**	**5,763**
Total (A+B)	**2,036,973**	**2,315,365**	**57,892**

Derivatives

This item refers in its entirety to the measurement at fair value of derivatives hedging interest rate and foreign exchange risks that were outstanding at December 31, 2010.

A comprehensive overview of the impact of derivatives is provided in a separate disclosure included in the "Financial Risk Management" section of this Report.

- **Cash and cash equivalents,** which totaled 285,398,000 euros, consist of short-term deposits in bank and postal accounts and other readily available assets.

22. Assets Held for Sale

Assets held for sale, amounting to 209,262,000 euros, refer to the assets of the disposal group, which, as explained earlier in these Notes, consist of the business operations that include Taranto's CET2 and CET3 power plants. A breakdown is as follows:

- 195,177,000 euros for the value of property, plant and equipment of the two thermoelectric power plants, which is net of a writedown of 40,000,000 euros recognized to adjust the carrying amount of the assets of the disposal group to their estimated realizable value;
- 14,085,000 euros mostly for the ending inventory, which consists of replacement parts for the two abovementioned power plants.

Liabilities and Shareholders' Equity

23. Shareholders' Equity

Edison's shareholders' equity amounted to 6,864,190,000 euros, for a decrease of 264,611,000 euros compared with December 31, 2009.

This reduction is the net result of the following contrasting items:

- a deduction of 228,215,000 euros for the distribution of dividends to shareholders (equal to a dividend of 0.0425 euros per common share and 0.0725 euros per savings share);
- a deduction of 86,009,000 euros for the net loss of the period;
- an addition of 51,485,000 euros for a positive change in the Reserve for cash flow hedge transactions.

The main component of **Other reserves** is a reserve of 467,109,000 euros established in connection with the adjustment to fair value as the deemed cost of property, plant and equipment upon transition to the IFRSs.

The share capital of Edison Spa consisted of shares with a par value of 1 euro each, regular ranking for dividends. A breakdown is as follows:

Share class	Number of shares	Millions of euros
Common shares	5,181,108,251	5,181
Savings shares	110,592,420	111
Total		**5,292**

The table below shows the changes that occurred in the Reserve for cash flow hedge transactions related to the adoption of IAS 32 and IAS 39 to value derivatives, most of which were executed to hedge price and foreign exchange risks related to energy commodities.

Reserve for cash flow hedge transactions

(in thousands of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	49,601	(18,799)	30.802
- Changes in 20010	82,907	(31,422)	51.485
Reserve at December 31, 2010	**132,508**	**(50,221)**	**82.287**

The following changes occurred in the Reserve for available-for-sale investments:

Reserve for available-for-sale investments

(in thousands of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	(1,901)	-	(1,901)
- Changes in 20010	(1,872)	-	(1,872)
Reserve at December 31, 2010	**(3,773)**	**-**	**(3,773)**

24. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 26,743,000 euros, reflect the accrued severance indemnities and other benefits owed to employees at December 31, 2010. A valuation in accordance with the criteria of IAS 19 was performed only for the liability corresponding to the provision for employee severance indemnities that is still held at the Company.

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

- Technical annual discount rate	4.35%
- Annual inflation rate	2.00%

The table below shows the changes that occurred in 2010:

(in thousands of euros)	12.31.2010
Balance at 12.31.09 (A)	**29,560**
Changes in 2010:	
- Utilizations (-)	(2,774)
- Service costs (+)	-
- Actuarial (gains) losses (+/-)	(45)
- Financial expense (+)	1,359
- Other changes	(1,357)
Total changes (B)	**(2,817)**
Balance at 12.31.10 (A+B)	**26,743**

25. Provision for Deferred Taxes

The balance of 279,561,000 euros, which is net of offsettable deferred-tax assets, reflects mainly the deferred-tax liability from the use during transition to the IFRSs of fair value as the deemed cost of property, plant and equipment.

Since these provisions met the requirements of IAS 12, they were offset against the Deferred-tax assets account. The table below shows a breakdown of this provision:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	236,382	304,953	(68,571)
- Adoption of the standard on finance leases (IAS 17)	27,662	28,305	(643)
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	50,220	18,799	31,421
- Other deferred taxes	32	416	(384)
Total deferred-tax liabilities (A)	**314,296**	**352,473**	**(38,177)**
Deferred-tax assets available for offsetting purposes:			
- Taxed provisions for risks	31,695	49,230	(17,535)
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	332	592	(260)
- shareholders' equity	-	-	-
- Other prepaid taxes	2,708	783	1,925
Total deferred-tax assets (B)	**34,735**	**50,605**	**(15,870)**
Total provision for deferred taxes (A-B)	**279,561**	**301,868**	**(22,307)**

Insofar as the recognition of deferred-tax assets is concerned, they were valued in accordance with realistic assumptions that they would be realized and the tax benefits would be recovered within the limited time horizon covered by the Company's industrial plans. Accordingly, only a portion of the amount of the theoretical deferred-tax assets computed on the provisions for risks was used for valuation purposes.

26. Provisions for Risks and Charges

The provisions for risks and charges, which were established to cover contingent liabilities, decreased to 630,746,000 euros, or 58,643,000 euros less than at December 31, 2009, as a result of the changes listed in the table that follows:

(in thousands of euros)	12.31.2009	Additions	Utilizations	Other changes and reclassifications	12.31.2010
- Disputed tax items	55,722	2,314	(2,460)	-	55,576
- Risks for disputes, litigation and contracts	144,724	3,705	(13,609)	3,276	138,096
- Charges for contractual guarantees on the sale of equity investments	78,535	1,126	(21,004)	-	58,657
- Provisions for decommissioning and remediation of industrial sites	299,102	13,257	(5,284)	(1,468)	305,607
- Environmental risks	13,000	2,690	(4,494)	26,728	37,924
- Provisions for CO_2 emissions rights and Green Certificates	31,272	-	(31,272)	1,038	1,038
- Other risks and charges	67,034	7,277	(10,374)	(30,089)	33,848
Total	**689,389**	**30,369**	**(88,497)**	**(515)**	**630,746**

More specifically:

- The main components of **additions** totaling 30,369,000 euros include financial expense on decommissioning and site remediation provisions (13,257,000 euros), statutory and tax interest accrued on existing provisions (5,430,000 euros) and, lastly, additions to provisions for environmental, legal and tax related risks (11,682,000 euros);
- **Utilizations** of 88,497,000 euros refer primarily to the cancellation of some guarantees provided in connection with the sale of equity investments and charges for contractual and tax disputes (47,252,000 euros), purchase of green certificates (15,122,000 euros) and CO_2 emissions rights (16,150,000 euros), and other environmental costs (4,494,000 euros);
- **Other changes and reclassifications** were made with the aim of providing a more effective presentation of certain provisions for risks.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the section of the Notes to the Consolidated Financial Statements entitled “Status of the Main Legal and Tax Disputes Pending at December 31, 2010.”

27. Bonds

The balance of 1,791,325,000 euros represents the non-current portion of the bonds issued, valued at amortized cost.

The table below shows the balance outstanding at December 31, 2010 and indicates the fair value of each bond issue:

(in millions of euros)						Carrying amount			
Market where traded	Currency	Face value outstanding	Coupon	Rate	Maturity	Non-current portion	Current portion	Total	Fair value
Euro Medium Term Notes:									
Luxembourg Stock Exchange	EUR	500	Quarterly in arrears	1.593%	19,07,2011	-	504	504	500
Luxembourg Stock Exchange	EUR	700	Annual in arrears	4.250%	22,07,2014	697	26	723	715
Luxembourg Stock Exchange	EUR	500	Annual in arrears	3.250%	17,03,2015	498	14	512	503
Luxembourg Stock Exchange	EUR	600	Annual in arrears	3.875%	10,11,2017	596	(16)	580	572
Total		**2,300**				**1,791**	**528**	**2,319**	**2,290**

In 2010, the Company repaid a 700-million-euro bond issue that matured in December and floated the following two new bond issues, which were placed within the framework of the Euro Medium Term Program:

- in March, 500 million euros in bonds maturing in 2015 and carrying a fixed gross annual coupon of 3.25% were offered at a 99.70 issue price;
- in November, 600 million euros in bonds maturing in 2017 and carrying a fixed gross annual coupon of 3.875% were offered at a 99.555 issue price.

In connection with the bonds issued in 2009 and 2010, the Company executed derivative transactions to hedge the risk of changes in fair value, which are accounted for in accordance with hedge accounting rules to reflect any change in the hedged risk.

28. Long-term Financial Debt and Other Financial Liabilities

A breakdown of these liabilities is as follows:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Due to banks	820,816	1,446,654	(625,838)
Due to other lenders	26,674	29,311	(2,637)
Total	**847,490**	**1,475,965**	**(628,475)**

The main change compared with December 31, 2009 is the early repayment of a loan with a face value of 600 million euros that was provided to the Company on a club deal basis in May 2009.

29. Other Liabilities

The balance of 22,343,000 euros reflects the suspension of the gain earned by Edison Spa on the sale of a 51% interest in Dolomiti Edison Energy in 2008, while agreements providing both parties with put and call options are in effect.

30. Current Liabilities

A breakdown of current liabilities, which amounted to 2,750,382,000 euros, is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Bonds	527,677	720,626	(192,949)
Short-term financial debt	859,124	702,632	156,492
Trade payables	1,181,924	758,937	422,987
Current taxes payable	-	17,735	(17,735)
Other liabilities	181,657	270,949	(89,292)
Total current liabilities	**2,750,382**	**2,470,879**	**279,503**

The main current liability accounts are reviewed below:

- **Bonds** include the full amount of a bond issue maturing on July, 19, 2011 (503,971,000), which reflects the impact of the valuation of this item at amortized cost;
- **Short-term financial debt** includes 641,459,000 euros owed to subsidiaries and affiliated companies, 189,181,000 euros in liabilities toward factors, 27,485,000 euros due to banks, 22,667,000 euros arising from the measurement at fair value of interest rate and foreign exchange derivatives and 2,416,000 euros for the short-term portion of liabilities under finance leases.

The table below shows the amounts owed to subsidiaries and affiliated companies:

(in thousands of euros)	12.31.2010	12.31.2009	Change
EdisonTrading	446,950	354,737	92,213
Termica Milazzo	58,899	41,897	17,002
Jesi Energia	88,584	28,777	59,807
Termica Cologno	12,276	15,339	(3,063)
Poggio Mondello	10,884	11,075	(191)
Euroil Exploration	11,438	10,622	816
Nuova Alba	5,710	5,677	33
Nuova Cisa	4,459	4,447	12
AMG Gas	1,918	-	1,918
Other subsidiaries	341	140	201
Total	**641,459**	**472,711**	**168,748**

- A breakdown of **Trade payables** by business segment is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Electric power operations	340,974	300,316	40,658
Hydrocarbons operations	812,145	436,671	375,474
Corporate activities	28,805	21,950	6,855
Total trade payables	**1,181,924**	**758,937**	**422,987**

Trade payables refer mainly to purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. They also reflect the fair value of physical energy commodity contracts included in the Trading Portfolio.
The increase in trade payables is due for the most part to the higher volumes of natural gas purchased and the extension of the payment terms for some existing natural gas procurement contracts.

The pictures show the Esterle and Semenza hydroelectric power plants on the Adda River.

- The balance due for **Current taxes payable** is zero, as the estimated payments made in 2010 cover in full the tax liability for the year.

