CONSOLIDATED FINANCIAL STATEMENTS 2008

EDISON

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CONSOLIDATED FINANCIAL STATEMENTS 2008

EDISON

EDISON GROUP
Balance Sheet

(in millions of euros)	See Note	12.31.2008	12.31.2007
ASSETS			
Property, plant and equipment	1	7,416	7,619
Investment property	2	14	11
Goodwill	3	3,521	3,518
Hydrocarbon concessions	4	273	299
Other intangible assets	5	47	36
Investments in associates	6	51	44
Available-for-sale investments	6	248	184
Other financial assets	7	92	139
Deferred-tax assets	8	84	78
Other assets	9	63	61
Total non-current assets		**11,809**	**11,989**
Inventories		304	250
Trade receivables		2,330	1,654
Current-tax assets		14	13
Other receivables		422	371
Current financial assets		26	25
Cash and cash equivalents		188	103
Total current assets	10	**3,284**	**2,416**
Assets held for sale	11	**-**	**318**
Total assets		**15,093**	**14,723**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		5,292	5,292
Equity reserves		480	641
Other reserves		1,171	1,114
Reserve for currency translations		(3)	(5)
Retained earnings (Loss carryforward)		623	465
Profit (Loss) for the period		346	497
Total Group interest in shareholders' equity		**7,909**	**8,004**
Minority interest in shareholders' equity		164	147
Total shareholders' equity	12	**8,073**	**8,151**
Provision for employee severance indemnities and provision for pensions	13	65	68
Provision for deferred taxes	14	519	560
Provision for risks and charges	15	777	899
Bonds	16	1,198	1,201
Long-term borrowings and other financial liabilities	17	1,101	1,216
Other liabilities	18	30	2
Total non-current liabilities		**3,690**	**3,946**
Bonds		9	9
Short-term borrowings		899	485
Trade payables		1,659	1,394
Current taxes payable		54	9
Other liabilities		709	652
Total current liabilities	19	**3,330**	**2,549**
Liabilities held for sale	20	**-**	**77**
Total liabilities and shareholders' equity		**15,093**	**14,723**

As required by Consob Resolution No. 15519 of July 27, 2006, an analysis of transactions with related parties is discussed in a separate disclosure provided later in the Section of this Report entitled "Intercompany and related parties transactions."

EDISON GROUP
Income Statement

(in millions of euros)	See Note	2008	2007
Sales revenues	21	11,066	8,276
Other revenues and income	22	684	583
Total net revenues		**11,750**	**8,859**
Raw materials and services used (-)	23	(9,884)	(7,035)
Labor costs (-)	24	(223)	(219)
EBITDA	25	**1,643**	**1,605**
Depreciation, amortization and writedowns (-)	26	(782)	(709)
EBIT		**861**	**896**
Net financial income (expense)	27	(100)	(198)
Income from (Expense on) equity investments	28	-	(17)
Other income (expense), net	29	(31)	6
Profit before taxes		**730**	**687**
Income taxes	30	(379)	(170)
Profit (Loss) from continuing operations		**351**	**517**
Profit (Loss) from discontinued operations	31	(4)	-
Profit (Loss)		**347**	**517**
Broken down as follows:			
Minority interest in profit (loss)		1	20
Group interest in profit (loss)		**346**	**497**
Earnings per share (in euros)	32		
Basic earnings per common share		0.0647	0.1040
Basic earnings per savings share		0.0947	0.1340
Diluted earnings per common share		0.0647	0.0976
Diluted earnings per savings share		0.0947	0.1340

As required by Consob Resolution No. 15519 of July 27, 2006, an analysis of transactions with related parties is discussed in a separate disclosure provided later in the Section of this Report entitled "Intercompany and related parties transactions."

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (at the end of 2008 188 millions euros) and provides a comparison with the corresponding data for 2007 (103 millions euros).
In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in net financial debt.

(in millions of euros)	2008	2007
Profit (Loss) from continuing operations	350	497
Profit (Loss) from discontinued operations	(4)	-
Minority interest in profit (loss) from continuing operations	1	20
Profit (loss)	**347**	**517**
Depratiation, amortization and writedowns	782	709
Interest in the result of companies valued by the equity method (-)	(1)	1
Dividends received from companies valued by the equity method	2	3
(Gains) Losses on the sale of non-current assets	(5)	(16)
Change in the provision for employee severance indemnities	(3)	(3)
Change in other operating assets and liabilities	(584)	178
A. Cash flow from continuing operations	**538**	**1,389**
Additions to intangibles and property, plant and equipment (-