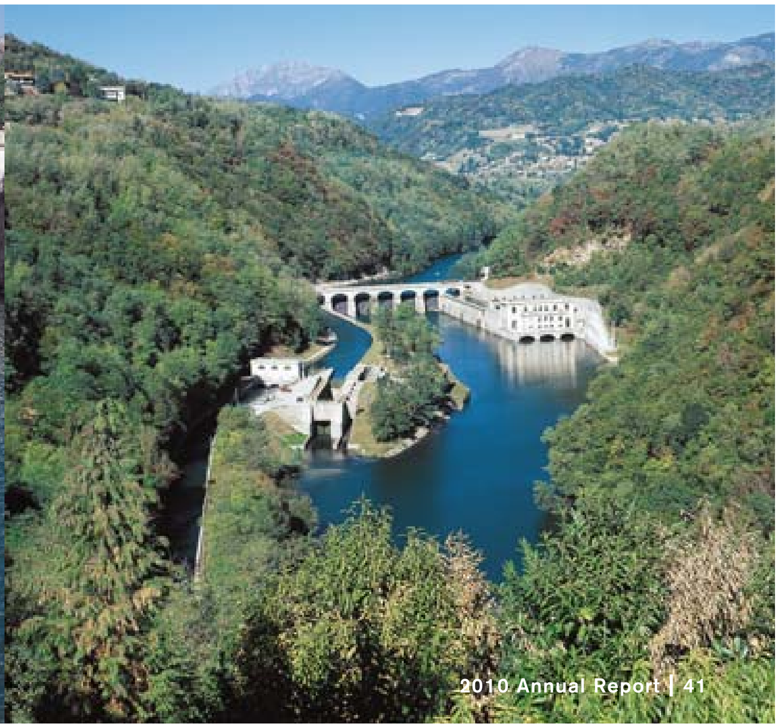
- A breakdown of **Other liabilities** is provided below:

(in thousands of euros)	12.31.2010	12.31.2009	Change
Payables owed for consulting and other services	16,748	55,633	(38,885)
Valuation of derivatives	31,782	51,924	(20,142)
Transalpina di Energia for the consolidated income tax return	-	46,025	(46,025)
Joint holders of permits and concessions for the production of hydrocarbons	45,540	37,568	7,972
Amounts payable to employees	21,390	22,466	(1,076)
Amounts owed to pension and social security institutions	18,852	19,631	(779)
Royalties payable	12,314	8,037	4,277
Excise and other taxes payable	6,139	5,119	1,020
Group companies in connection with the filing of a Group VAT return	5,136	3,826	1,310
Customer advances	3,678	491	3,187
Sundry items	20,077	20,229	(152)
Total	**181,656**	**270,949**	**(89,293)**

31. Liabilities Held for Sale

Liabilities held for sale, amounting to 3,792,000 euros, represent the liabilities of the Disposal Group described earlier in this Report. A breakdown of this amount is as follows:

- 1,950,000 euros owed to employees;
- 997,000 euros for the net provisions for deferred taxes that reflect the differences between the carrying amounts and the tax bases of the assets included in the Disposal Group;
- 847,000 euros for bank loans specifically attributable to the two power plants.



NET FINANCIAL DEBT

At December 31, 2010, net financial debt totaled 1,670 million euros, or 482 million euros more than at the end of 2009. The cash flow from operating activities reflects primarily the combined impact of the following contrasting factors:

Positive factors:
- EBITDA of 368 million euros;
- a positive change of 154 million euros in operating working capital;
- 328 million euros in dividends collected from equity investments;

Negative factors:
- outlays of 653 million euros provided to subsidiaries mainly as advances on capital contributions and to replenish losses;
- 228 million euros in dividend paid to shareholders;
- dditions to property, plant and equipment totaling 201 million euros;
- current taxes payments of 153 million euros.

(in thousands of euros)	Balance sheet note ref.	12.31.2010	12.31.2009	Change
Bonds - non-current portion	27	1,791,325	1,198,771	592,554
Non-current bank loans	28	820,816	1,446,654	(625,838)
Non-current bank loans of divested operations	28	632	-	632
Amounts due to other lenders - non current portion	28	26,674	29,311	(2,637)
Total long-term financial debt		**2,639,447**	**2,674,736**	**(35,289)**
Bonds - current portion	30	527,677	720,626	(192,949)
Current loans payable	30	859,124	702,631	156,493
Current loans payable of divested operations	30	215	-	215
Current financial assets	21	(2,070,700)	(2,342,622)	271,922
Cash and cash equivalents	21	(285,398)	(567,253)	281,855
Total short-term financial debt		**(969,082)**	**(1,486,618)**	**517,536**
Net financial debt		**1,670,365**	**1,188,118**	**482,247**

The main transactions executed in 2010 that had a material impact on the composition of the Company's net financial debt concerned the following items:

- **Bonds - non-current portion,** which increased as the net result of the placement of two bond issues with a total face value of 1,100 million euros, floated in March and November within the framework of the Euro Medium Term Note Program, and the repayment of a bond issue with a face value of 700 million euros in December;

- **Non-current bank loans,** which decreased due to the early repayment of a loan with a face value of 600 million euros that was provided to the Company on a club deal basis in May 2009.

As shown in the schedule provided in the section of this Report entitled "Intercompany and Related-party Transactions," net financial debt includes 94 million euros stemming from transactions with related parties.

DISCLOSURE ABOUT DISPOSAL GROUP (IFRS 5)

A term sheet for the disposal of the business operations comprised of the CET 2 and CET 3 thermoelectric power plants, located in Taranto, was signed in December 2010. The final agreement will be set forth in a contract to be executed afterwards.

The closing is expected to take place on January 15, 2012 or at an earlier date, at Edison's discretion, after conveyed to a new company the power plants, in the event of an early termination of the CIP 6/92 contract.

The transaction, which in the aggregate is valued at about 165 million euros, or a higher amount in the event of an earlier closing, will close after it is approved by the relevant antitrust authorities.

Both generating facilities are located at industrial sites: one of the power plants operates pursuant to a CIP 6/92 contract expiring in 2011, while the other power plant operates as a captive facility.

Even though the assets and liabilities subject of the transaction do not constitute a business operation, they were treated as a Disposal Group, as required by IFRS 5, and are shown on the balance sheet under "Asset and Liabilities held for sale", without any reclassification in the income statement.

The carrying amount of these facilities was written down by 40,000,000 euros in order to reflect the realizable value.

The assets and liabilities included in the Disposal Group are listed below:

(in thousands of euros)

Balance Sheet	12.31.2010
Non-current assets (*)	195,177
Current assets	14,085
Total assets	**209,262**
Shareholders' equity	**205,468**
Non-current liabilities	2,986
Current liabilities	808
Total liabilities	**3,794**
Total liabilities and shareholders' equity	**209,262**

(*) Net of a writedown for 40 million euros recognized in the income statement as item "Profit (Loss) from discontinued operations".

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	12.31.2010	12.31.2009	Change
Guarantees provided	1,370,529	1,402,842	(32,313)
Collateral provided	1,155,380	1,159,514	(4,134)
Other commitments and risks	287,973	658,391	(788)
Total for Edison Spa	**2,813,882**	**3,220,747**	**(37,235)**

Guarantees provided totaled 1,370,529,000 euros. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, is virtually the same as at the end of 2009.

Guarantees provided included the following:

- 149,854,000 euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intercompany assignment of tax credits;
- 50,000,000 euros pursuant to the Tolling and Power Purchasing Agreements, according to which Edison is responsible for the commercial obligations undertaken by its Edison Trading Spa subsidiary toward Edipower;
- Guaranteed provided by the Group's Parent Company on its own behalf and on behalf of subsidiaries and affiliated companies to secure the performance of contractual obligations account for the balance.

Collateral provided, which amounted to 1,155,380,000 euros, or 4,134,000 euros less than at December 31, 2009, represents the value of the assets or rights provided as collateral on the balance sheet date. This item includes collateral provided for liabilities carried on the balance sheet, such as a pledge on Edipower shares (1,066 million euros) provided to a pool of banks to secure a loan. Encumbrances provided to secure other loans (59,765,000 euros) account for most of the balance.

Other commitments and risks, which totaled 287,973,000 euros, reflect primarily commitments undertaken to complete investment projects under construction

The main commitments are reviewed below:

- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs) for the 2008-2012 period, Edison Spa signed the following contracts, for a commitment of up to 54,558,000 euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013, for a commitment of 21,534,000 euros;
  - Management Agreement with EDF Trading (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013, for a commitment of 28,520,000 euros;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013, for a commitment of 4,504,000 euros.
- The Group entered into contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (when the shortage is due to causes that are not specified in the contract), with the option for the buyer, at certain conditions, to recover over the life of the contract the gas volumes that it paid for but did not use. At the end of the year, other assets included 91 million euros and 140 million euros, respectively, for accrued amounts owed to but not yet paid to counterparties. In any case, gas delivery profiles and the economic recoverability are periodically updated during the year.
- Among transactions concerning the Electric Power Operations, Edison granted to:
  - Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity (14 million euros);

- Petrobras an option to buy its interest in Ibiritermo Sa, exercisable in 2022.
- For 16 million euros, a commitment undertaken by Edison Spa in connection with companies sold in previous years.

Unrecognized Commitments and Risks

Significant commitments and risks not included in the amounts listed above are reviewed below.

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Norway, Algeria and Qatar (the supply contract with Qatar went into effect in 2009), which, at full capacity, will provide total supplies of 15.8 billion cubic meters of natural gas a year. The duration of these contracts ranges between 1 and 24 years.
   The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

	U.M.	within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	14.8	67.4	190.7	**272.9**

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

2) The contract concerning Terminale GNL Adriatico Srl, a regasification company in which Edison holds a 10% interest that became operational in November 2009, includes the following conditions:
   - for Edison, the obligation not to transfer its equity interest until July 1, 2011;
   - for the other shareholders, the right to buy the 10% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised;
   - Edison will benefit from 80% of the terminal's regasification capacity for 25 years and the annual regasification fee is estimated in a range from 90 to 100 million euros.

   With regard to the regasification fee payable, Edison's risk is limited to the following situations:
   - Edison has the right to cancel the regasification contract for force majeure events affecting the LNG chain (upstream and midstream) by paying an amount that may not be greater than the regasification fee payable for three years;
   - if a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount;
   - in the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

3) Insofar as the **Electric Power Operations** are concerned, pursuant to the terms stipulated with the counterparty in connection with the sale of 51% interest in Dolomiti Edison Energy Srl, Edison holds a call option exercisable only if no extension of the hydroelectric concession held by Dolomiti Edison Energy Srl is granted by March 31, 2018.

As part of the agreements among the shareholders of RCS Mediagroup Spa who are members of the Blocking and Consultation Syndicate, any Participant who, in response to a tender offer, wishes to exit the Syndicate will be required to sell the syndicated shares to the other Participants. The buyers will have the right, but not the obligation, to buy the shares that are being offered in proportion to the percentage of the shares they contributed to the Syndicate.

TAX STATUS OF SHARE CAPITAL AND RESERVES IN THE EVENT OF REPAYMENT OR DISTRIBUTION

The types of tax status and utilization options of the different items that constitute the Company's shareholders' equity are reviewed below:

(in thousands of euros)	Balance sheet amount	Tax status Type	Tax status Amount	Utilization options	Distributa-ble portion
Capitale sociale	**5,291,701**				
	breakdown	C	192,082	-	-
		D	588,628	-	-
Share capital reserves					
Additional paid-in capital	**1,254**	E	1,254	1, 2, 3	1,254
Earnings reserves					
Statutory reserve	**125,291**				
	breakdown	A	107,738	2	13,814
		D	17,553	2	-
Other reserves	**643,688**				
	breakdown	A	7,292	1, 2, 3	7,292
		A	467,109	1, 2	-
		A	169,287	-	-
Reserve for grants	**3,770**	B	3,770	-	-
Retained earnings	**884,495**				
		A	811,550	1, 2, 3	811,550
		D	72,945	1, 2, 3	72,945

Tax Status

A: Reserves that, if distributed, would be included in the taxable income of the shareholders.

B: Reserves the taxation of which has been suspended and which, if utilized, would be included in the Company's taxable income.

C: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.

D: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (what is termed as realignment), which, if utilized, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).

E: Reserves that, if distributed, would not be included in the taxable income of the shareholders.

Utilization Options

1: Capital increase.

2: Replenishment of losses.

3: Distribution to shareholders.

A breakdown according to tax status is provided below:

- The reserves for government grants, with **B** status, include the following:

- former Edison - grants under Article 55	3,770

- The reserves the taxation of which has been suspended that are part of share capital, with **C** status, include the following

- No. 576 of 12/1/75 (old Edison form. Montedison)	31,064
- No. 72 of 3/19/83 (old Edison form. Montedison)	15,283
- No. 576 of 12/1/75 (former Finagro)	1,331
- No. 72 of 3/19/83 (former Finagro)	3,310
- No. 72 of 3/19/83 (former Montedison)	8,561
- No. 72 of 3/19/83 (former Silos di Genova Spa)	186
- No. 413 of 12/30/91 (former Finagro)	4,762
- No. 576 of 12/1/75 (former Calcemento)	976
- No. 72 of 3/19/83 (former Calcemento)	4,722
- No. 413 of 12/30/91 (former Sondel)	2,976
- No. 413 of 12/30/91 (old Edison)	118,911

Any taxes that may be due (counting also the 6.5% corporate income tax surcharge) on the reserves listed above would amount to 1.4 million euros for those of Item B, 65.3 million euros for those of Item C and 170 million euros (net of tax credit) for those of Item D.

As for the negative income components that are not reflected in the income statement, which until 2008 could be deducted by listing them on a separate schedule annexed to the income tax return, the provision of the tax code require that a corresponding amount of the unrestricted reserves and retained earnings should be maintained on the Company's financial statements and, if the abovementioned amount is distributed, it would be included in the Company's taxable income.

As a result of non-accounting depreciation and amortization taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions still available totaled about 205 million euros. Deferred taxes totaling about 70 million euros were recognized in connection with these entries.

Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in Article 109 of the Uniform Tax Code, totaling 135 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.

Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (Article 47 of the Uniform Tax Code).

FINANCIAL RISK MANAGEMENT

As required by IFRS 7, the paragraphs that follow provide information about the nature of risks concerning Edison Spa, the Group's Parent Company. Information about the policies and procedures adopted to manage these risks and the methods applied to measure at fair value the financial derivatives held by Edison Spa is provided in the Consolidated Financial Statements.

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

Edison Spa is affected by the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, coal, petroleum products and environmental securities) because they have an impact on the revenues and costs of its production and buying and selling activities. These fluctuations affect the Company 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, Edison Spa is also exposed to the resulting exchange rate risk.

Insofar as the derivatives held by the Group's Parent Company that were outstanding at December 31, 2010 are concerned, the maximum negative variance in the fair value of financial instruments expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at December 31, 2010, is 178.5 million euros (89.1 million euros at December 31, 2009), as shown in the table below:

Profit at Risk (PaR)	**December 31, 2010**		December 31, 2009	
(in millions of euros)	Level of probability	Expected negative variance in fair value	Level of probability	Expected negative variance in fair value
Edison Spa	**97.5%**	**178.5**	**97.5%**	**89.1**

In other words, compared with the fair value determined for the financial contracts outstanding at December 31, 2010, the probability of a negative variance greater than 178.5 million euros by the end of 2011 is limited to 2.5% of the scenarios.

The higher amount, compared with the level measured at December 31, 2009, is mainly the result of an increase in derivative hedges executed during the year, due to the higher volume of electric power sold at a fixed price in Italy, in order to lock-in the cost of the natural gas needed to produce the electric power.

The hedging strategy deployed in 2010 enabled Edison to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved Economic Capital limit. Without hedging, the average amount of Economic Capital absorbed in 2010 by the Industrial Portfolio would have been equal to 98% of the approved limit, with a peak of 128% in December 2010. With hedging, the average amount of Economic Capital absorbed in 2010 by the Industrial Portfolio was 62%, with a peak of 96% in December 2010.

Approved activities that are part of the core businesses of Edison Spa include physical and financial commodity trading (natural gas), which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Industrial Portfolio. Trading Portfolio are monitored based on strict risk ceilings, based on the allocation of an Economic Capital limit, measured in terms of Value at Risk (VaR, or Value at Risk, is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval), and a stop loss limit. More specifically, the daily Value-at-Risk limit with a 95% probability on the Trading Portfolios on the balance sheet date is 0.1 million euros. This limit was unused at December 31, 2010, as the net portfolio position was equal to zero. The Economic Capital of the Trading Portfolios represents the total risk capital available to support the market risks entailed by trading activities and takes into account both the risk capital associated with the VaR and the risk capital estimated by means of stress tests for possible illiquid positions. The Economic Capital limit for the Trading Portfolios of Edison Spa is 1 million euros. This limit was unused at December 31, 2010.

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison Spa's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates, with an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transaction risk).
In addition to the economic risk and the transaction risk inherent in commodity activities (see the preceding paragraph), Edison is exposed to the foreign exchange transaction risk on some cash flows in foreign currencies (U.S. dollars, usually) in connection with international development and exploration projects by the hydrocarbons operations and, for limited amounts, purchases of equipment.

3. Interest Rate Risk

Edison Spa is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. The Euribor is the interest rate to which the Group has the largest exposure.

Gross Financial Debt	12.31.2010			12.31.2009		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structure with CAP)	1,829	1,004	25%	1,401	551	13%
- variable rate portion	2,222	3,047	75%	2,697	3,547	87%
Total gross financial debt (*)	**4,051**	**4,051**	**100%**	**4,098**	**4,098**	**100%**

(*) For a breakdown of gross financial debt see the "Liquidity Risk" section of this Report.

The Company floated two fixed-rate bond issues in 2010, in connection with which it executed derivative transactions. More specifically:

- In March 2010, it floated a 500-million-euro bond issue maturing on March 17, 2015, maintaining a portion of the total amount (275 million euros) at the fixed contractual rate of 3.25% and converting the balance (225 million euros) to a variable rate by means of interest rate swaps that qualify as fair value hedges.
- In November 2010, it floated a 600-million-euro bond issue maturing on November 10, 2017 that accrues interest at a fixed rate (3.875%), converted to a variable rate by means of interest rate swaps that qualify as fair value hedges.
- It negotiated a derivatives structure for 500 million euros that currently enables it to stay floating within a contractually established cap and floor. This structure enabled the Company to reset a portion of its debt exposure at a fixed rate and retain a funding source protected from the risk of an increase in interest rates, without giving up the benefits provided by the low level of short-term interest rates.

The strategy pursued in 2010, which consisted of opting for long-term financial instruments with a fixed interest rate and combining them with derivative transactions that, over the short term, make it possible to benefit from variable rates that are lower than the fixed rate and reduce borrowing costs without giving up protection from future hikes in interest rates, is similar to the one implemented in 2009. Specifically, in the case of the 700-million-euro bond issue floated in July 2009, which accrues interest at a fixed rate of 4.25% and matures on July 22, 2014, a portion of the face value amounting to 500 million euros was converted to a variable rate by means of interest rate swaps.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2010 and provides a comparison with the same period in 2009.

Sensitivity analysis	2010			12.31.2010		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	**101.0**	**90.0**	**77.0**	-	-	-

Sensitivity analysis	2009			12.31.2009		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	108	83	59	-	-	-

4. Credit Risk

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

To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), Edison Spa implemented procedures and programs designed to assess customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

The Company is a party to agreements involving the assignment without recourse of trade receivables on a monthly revolving basis.

The receivables assigned by Edison without recourse in 2010 totaled 1,585 million euros. At December 31, 2010, the assigned receivables that were still exposed to the risk of recourse did not represent a material amount.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating. At December 31, 2010, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table that follows shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The increase in receivables outstanding at December 31, 2010, compared with the balance a year earlier, is largely due to a rise in sales volumes, particularly by the hydrocarbons operations.

(in millions of euros)	12.31.2010	12.31.2009
Gross trade receivables	1,279	1,020
Allowance for doubtful accounts (-)	(36)	(44)
Trade receivables	**1,243**	**976**
Guarantees held	313	200
Receivables 9 to 12 months in arrears	1	2
Receivables more than 12 months in arrears	44	41

5. Liquidity Risk

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

Worst-case scenario	12.31.2010			12.31.2009		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 1 year
Bonds	18	558	2,094	2	772	1,329
Financial debt and other financial liabilities	7	20	902	13	23	1,560
Trade payables	1,138	44	-	851	35	-
Total	**1,163**	**622**	**2,996**	**866**	**830**	**2,889**
Guarantees provided to third parties (*)	**569**	**334**	**468**	**598**	**190**	**615**

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

The Company's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity and implementing on a timely basis negotiations to fund maturing financing facilities, as well as through the placement of bond issues.

At December 31, 2010, the financial debt due within one year totaled 603 million euros, which was more than fully covered by available liquid assets of 285 million euros and unused committed credit lines totaling 850 million euros, most of which are part of a standby syndicated facility of 1,500 million euros that expires in 2013 and is carried as a financial debt due after one year. Moreover, in December 2010, Edison Spa and the European Investment Bank executed a loan agreement pursuant to which the Bank is making available to Edison a long-term credit facility of 250 million euros to finance certain natural gas storage projects. This credit line was not included among the available facilities because the conditions precedent governing its disbursement are still being negotiated.

The main component of maturing short-term debt of 603 million euros is a 500-million-euros variable-rate bond issue due on July 19, 2011.

As for long-term financial debt, the early repayment in 2010 of the bank facility provided to Edison Spa on a club deal basis (600 million euros) accounts for virtually all of the reduction in bank borrowings due after one year. At the same time, the portion of long-term debt represented by bonds increased, reflecting the placement of two bond issues with a total face value of 1,100 million euros in 2010. Both bond issues were placed with institutional investors and are traded on the Luxembourg Stock Exchange. These new capital market transactions enabled Edison to stabilize it sources of funds and lengthen their maturity.

The table below provides a breakdown by maturity of the Company's gross financial debt at December 31, 2010. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because thy do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations for derivatives, i.e., the amounts at which financial liabilities were recognized in the accounting records at December 31, 2010.

Lastly, insofar as the 650 million euros drawdown from the standby syndicated facility of 1,500 million euros is concerned, this debt is carries based on the maturity of the underlying credit line (April 2013) and treated as part of the medium/long-term sources of funds, taking also into account the financial coverage requirements projected in the industrial plan.

(in millions of euros)	12.31.2011	12.31.2012	12.31.2013	12.31.2014	12.31.2015	After 5 years	Total
Bonds	528	(2)	(2)	698	499	598	2,319
Financial debt and other financial liabilities owed to outsiders	217	99	667	65	3	15	1,066
Gross financial debt owed to outsiders	**745**	**97**	**665**	**763**	**502**	**613**	**3,385**
Gross intercompany financial debt	642	-	-	-	-	-	642
Total gross financial debt	**1,387**	**97**	**665**	**763**	**502**	**613**	**4,027**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Edison is a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).
Four issues of debt securities (Euro Medium-term Notes) issued by Edison, for a total face value of 2,300 million euros, were outstanding at December 31, 2010 (see the table below, in millions of euros). The last two of these bond issues (500 million euros, maturing in five years, and 600 million euros, maturing in seven years), the terms of which were explained earlier in these Notes, were floated in March and November 2010, respectively.

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	07-19-2011	500	Variable quarterly	1.593%
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07-22-2014	700	Fixed annual	4.250%
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03-17-2015	500	Fixed annual	3.250%
EMTN 2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11-10-2017	600	Fixed annual	3.875%

In addition, Edison is a party to non-syndicated loan agreements with a total face value of 201 million euros and syndicated loan agreements with a total face value of 1,500 million euros (850 million euros unused at December 31, 2010).
Consistent with international practice for similar transactions, both the bank loan agreements and the Euro Medium Term Note Program provide the lender bank or the bondholder with the right to demand the payment of the loaned amount and terminate ahead of schedule their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or other proceedings with a similar effect.
Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds. The main clauses of this type are: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain to provide Edison Group assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the indebtedness owed by the Edison Group; and (iii) clauses that establish an obligation of immediate repayment even if just some Edison Group companies were to be declared insolvent.
As for credit line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreement for a syndicated credit line of 1,500 million euros provided to Edison Spa sets forth, among other clauses, Edison's obligation to comply with certain commitments, which include making sure that the lender banks are being afforded a treatment equal to the one offered under other unsecured creditors (*pari passu* clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause).
Neither the loan agreements governing the bank facilities provided to Edison Spa nor the bond indentures contain clauses allowing early termination of the loan if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled. Moreover, following the early repayment, in March and April 2010, of the club deal facility of 600 million euros, Edison Spa is no longer required, under the terms of any of its credit lines, to comply with specific financial statement ratios that limit the level of debt based on economic performance (financial covenants).

At present, the Company is not aware of the existence of any default situation.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

Whenever possible, Edison uses hedge accounting, provided the transactions in question comply with the requirements of IAS 39.

Forward transactions and derivatives can be classified as follows:

1) **Derivatives that qualify as hedges in accordance with IAS 39.** This category includes transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedge - CFH) and those that hedge the fair value of the hedged item (Fair Value Hedge - FVH).
2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IAS 39.** They can be:
   a. Transactions to manage interest rate and foreign exchange and price risk on energy commodities. For all derivatives that comply with internal risk policies and procedures, realized results and expected values are either included in EBITDA, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 7

IFRS 7 requires that the classification of financial instruments in accordance with their fair value be based on the reliability of inputs used to measure fair value.

The IFRS 7 ranking is based on the following hierarchy:

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets;
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable. (e.g., forward contracts or swaps in futures markets);
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At the moment, there are two types of instruments that are included in this category.

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

Instruments Outstanding at December 31, 2010

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Carrying amount (**)	Cumulative impact on the income statement at 12.31.10 (***)
		due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management:						
- Cash Flow Hedges in accordance with IAS 39	2	-	-	-	-	-
- Fair Value Hedges in accordance with IAS 39	2	-	725,000	600,000	2,651	2,651
- contracts that do not qualify as hedges in accordance with IAS 39	2	14,830	536,061	-	971	971
Total interest rate derivatives		**14,830**	**1,261,061**	**600,000**	**3,622**	**3,622**

		due within 1 year		due between 2 and 5 years	due after 5 years		
		receivable	payable	receivable	receivable		
Foreign exchange rate risk management:							
- contracts that qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	1,450,984	-	28,286	-	7,868	-
- on financial transactions	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	85,164	-	11,678	-	2,412	2,412
- on financial transactions	2	227,996	11,703	-	-	(1,438)	(1,438)
Total foreign exchange rate derivatives		**1,764,144**	**11,703**	**39,964**	**-**	**8,842**	**974**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 7."

B) Commodity Risk

	Fair Value Hierarchy (****)	Notional amount (*)				Carrying amount (**)	Cumulative impact on the income statement at 12.31.10 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in thousands of euros)	(in thousands of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39						**124,257**	**(383)**
- LNG, crude oil	2	Barrels	23,434,805	631,900	-	124,257	(383)
B. Fair Value Hedges pursuant to IAS 39					-	-	
C. Contracts that do not qualify as margin hedges pursuant to IAS 39:						**(615)**	**(615)**
- LNG, crude oil	2	Barrels	36,600	-	-	(615)	(615)
- Coal	2	Millions of tons	-	-	-	-	-
Total						**123,642**	**(998)**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 7."

C) Trading Portfolio

	Fair Value Hierarchy (****)	Notional amount (*)				Carrying amount (**)	Cumulative impact on the income statement at 12.31.10 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in thousands of euros)	(in thousands of euros)
Trading portfolio							
Physical contracts						**1,624**	**1,624**
- Gas	3	MWh	-	-	-	1,624	1,624
Total						**1,624**	**1,624**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definitions see the previous paragraph "Fair Value hierarchy according to IFRS 7."

Effects of Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2010

The table below provides an analysis of the financial results generated by derivative and trading transactions in 2010. Purchases of natural gas reflected in Materials and services used include 22 million euros representing the positive impact of the effective portion of commodity-related foreign exchange hedges.

(in millions of euros)	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.09 (B)	Portion of (B) contracts realized in 2010 (B1)	Fair value recognized contracts outstanding at 12.31.10 (C)	Change in fair value in 2010 (D=C-B)	**Amounts recognized in earnings (A+D)**
Sales revenues and Other revenues and income (see Notes 1 and 2 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	86,348	2,432	2,432	646	(1,786)	84,562
- not definable as hedges pursuant to IAS 39	8,612	9,416	9,416	627	(8,789)	(177)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	10,606	118	-	2,506	2,388	12,994
Margin on trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	48,304	-	-	5,005	5,005	53,309
- Other revenues and income from derivatives included in the Trading Portfolios (****)	-	-	-	-	-	-
- Raw materials and services used from physical contracts included in the Trading Portfolios (***)	(46,245)	-	-	(3,381)	(3,381)	(49,626)
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	-	-	-	-	-	-
Total margin on trading activities	**2,059**	**-**	**-**	**1,624**	**1,624**	**3,683**
Total (A)	**107,625**	**11,966**	**11,848**	**5,403**	**(6,563)**	**101,062**
Raw materials and services used (see Note 3 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	(19,872)	(294)	(294)	(1,029)	(735)	(20,607)
- not definable as hedges pursuant to IAS 39	(9,184)	(11,969)	(11,236)	(1,242)	10,727	1,543
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	21,557	-	-	-	-	21,557
- not definable as hedges pursuant to IAS 39	(1,191)	-	-	(111)	(111)	(1,302)
Total (B)	**(8,690)**	**(12,263)**	**(11,530)**	**(2,382)**	**9,881**	**1,191**
TOTAL INCLUDED IN EBITDA (A+B)	**98,935**	**(297)**	**318**	**3,021**	**3,318**	**102,253**
Interest rate hedges, broken down as follows						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	15,268	6,520	3,472	21,719	15,199	30,467
- not definable as hedges pursuant to IAS 39	30,265	12,056	4,067	4,309	(7,747)	22,518
Total financial income (C)	**45,533**	**18,576**	**7,539**	**26,028**	**7,452**	**52,985**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(8,637)	-	-	(19,068)	(19,068)	(27,705)
- not definable as hedges pursuant to IAS 39	(20,304)	(1,724)	(16)	(3,338)	(1,614)	(21,918)
Total financial expense (D)	**(28,941)**	**(1,724)**	**(16)**	**(22,406)**	**(20,682)**	**(49,623)**
Margin on interest rate hedging transactions (C+D)=(E)	**16,592**	**16,852**	**7,523**	**3,622**	**(13,230)**	**3,362**
Foreign exchange rate hedges broken down as follows						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	11,803	-	-	-	-	11,803
- not definable as hedges pursuant to IAS 39	60,536	2,589	2,405	-	(2,589)	57,947
Total foreign exchange gains (F)	**72,339**	**2,589**	**2,405**	**-**	**(2,589)**	**69,750**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	(79)	-	-	-	-	(79)
- not definable as hedges pursuant to IAS 39	(35,501)	-	-	(1,438)	(1,438)	(36,939)
Total foreign exchange losses (G)	**(35,580)**	**-**	**-**	**(1,438)**	**(1,438)**	**(37,018)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**36,759**	**2,589**	**2,405**	**(1,438)**	**(4,027)**	**32,732**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 7 to the Income Statement)	**53,351**	**19,441**	**9,928**	**2,184**	**(17,257)**	**36,094**

(*) Includes the effective portion included in Raw materials and services used (Note 3 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in Sales revenues (Note 1 to the Income Statement) under margin on trading activities.
(****) Amounts included in Other revenues and income (Note 2 to the Income Statement) under margin on trading activites.

The table below provides a breakdown of the amounts recognized on the balance sheet for the measurement at fair value of derivatives and physical contracts outstanding at December 31, 2010:

(in millions of euros)	12.31.2010		12.31.2009	
	Receivables	Payables	Receivables	Payables
Transactions on:				
- interest rates	26,028	(22,406)	18,047	(1,195)
- foreign exchange	30,767	(21,920)	11,851	(30,360)
- commodities	140,151	(10,357)	96,943	(31,407)
Trading transactions	5,005	(3,381)	-	-
Fair value recognized as a current asset or a current liability	**201,951**	**(58,064)**	**126,841**	**(62,962)**
Recognized as:				
- Trade receivables and payables	5,005	(3,381)	-	-
- Other receivables and payables	170,918	(32,016)	108,609	(61,767)
- Current financial assets or Short-term financial debt	26,028	(22,667)	18,232	(1,195)

With regard to the items listed above, please note that the receivables and payables shown are offset by a positive cash flow hedge reserve amounting to 132.5 million euros, before the applicable deferred taxes.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements, showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at December 31, 2010. The Company chose not to adopt the fair value option and, consequently, as the table shows, neither financial debt nor bonds were restated at fair value.

Financial instrument type	Criteria applied to value financial instruments in the financial statements										
(in thousands of euros)	**Financial instruments measured at fair value** with change in fair value recognized in: earnings (a)	equity (b)	(c)	**Total Fair Value (A)**	Fair Value Hierarchy (notes a, b, c) 1	2	3 (l)	**Financial instruments valued at amortized cost (B) (d)**	**Equity investments valued at cost (C) (e)**	**Carrying value at 12.31.2010 (A+B+C)**	Fair Value at 31.12.2010
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	-	-	-	**-**	-	-	-	**-**	**284,043**	284,043	n.d.
- listed securities	-	-	8,020	**8,020**	8,020	-	-	**-**	**-**	8,020	8,020
										292,063	
Other financial assets (h)	-	-	-	**-**	-	-	-	**6,854**	**-**	6,854	6,854
Other assets (l)	-	-	-	**-**	-	-	-	**98,390**	**-**	98,390	98,390
Trade receivables (h) (l)	5,005	-	-	**5,005**	-	-	5,005	**1,238,309**	**-**	1,243,314	1,243,314
Other receivables (f) (l)	3,152	161,380	-	**164,532**	-	164,532	-	**204,591**	**-**	369,123	369,123
Current financial assets (f) (g) (l)	26,028	-	-	**26,028**	-	26,028	-	**2,044,672**	**-**	2,070,700	2,070,700
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**285,398**	**-**	285,398	285,398
LIABILITIES											
Bonds	-	-	-	**-**	-	-	-	**2,319,002**	**-**	2,319,002	2,289,727
Financial debt (f) (l)	22,667	-	-	**22,667**	-	22,667	-	**1,684,793**	**-**	1,707,460	1,693,812
Trade payables (h) (l)	-	-	-	**-**	-	-	3,381	**1,181,924**	**-**	1,181,924	1,181,924
Other liabilities (f) (l)	2,532	29,251	-	**31,783**	-	31,783	-	**149,873**	**-**	181,656	181,656

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes equity investments held for trading.
(h) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolio.
(i) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying amount.
(l) The fair value classified at Level 3, amounting to 2 million euros, is recognized in the physical trading margin (4 million euros in sales revenues and 2 million euros in materials and services used).

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related and significant parties affecting the income statement, balance sheet and cash flow that were outstanding at December 31, 2010 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.

Further to the publication by the Consob, on September 24, 2010, of a Communication setting forth provisions governing related-party transactions in accordance with Consob Resolution No. 17221 of March 12, 2010, as amended, the Board of Directors of Edison Spa approved a Procedure Governing Related-Party Transactions, which went into effect on January 1, 2011.

(in thousands of euros)	Related parties					Related parties				Total related and significant parties	Total financial statement item	% impact
	with Group companies	with controlling company	EDF Group	A2A Group	Total related parties	Iren Group	Banca Popolare di Milano	Mediobanca	Total significant parties			
Balance sheet transactions												
Trade receivables	644,160	-	1,630	7,028	652,818	11,451	-	-	11,451	664,269	1,243,314	53.4%
Other receivables	53,878	38,262	12,290	294	104,724	-	-	50	50	104,774	369,123	28.4%
Trade payables	191,629	-	3,840	6,368	201,837	2,076	-	-	2,076	203,913	1,181,924	17.3%
Other payables	15,507	-	91	-	15,598	-	-	-	-	15,598	181,656	8.6%
Investments in subsidiaries and associates	2,308,534	-	-	-	2,308,534	-	-	-	-	2,308,534	2,308,534	100.0%
Other financial assets	6,854	-	-	-	6,854	-	-	-	-	6,854	6,854	100.0%
Current financial assets	2,036,973	-	-	-	2,036,973	-	82	-	82	2,037,055	2,070,700	98.4%
Short-term financial debt	641,459	-	-	-	641,459	-	-	10,969	10,969	652,428	859,124	75.9%
Long-term financial debt and other financial liabilities	-	-	-	-	-	-	-	81,818	81,818	81,818	847,490	9.7%
Income statement transactions												
Sales revenues	2,203,334	293	1,995	16,092	2,221,714	15,091	-	-	15,091	2,236,805	5,590,782	40.0%
Other revenues and income	23,244	1	14,021	37	37,303	-	-	-	-	37,303	367,821	10.1%
Raw materials and services used	173,737	-	22,493	16,641	212,871	80	-	-	80	212,951	5,451,393	3.9%
Financial income	73,634	-	-	-	73,634	-	-	-	-	73,634	130,960	56.2%
Financial expense	1,996	-	10	-	2,006	-	11	1,204	1,215	3,221	180,610	1.8%
Income from equity investments	327,402	-	-	-	327,402	-	-	-	-	327,402	327,668	99.9%
Expense on equity investments	360,095	-	-	-	360,095	-	-	-	-	360,095	361,483	99.6%
Commitments and contingent risks												
Guarantees provided	-	-	-	-	-	-	37,621	-	37,621	37,621	1,370,529	2.7%
Other commitments and risks	-	-	28,520	-	28,520	-	-	-	-	28,520	287,973	9.9%

A) Intercompany Transactions

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

- Commercial transactions involving the buying and selling of electric power and natural gas, green certificates and CO_2 emissions rights.
- Transactions involving the provision of services (technical, organizational and general) by headquarters staff.
- Financial transactions involving lending and current account facilities established within the framework of the Group's centralized cash management system.
- Transactions required to file a consolidated VAT return for the Group (the VAT Pool).

With the exception of transactions related to the VAT Pool and the consolidated corporate income tax return, which are executed pursuant to law, all of the transactions listed above are governed by contracts with conditions that are consistent with market terms, i.e., the terms that would be applied by two independent parties.
In the area of commercial transactions, the Group's Parent Company, Edison Spa, sells natural gas and electric power to Edison Trading Spa and Edison Energia Spa, respectively, under special contracts that, taking into account the specific functions of the two buyer companies within the Group, provide the seller with adequate coverage of its fixed and variable costs. In addition, the rate earned on transactions involving intercompany current accounts is the Deposit Rate, while the rate paid is the Marginal Refinance Rate, both of which are determined by the European Central Bank.

Consolidated VAT Return

Edison Spa files a consolidated VAT return (the VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for December 2010 shows that the Group had a net credit toward the tax administration of about 5,982,000 euros.

Consolidated Corporate Income Tax (IRES) Return

In June 2009, Transalpina di Energia Srl, the Group's controlling company, renewed the option of filing a consolidated income tax return for three years from 2009 to 2011. Bilateral agreements, with the same provisions for all companies, governing the relationships arising between the controlling company and the companies included in the consolidated tax return were executed on the same occasion.
Group companies that engage in the exploration for and production of hydrocarbons and in the production and distribution of electric power are subject to the 6.5% corporate income tax (IRES) surcharge and are required to pay this surcharge directly, even if they are included in the consolidated IRES return. The IRES surcharge was raised from 5.5% to 6.5%, pursuant to a provision of Law No. 99 of July 23, 2009.

B) Transactions with Other Related Parties

In 2009, Edison Spa engaged in a number of commercial and financial transactions with some of its current shareholders and/or companies controlled by them. An overview of these transactions, which were carried out in the normal course of business based on contractual terms mutually agreed upon by the parties and consistent with regular market practices, is provided below.

1) Commercial Transactions

As shown in the summary schedule, these transactions refer mainly to revenues generated by sales of natural gas, electric power and transmission services and the rebilling of maintenance costs.

2) Financial Transactions

The main financial transactions executed by Edison Spa in which its shareholder banks played a significant role are reviewed below:

- Banca Popolare di Milano provided Edison with an 70-million-euro revocable line of credit that accrues interest at market rates. At December 31, 2010, 37.6 million euros in sureties had been drawn against this credit line, which, however, had not been used for short-term borrowings.
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds, which has been partially repaid in accordance with the amortization plan. At December 31, 2010, the outstanding balance was about 93 million euros.

3) Other Transactions

There were no significant events requring disclosure.

Edison is a sponsor of Italy's Volleyball Federation.
Teams competed the Edison Challenge Cup, which was held
in Alassio this past October, ahead of the World Championship.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Significant nonrecurring transactions executed in 2010 that require disclosure pursuant to Consob Communication No. DEM/6064293 of July 28, 2006 are listed below:

- The company filed for early termination of the CIP 6/92 contracts for the Porto Viro and Porcari thermoelectrical power plants. As a result, it recognized a gain of 24 million euros on EBITDA and a loss of 7 million euros on net result, considering the writedown of Porto Viro power plants assets and the tax effects. The receivable resulting from this transaction was assigned without recourse and collected in the year ended December 31, 2010.
- Edison Spa signed a term sheet for the divestment of the business operations comprised of two power plants located in Taranto, for a price of 165 million euros. In connection with this transaction, which is expected to close by January 15, 2012, Edison recognized asset writedowns totaling 40 million euros and reclassified to Assets and liabilities held for sale the assets and liabilities of these business operations.
- Edison Spa favorably settled the arbitration proceedings regarding a dispute with Falck that arose in connection with the sales of Tecnimont. As a result of this settlement, Edison Spa reported a net gain of about 25 million euros in its income statement and a positive cash flow of 7 million euros.

Transactions Resulting from Atypical and/or Unusual Activities

As required by CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison Spa declares that in 2010 it did not execute atypical and/or unusual transactions, as defined in the abovementioned Communication.

Treasury Shares

At December 31, 2010, the Company held no treasury shares.

Compensation of Directors and Statutory Auditors, Stock Options Awarded to Directors and Equity Investments of Directors

For information concerning:

- the compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the Report on Corporate Governance.

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2010

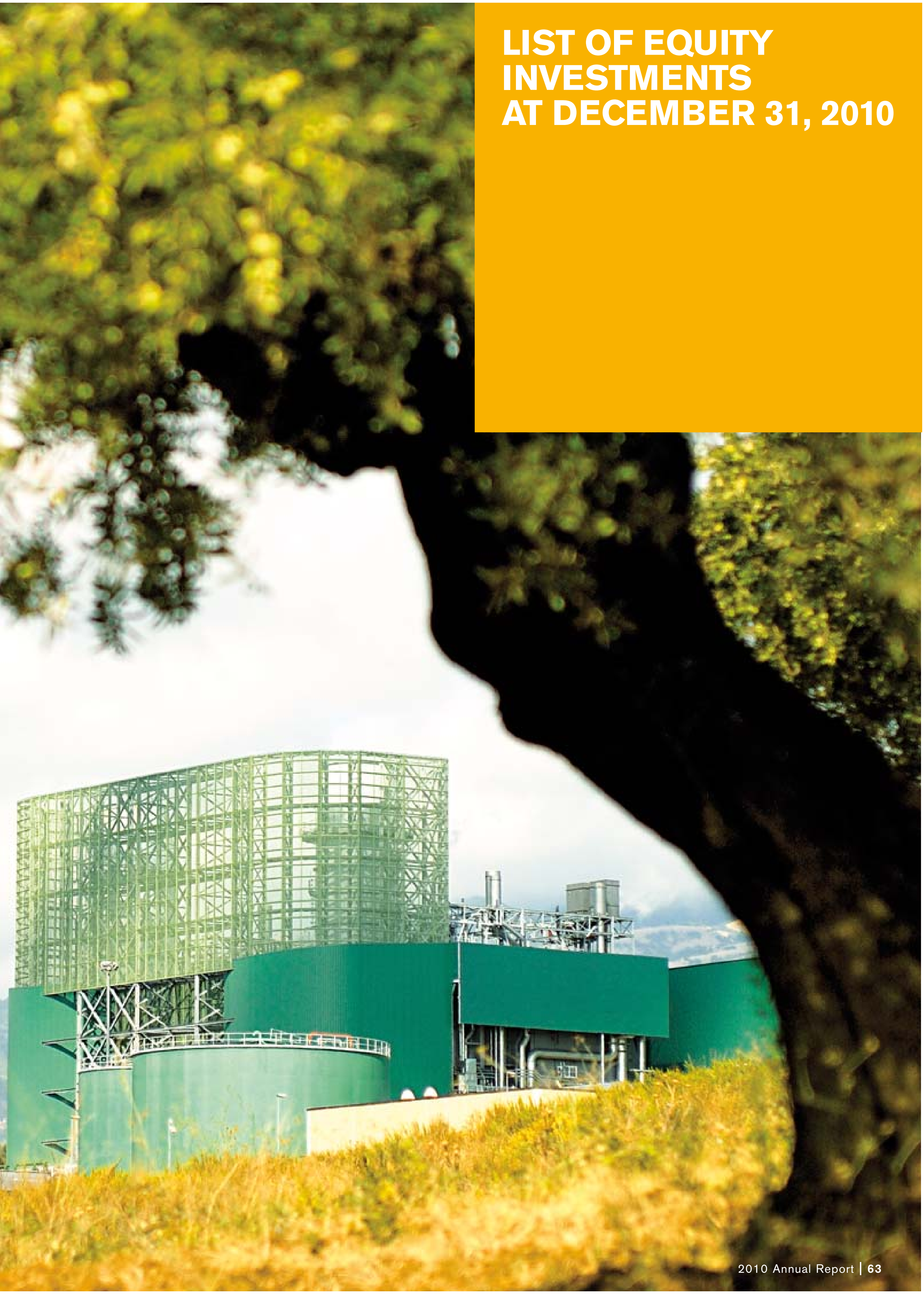
Please consult the information provided in the corresponding section of the notes to the Consolidated Financial Statements.

Milan, March 21, 2011

The Board of Directors
by Giuliano Zuccoli
Chairman

The Altomonte (Cosenza) thermoelectric power plant.

LIST OF EQUITY INVESTMENTS AT DECEMBER 31, 2010



LIST OF EQUITY INVESTMENTS

Company	Head office	Share capital		
		Currency	Amount	Par value per share
A1. Equity Investments in Subsidiaries				
AMG Gas Srl	**(*) Palermo**			
Balance at 12.31.2009		Eur	100,000	-
Balance at 12.31.2010		Eur	100,000	-
Atema Ltd	**Dublin (Ireland)**			
Balance at 12.31.2009		Eur	1,500,000	0.50
Balance at 12.31.2010		Eur	1,500,000	0.50
Dolomiti Edison Energy Srl	**Trent**			
Balance at 12.31.2009		Eur	5,000,000	-
Balance at 12.31.2010		Eur	5,000,000	-
Ecofuture Srl (single shareholder)	**(*) Milan**			
Balance at 12.31.2009		Eur	10,200	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	10,200	-
Edison D.G. Spa (single shareholder)	**(*) Selvazzano Dentro (PD)**			
Balance at 12.31.2009		Eur	460,000	1.00
Balance at 12.31.2010		Eur	460,000	1.00
Edison Energia Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2009		Eur	22,000,000	1.00
Balance at 12.31.2010		Eur	22,000,000	1.00
Edison Energie Speciali Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2009		Eur	4,200,000	1.00
Balance at 12.31.2010		Eur	4,200,000	1.00
Edison Energie Speciali Calabria Spa	**Crotone**			
Balance at 12.31.2009		Eur	-	-
Share capital increase		Eur	120,000	1.00
Balance at 12.31.2010		Eur	120,000	1.00
Edison Engineering Sa	**Athens (Greece)**			
Balance at 12.31.2009		Eur	260,001	-
Balance at 12.31.2010		Eur	260,001	-
Edison Hellas Sa	**Athens (Greece)**			
Balance at 12.31.2009		Eur	263,700	2.93
Balance at 12.31.2010		Eur	263,700	2.93
Edison Idrocarburi Sicilia Srl formerly ISE Srl (single shareholder)	**(*) Ragusa**			
Balance at 12.31.2009		Eur	10,000	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	10,000	-
Edison International Spa	**(*) Milan**			
Balance at 12.31.2009		Eur	17,850,000	1.00
Advance by shareholders on future capital contributions		Eur	-	-
Share capital increase		Eur	57,150,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	75,000,000	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
80.000	80,000	25,100,000	-	25,100,000				
80.000	80,000	25,100,000	-	25,100,000	5,006,035	4,004,828	1,497,462	1,197,970
100.000	3,000,000	1,381,681	-	1,381,681				
100.000	3,000,000	1,381,681	-	1,381,681	2,053,534	2,053,534	504,163	504,163
49.000	2,450,000	8,187,900	-	8,187,900				
49.000	2,450,000	8,187,900	-	8,187,900	20,439,228	10,015,222	2,904,470	1,423,190
100.000	10,200	688,801	(639,670)	49,131				
-	-	-	(13,584)	(13,584)				
100.000	10,200	688,801	(653,254)	35,547	35,548	35,548	(13,584)	(13,584)
100.000	460,000	38,512,802	-	38,512,802				
100.000	460,000	38,512,802	-	38,512,802	28,603,282	28,603,282	3,207,306	3,207,306
100.000	22,000,000	73,973,621	-	73,973,621				
100.000	22,000,000	73,973,621	-	73,973,621	34,477,490	34,477,490	(5,303,387)	(5,303,387)
100.000	4,200,000	205,342,755	-	205,342,755				
100.000	4,200,000	205,342,755	-	205,342,755	132,512,968	132,512,968	7,294,316	7,294,316
-	-	-	-	-				
100.000	120,000	120,000	-	120,000				
100.000	120,000	120,000	-	120,000	105,869	105,869	(14,131)	(14,131)
100.000	60,000	260,001	-	260,001				
100.000	60,000	260,001	-	260,001	408,464	408,464	45,691	45,691
100.000	90,000	187,458	(8,000)	179,458				
100.000	90,000	187,458	(8,000)	179,458	313,625	313,625	144,312	144,312
100.000	10,000	10,000	-	10,000				
-	-	-	(7,671)	(7,671)				
100.000	10,000	10,000	(7,671)	2,329	2,329	2,329	(5,063)	(5,063)
70.000	12,495,000	114,178,794	-	114,178,794				
-	-	17,500,000	-	17,500,000				
22.860	57,150,000	500,000,000	-	500,000,000				
-	-	-	(311,000,000)	(311,000,000)				
92.860	69,645,000	631,678,794	(311,000,000)	320,678,794	491,240,041	456,165,502	(33,428,918)	(31,042,093)

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

CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound

EGP Egyptian pound | USD U.S. dollar | LIT Italian lira | TRL Turkish lira

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
Edison International Holding NV	**Amsterdam (Netherlands)**			
Balance at 12.31.2009		Eur	4,582,803	1.00
Advance by shareholders on future capital contributions		Eur	-	-
Balance at 12.31.2010		Eur	4,582,803	1.00
Edison Stoccaggio Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2009		Eur	81,497,301	1.00
Balance at 12.31.2010		Eur	81,497,301	1.00
Edison Trading Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2009		Eur	30,000,000	1.00
Balance at 12.31.2010		Eur	30,000,000	1.00
Eneco Energia Spa	**(*) Bolzano**			
Balance at 12.31.2009		Eur	222,000	1.00
Purchase		Eur	-	-
Balance at 12.31.2010		Eur	222,000	1.00
Euroil Exploration Ltd	**London (England)**			
Balance at 12.31.2009		GBP	9,250,000	1.00
Balance at 12.31.2010		GBP	9,250,000	1.00
Gever Spa (pledged shares)	**Milan**			
Balance at 12.31.2009		Eur	10,500,000	1,000.00
Balance at 12.31.2010		Eur	10,500,000	1,000.00
Edison Power Energy Srl formerly Hydro Power Energy Sr (single shareholder)	**(*) Bolzano**			
Balance at 12.31.2009		Eur	50,000	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	50,000	-
Hydros Srl	**Bolzano**			
Balance at 12.31.2009		Eur	30,018,000	-
Balance at 12.31.2010		Eur	30,018,000	-
Jesi Energia Spa	**(*) Milano**			
Balance at 12.31.2009		Eur	5,350,000	1.00
Balance at 12.31.2010		Eur	5,350,000	1.00
Montedison Srl (single shareholder)	**(*) Milano**			
Balance at 12.31.2009		Eur	2,583,000	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	2,583,000	-
Nuova Alba Srl (single shareholder)	**(*) Milano**			
Balance at 12.31.2009		Eur	2,016,457	-
Advance by shareholders on future capital contributions		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	2,016,457	-
Nuova C.I.S.A. Spa in liquidation (single shareholder)	**(*) Milano**			
Balance at 12.31.2009		Eur	1,549,350	1.00
Balance at 12.31.2010		Eur	1,549,350	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
100.000	4,582,803	77,137,200	(11,354,934)	65,782,266				
-	-	122,000,000	-	122,000,000				
100.000	4,582,803	199,137,200	(11,354,934)	187,782,266	171,887,268	171,887,268	(7,668,320)	(7,668,320)
100.000	81,497,301	81,497,301	-	81,497,301				
100.000	81,497,301	81,497,301	-	81,497,301	117,098,288	117,098,288	21,249,534	21,249,534
100.000	30,000,000	30,000,000	-	30,000,000				
100.000	30,000,000	30,000,000	-	30.000,000	222,070,520	222,070,520	163,994,130	163,994,130
90.000	199,800	7,850,898	(3,868,128)	3,982,770				
10.00	22,200	1,620,000	-	1,620,000				
100.000	222,000	9,470,898	(3,868,128)	5,602,770	958,689	958,689	413,711	413,711
0.000	1	950	-	950				
0.000	1	950	-	950				
51.000	5,355	24,055,699	(13,500,000)	10,555,699				
51.000	5,355	24,055,699	(13,500,000)	10,555,699	27,474,003	14,011,742	5,697,818	2,905,887
100.000	-	70.000	(37,442)	32,558				
-	-	-	(8,539)	(8,539)				
100.000	-	70.000	(45,981)	24,019				
40.000	12,007,200	33,379,456	-	33,379,456				
40.000	12,007,200	33,379,456	-	33,379,456	93,301,497	37,320,599	9,383,443	3,753,377
70.000	3,745,000	15,537,145	-	15,537,145				
70.000	3,745,000	15,537,145	-	15,537,145	74,417,741	52,092,419	67,948,299	47,563,809
100.000	2,583,000	68,760,329	(66,040,673)	2,719,656				
-	-	-	(376,640)	(376,640)				
100.000	2,583,000	68,760,329	(66,417,313)	2,343,016	2,343,016	2,343,016	(413,640)	(413,640)
100.000	2,016,457	22,478,550	(22,478,550)	-				
-	-	2,130,000	-	2,130,00				
-	-	-	(696,825)	(696,825)				
100.000	2,016,457	24,608,550	(23,175,375)	1,433,175	1,433,175	1,433,175	(586,847)	(586,847)
100.000	1,549,350	3,500,109	(1,086,596)	2,413,513				
100.000	1,549,350	3,500,109	(1,086,596)	2,413,513	4,341,926	4,341,926	(254,203)	(254,203)

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
Presenzano Energia Srl (single shareholder)	**Milano**			
Balance at 12.31.2009		Eur	120,000	1.00
Disposal		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	120,000	1.00
Sarmato Energia Spa	**Milano**			
Balance at 12.31.2009		Eur	14,420,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	14,420,000	1.00
Selm Holding International Sa in liquidation	**Lussemburgo**			
Balance at 12.31.2009		Eur	24,000,000	120.00
Advance by shareholders on future capital contributions		Eur	-	-
Purchase		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	24,000,000	120.00
Sistemi di Energia Spa	**(*) Milano**			
Balance at 12.31.2009		Eur	10,083,205	1.00
Balance at 12.31.2010		Eur	10,083,205	1.00
Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)	**Roma**			
Balance at 12.31.2009		Lit	300,000,000	10,000.00
Balance at 12.31.2010		Lit	300,000,000	10,000.00
Termica Cologno Srl	**(*) Milano**			
Balance at 12.31.2009		Eur	9,296,220	-
Balance at 12.31.2010		Eur	9,296,220	-
Termica Milazzo Srl	**(*) Milano**			
Balance at 12.31.2009		Eur	23,241,000	-
Balance at 12.31.2010		Eur	23,241,000	-
Volta Spa in liquidation	**Milano**			
Balance at 12.31.2009		Eur	130,000	1.00
Liquidation		Eur	(130,000)	(1.00)
Balance at 12.31.2010		Eur	-	-
Total A1. Equity investments in subsidiaries				

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
100.000	120,000	120,000	-	120,000				
(10.000)	(12,000)	(12,000)	-	(12,000)				
-	-	-	(29,872)	(29,872)				
90.000	108,000	108,000	(29,872)	78,128	78,128	70,315	(41,872)	(37,685)
55.000	7,931,000	32,180,341	(12,800,000)	19,380,341				
-	-	-	(12,400,000)	(12,400,000)				
55.000	7,931,000	32,180,341	(25,200,000)	6,980,341	14,011,113	7,706,112	(2,304,886)	(1,267,687)
99.950	199,900	240,225,821	(177.036.223)	63.189.598				
-	-	7,496,250	-	7.496.250				
0.050	100	31,384	-	31,384				
-	-	-	(34,000,000)	(34,000,000)				
100.000	200,000	247,753,455	(211,036,223)	36,717,232				
86.122	8,683,858	4,249,906	4,150,094	8,400,000				
86.122	8,683,858	4,249,906	4,150,094	8,400,000	7,697,400	6,629,155	1,075,889	926,577
59.333	17,800	1	-	1				
59.333	17,800	1	-	1				
65.000	6,042,543	6,069,782	-	6,069,782				
65.000	6,042,543	6,069,782	-	6,069,782	13,787,726	8,962,022	3,462,727	2,250,773
60.000	13,944,600	69,957,191	-	69,957,191				
60.000	13,944,600	69,957,191	-	69,957,191	97,325,871	58,395,523	53,729,870	32,237,922
51.000	66,300	1	-	1				
(51.000)	(66,300)	(1)	-	(1)				
-	-	-	-	-				
		1,835,780,126	**(663,233,253)**	**1,172,546,873**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share

A2. Equity Investments in Joint Ventures (°) and Affiliated Companies

Company	Head office	Currency	Amount	Par value per share
Coniel Spa in liquidation	**Roma**			
Balance at 12.31.2009		Eur	1,020	0.51
Balance at 12.31.2010		Eur	1,020	0.51
Edipower Spa (pledged shares)	**Milano**			
Balance at 12.31.2009		Eur	1,441,300,000	1.00
Balance at 12.31.2010		Eur	1,441,300,000	1.00
EL.I.T.E. Spa	**(*) Milano**			
Balance at 12.31.2009		Eur	3,888,500	1.00
Balance at 12.31.2010		Eur	3,888,500	1.00
Eta 3 Spa	**Arezzo**			
Balance at 12.31.2009		Eur	2,000,000	1.00
Balance at 12.31.2010		Eur	2,000,000	1.00
Finsavi Srl	**Palermo**			
Balance at 12.31.2009		Eur	18,698	-
Disposal		Eur	(18,698)	-
Balance at 12.31.2010		Eur	-	-
GASCO Spa in liquidation	**Bressanone (BZ)**			
Balance at 12.31.2009		Eur	350,000	1.00
Liquidation		Eur	(350,000)	(1.00)
Balance at 12.31.2010		Eur	-	-
Ibiritermo Sa (pledged shares)	**Ibiritè (Brasile)**			
Balance at 12.31.2009		BRL	7,651,814	1.00
Balance at 12.31.2010		BRL	7,651,814	1.00
Inica Sarl in liquidation	**Lisbona (Portogallo)**			
Balance at 12.31.2009		PTE	1,000,000	-
Balance at 12.31.2010		PTE	1,000,000	-
International Water Holdings Bv	**Amsterdam (Olanda)**			
Balance at 12.31.2009		Eur	40,000	10.00
Balance at 12.31.2010		Eur	40,000	10.00
Kraftwerke Hinterrhein (KHR) Ag	**Thusis (Svizzera)**			
Balance at 12.31.2009		CHF	100,000,000	1,000.00
Balance at 12.31.2010		CHF	100,000,000	1,000.00
Sel-Edison Spa	**Castelbello (BZ)**			
Balance at 12.31.2009		Eur	84,798,000	1.00
Balance at 12.31.2010		Eur	84,798,000	1.00
Società Gasdotti Algeria Italia - Galsi Spa	**Milano**			
Balance at 12.31.2009		Eur	34,838,000	1.00
Share capital increase		Eur	2,404,300	1.00
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	37,242,300	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
35.250	705	308	-	308				
35.250	705	308	-	308				
50.000	720,650,000	1,066,368,322	-	1,066,368,322				
50.000	720,650,000	1,066,368,322	-	1,066,368,322	2,080,752,021	1,040,376,011	44,895,000	22,447,500
48.450	1,883,940	1,883,940	-	1,883,940				
48.450	1,883,940	1,883,940	-	1,883,940	4,704,515	2,279,338	735,182	356,196
33.013	660,262	660,262	-	660,262				
33.013	660,262	660,262	-	660,262				
50.000	9,349	1	-	1				
(50.000)	(9,349)	(1)	-	(1)				
-	-	-	-	-				
40.000	140,000	140,000	-	140,000				
(40.000)	(140,000)	(140,000)	-	(140,000)				
-	-	-	-	-				
50.000	3,825,907	1,161,904	-	1,161,904				
50.000	3,825,907	1,161,904	-	1,161,904				
20.000	200,000	1	-	1				
20.000	200,000	1	-	1				
50.000	2,000	20,858,497	(20,858,496)	1				
50.000	2,000	20,858,497	(20,858,496)	1				
20.000	20,000	11,362,052	-	11,362,052				
20.000	20,000	11,362,052	-	11,362,052				
42.000	35,615,160	35,615,160	-	35,615,160				
42.000	35,615,160	35,615,160	-	35,615,160				
20.809	7,249,528	16,043,951	(2,400,000)	13,643,951				
-	500,311	5,003,170	-	5,003,170				
-	-	-	(520,000)	(520,000)				
20.809	7,749,845	21,047,121	(2,920,000)	18,127,121	87,101,740	18,125,001	(2,148,840)	(447,152)

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Syremont Spa	**Messina**			
Balance at 12.31.2009		Eur	750,000.00	1.00
Share capital increase		Eur	500,000.00	1.00
Balance at 12.31.2010		Eur	1,250,000.00	1.00
Utilità Spa	**Milano**			
Balance at 12.31.2009		Eur	2,307,692	1.00
Balance at 12.31.2010		Eur	2,307,692	1.00
Total A2. Equity investments in affiliated companies				
Total A. Equity investments				

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
40.000	300,000	400	-	400				
-	-	-	-	-				
24.000	300,000	400	-	400				
35.000	807,692	807,692	-	807,692				
35.000	807,692	807,692	-	807,692				
		1,159,765,659	**(23,778,496)**	**1,135,987,163**				
		2,995,545,786	**(687,011,749)**	**2,308,534,037**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share

B. Equity Investments Held for Sale Valued at Cost

Company	Head office	Currency	Amount	Par value per share
Aquapur Multiservizi Spa	**Porcari (Lu)**			
Balance at 12.31.2009		Eur	1,073,677	5.16
Balance at 12.31.2010		Eur	1,073,677	5.16
Cerset Srl	**Bari**			
Balance at 12.31.2009		Eur	117,088	-
Balance at 12.31.2010		Eur	117,088	-
Cesi Spa	**Milano**			
Balance at 12.31.2009		Eur	8,550,000	2.50
Balance at 12.31.2010		Eur	8,550,000	2.50
Compagnia Paramatti Finanziaria Spa	**Milano**			
Balance at 12.31.2009 - common shares		Lit.	217,631,352	3.00
Balance at 12.31.2010 - common shares		Lit.	217,631,352	3.00
Consorzio Industriale Depurazione	**Lucca**			
Balance at 12.31.2009		Eur	45,695	-
Balance at 12.31.2010		Eur	45,695	-
Costruttori Romani Riuniti Spa	**Roma**			
Balance at 12.31.2009		Eur	3,274,429	8,186.07
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	3,274,429	8,186.07
Dolomiti Energia Spa (ex Trentino Servizi Spa - T.S. Spa)	**Rovereto (TN)**			
Balance at 12.31.2009		Eur	411,496,169	1.00
Disposal		Eur	(411,496,169)	(1.00)
Balance at 12.31.2010		Eur	-	-
Emittenti Titoli Spa	**Milano**			
Balance at 12.31.2009		Eur	4,264,000	0.52
Balance at 12.31.2010		Eur	4,264,000	0.52
European Energy Exchange Ag - EEX	**Leipzig (Germania)**			
Balance at 12.31.2009		Eur	40,050,000	1.00
Balance at 12.31.2010		Eur	40,050,000	1.00
Finligure Spa (in bankruptcy)	**Genova**			
Balance at 12.31.2009		Lit.	6,261,874,080	3.135
Balance at 12.31.2010		Lit.	6,261,874,080	3.135
Fornara Spa (under extraordinary administration)	**Torino**			
Balance at 12.31.2009 - preferred shares		Eur	3,235,700	0.26
Balance at 12.31.2010 - preferred shares		Eur	3,235,700	0.26
Idroenergia Scrl	**Chatillon (Ao)**			
Balance at 12.31.2009		Eur	1,548,000	-
Disposal		Eur	(1,548,000)	-
Balance at 12.31.2010		Eur	-	-

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
0.275	573	1	-	1				
0.275	573	1	-	1				
0.060	70,380	222	-	222				
0.060	70,380	222	-	222				
1.055	36,065	142,910	-	142,910				
1.055	36,065	142,910	-	142,910				
0.004	3,992	1	-	1				
0.004	3,992	1	-	1				
7.303	3,357	1	-	1				
7.303	3,357	1	-	1				
0.500	2	25,823	-	25,823				
-	-	-	(25,822)	(25,822)				
0.500	2	25,823	(25,822)	1				
0.005	22,250	25,823	-	25,823				
(0.005)	(22,250)	(25,823)	-	(25,823)				
-	-	-	-	-				
3.890	319,000	164,263	-	164,263				
3.890	319,000	164,263	-	164,263				
0.757	303,106	680,500	-	680,500				
0.757	303,106	680,500	-	680,500				
0.035	700	1	-	1				
0.035	700	1	-	1				
-	63	77	(76)	1				
-	63	77	(76)	1				
0.067	1,032	1,032	-	1,032				
(0.067)	(1,032)	(1,032)	-	(1,032)				
-	-	-	-	-				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Immobiliare Caprazucca Spa	**Parma**			
Balance at 12.31.2009		Eur	7,517,948	0.43
Disposal		Eur	(7,517,948)	(0.43)
Balance at 12.31.2010		Eur	-	-
Istituto Europeo di Oncologia Srl	**Milano**			
Balance at 12.31.2009		Eur	80,579,007	-
Balance at 12.31.2010		Eur	80,579,007	-
Istituto Immobiliare di Catania Istica Spa	**Catania**			
Balance at 12.31.2009		Eur	6,200,000	3.10
Share capital increase		Eur	1,500,001	3.10
Balance at 12.31.2010		Eur	7,700,001	3.10
I.SV.E.UR. Spa	**Roma**			
Balance at 12.31.2009		Eur	2,500,000	1,000.00
Balance at 12.31.2010		Eur	2,500,000	1,000.00
MB Venture Capital Fund I Participating Comp e Nv	**Amsterdam (Olanda)**			
Balance at 12.31.2009		Eur	50,000	-
Writedown		Eur	-	-
Balance at 12.31.2010		Eur	50,000	-
Mandelli Spa (under extraordinary administration)	**Piacenza**			
Balance at 12.31.2009		Eur	10,200,000	0.51
Balance at 12.31.2010		Eur	10,200,000	0.51
Nomisma - Società di studi economici Spa	**Bologna**			
Balance at 12.31.2009		Eur	5,345,328	0.37
Balance at 12.31.2010		Eur	5,345,328	0.37
Orione - Soc. Ind. per Sic. e Vig. Cons. per Azioni	**Torino**			
Balance at 12.31.2009		Eur	120,000	1.00
Balance at 12.31.2010		Eur	120,000	1.00
Pro.Cal Scrl (in bankruptcy)	**Napoli**			
Balance at 12.31.2009		Lit	500,000,000	-
Balance at 12.31.2010		Lit	500,000,000	-
Prometeo Spa	**Osimo (AN)**			
Balance at 12.31.2009		Eur	2,292,436	1.00
Balance at 12.31.2010		Eur	2,292,436	1.00
Reggente Spa	**Lucera (FG)**			
Balance at 12.31.2009		Eur	260,000	0.52
Balance at 12.31.2010		Eur	260,000	0.52
Sirio - Sicurezza Industriale Scpa - Sirio Scpa	**Torino**			
Balance at 12.31.2009		Eur	120,000	1.00
Balance at 12.31.2010		Eur	120,000	1.00
Sistemi Formativi Confindustria Scpa	**Roma**			
Balance at 12.31.2009		Eur	236,022	516.46
Balance at 12.31.2010		Eur	236,022	516.46

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
0.003	546	1	-	1				
(0.003)	(546)	(1)	-	(1)				
-	-	-	-	-				
4.284	3,451,632	4,074,528	(550,686)	3,523,842				
4.284	3,451,632	4,074,528	(550,686)	3,523,842				
0.058	1,150	1	-	1				
-	-	-	-	-				
0.046	1,150	1	-	1				
1.000	25	5,620	-	5,620				
1.000	25	5,620	-	5,620				
7.000	3,500	3,021,823	(1,529,385)	1,492,438				
-	-	-	(1,000,000)	(1,000,000)				
7.000	3,500	3,021,823	(2,529,385)	492,438				
0.000	11	13	(12)	1				
0.000	11	13	(12)	1				
2.215	320,000	479,473	(372,000)	107,473				
2.215	320,000	479,473	(372,000)	107,473				
0.218	262	261	-	261				
0.218	262	261	-	261				
4.348	21,739,000	11,228	(11,227)	1				
4.348	21,739,000	11,228	(11,227)	1				
17.760	407,136	451,289	-	451,289				
17.760	407,136	451,289	-	451,289				
5.209	26,043	13,450	-	13,450				
5.209	26,043	13,450	-	13,450				
0.259	311	27	-	27				
0.259	311	27	-	27				
6.565	30	15,494	-	15,494				
6.565	30	15,494	-	15,494				

The currency codes used in this report are those of the ISO 4217 International Standard.
CHF Swiss franc EUR euro NLG Dutch guilder PTE Portuguese escudo BRL Brazilian real GBP British pound EGP Egyptian pound

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Sistema Permanente di Servizi Spa (in bankruptcy)	**Roma**			
Balance at 12.31.2009		Eur	154,950	51.65
Balance at 12.31.2010		Eur	154,950	51.65
Terminale GNL Adriatico Srl	**Milano**			
Balance at 12.31.2009		Eur	200,000,000	-
Refund of shareholders in capital contribution		Eur	-	-
Balance at 12.31.2010		Eur	200,000,000	-
3 R Associati Srl in liquidation	**Bergamo**			
Balance at 12.31.2009		Eur	10,000	-
Balance at 12.31.2010		Eur	10,000	-
Total B1. Equity investments held for sale valued at cost				

[1] Amounts in euro.

% interest held in share capital	No. of shares or face value of capital interests held	Cost [1]	Revaluations (Writedowns)	Net carrying value [1]	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
12.600	378	1	-	1				
12.600	378	1	-	1				
10.000	20,000,000	286,444,481	-	286,444,481				
-	-	(8,000,000)	-	(8,000,000)				
10.000	20,000,000	278,444,481	-	278,444,481				
0.180	17.98	387,343	(387,342)	1				
0.180	17.98	387,343	(387,342)	1				
		287,918,831	**(3,876,550)**	**284,042,281**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
B. Equity Investments Held for Sale Valued at Fair Value				
RCS Mediagroup Spa	**Milan**			
Balance at 12.31.2009:				
- common shares		Eur	732,669,457	1.00
- savings shares		Eur	29,349,593	1.00
		Eur	762,019,050	1.00
Mark-to-market adjustment:				
- common shares		Eur	-	-
- savings shares		Eur	-	-
		Eur	-	-
Balance at 12.31.2010				
- common shares		Eur	732,669,457	1.00
- savings shares		Eur	29,349,593	1.00
		Eur	762,019,050	1.00
Total B2. Equity investments held for sale valued at fair value				
Total B. Equity investments held for sale				

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
1.065	7,801,918	31,163,484	(21,270,653)	9,892,831				
-	-	-	-	-				
1.024	7,801,918	31,163,484	(21,270,653)	9,892,831				
-	-	-	(1,872,460)	(1,872,460)				
-	-	-	-	-				
-	-	-	(1,872,460)	(1,872,460)				
1.065	7,801,918	31,163,484	(23,143,113)	8,020,371				
-	-	-	-	-				
1.024	7,801,918	31,163,484	(23,143,113)	8,020,371				
		31,163,484	**(23,143,113)**	**8,020,371**				
		319,082,315	**(27,019,663)**	**292,062,652**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
C. Equity Investments Held for Trading				
Acegas - APS Spa	**Trieste**			
Balance at 12.31.2009		Eur	283,690,763	5.16
Mark-to-market adjustment		Eur	-	-
Balance at 12.31.2010		Eur	283,690,763	5.16
ACSM - AGAM Spa	**Monza**			
Balance at 12.31.2009		Eur	76,619,105	1.00
Mark-to-market adjustment		Eur	-	-
Balance at 12.31.2010		Eur	76,619,105	1.00
American Superconductor Corp.	**Devens (USA)**			
Balance at 12.31.2009		Usd	507,017	0,01
Mark-to-market adjustment		Usd	-	-
Balance at 12.31.2010		Usd	507,017	0,01
Total C. Equity investmente held for trading				

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)
1.295	712,000	7,466,306	(4,555,650)	2,910,656
-	-	-	(269,136)	(269,136)
1.295	712,000	7,466,306	(4,824,786)	2,641,520
1.942	1,488,000	5,360,000	(3,788,672)	1,571,328
-	-	-	62,496	62,496
1.942	1,488,000	5,360,000	(3,726,176)	1,633,824
0.316	160,000	4,975,111	(432,560)	4.542.551
-	-	-	(1,119,112)	(1,119,112)
0.316	160,000	4,975,111	(1,551,672)	3,423,439
		17,801,417	**(10,102,634)**	**7,698,783**

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CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. We, the undersigned Umberto Quadrino, in my capacity as "Chief Executive Officer," and Marco Andreasi, in my capacity as "Dirigente Preposto alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Statutory Financial Statements for the period from January 1, 2010 to December 31, 2010:

   - were adequate in light of the Company's characteristics; and
   - were properly applied.

2. We further certify that:

   2.1. the Statutory Financial Statements:

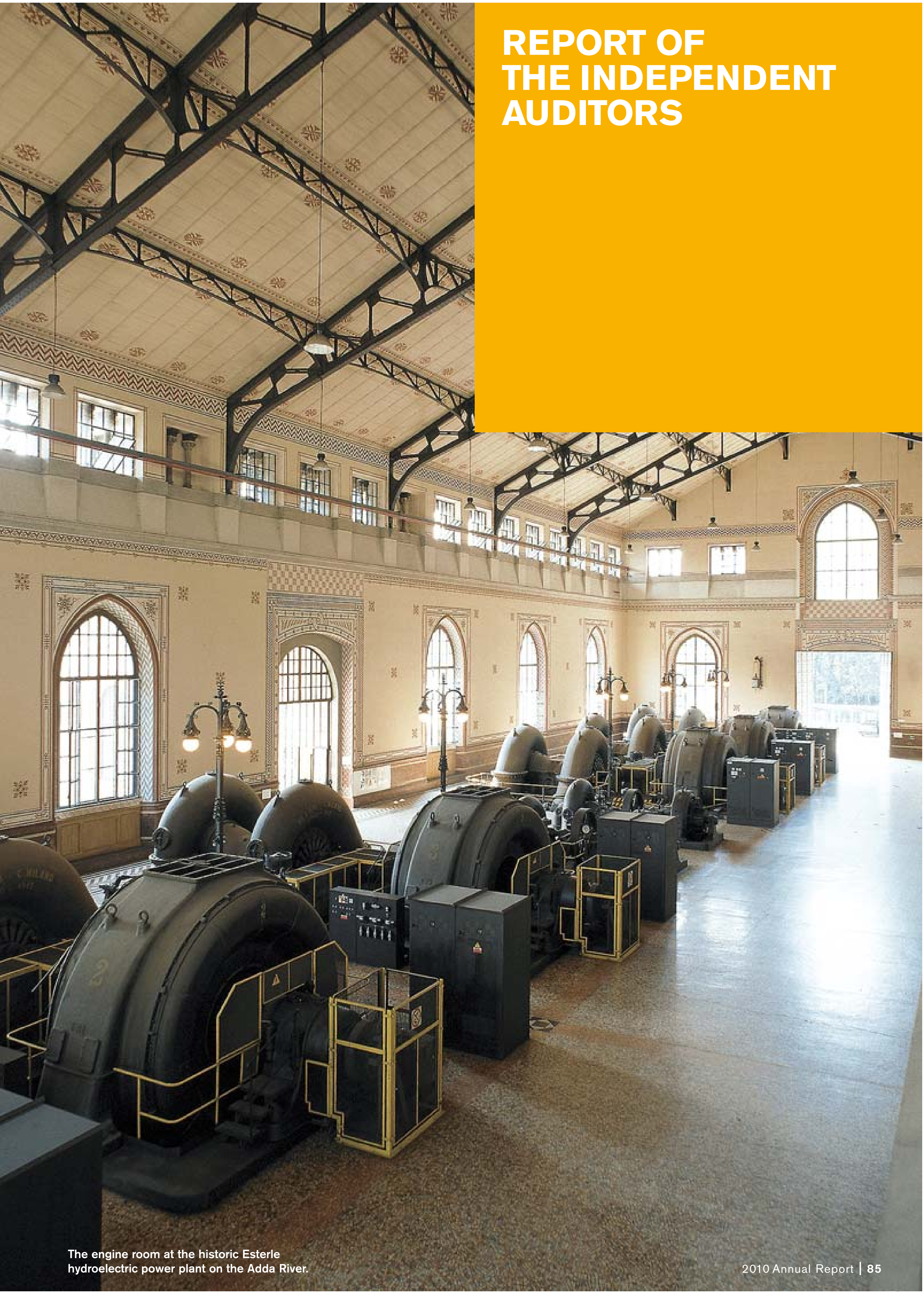
   a. were prepared in accordance with applicable international accounting principles recognized by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
   b. are consistent with the data in the accounting records and other corporate documents;
   c. provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer;

   2.2. the Report on Operations includes a reliable analysis of the Group performance and results from operations and of the position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, March 21, 2011

Umberto Quadrino	Marco Andreasi
	Dirigente Preposto alla redazione
Chief Executive Officer	dei documenti contabili societari

REPORT OF THE INDEPENDENT AUDITORS



The engine room at the historic Esterle hydroelectric power plant on the Adda River.

pwc

Auditors' report in accordance with articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010

To the shareholders of
Edison SpA

1. We have audited the financial statements of Edison SpA as of 31 December 2010, comprising the balance sheet, income statement and other components of the comprehensive income statement, cash flow statement, statement of changes in shareholders' equity and related notes. The preparation of these financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005, is the responsibility of Edison's directors. Our responsibility is to express an opinion on these financial statements based on our audit

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 18 February 2010.

3. In our opinion, the financial statements of Edison SpA as of 31 December 2010 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations and cashflows of Edison SpA for the year then ended.

PricewaterhouseCoopers SpA
Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob - Altri Uffici: **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 – **Bologna** Zola Predosa 40069 Via Tevere 18 Tel. 0516186211 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561
www.pwc.com/it

4. The preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations is the responsibility of the directors of EDISON SpA. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98, presented in the corporate governance report, with the financial statements, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No. 58/98. To this end, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/98 presented in the corporate governance report are consistent with the financial statements of Edison SpA as of 31 December 2010.

Milan, 4 April 2011

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

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

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Company website: www.edison.it

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31 Foro Buonaparte
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VAT No. 08263330014
REA Milan No. 1698754

EDISON SPA
Foro Buonaparte 31
20121 Milan
T +39 02 6222.1
www.edison.it

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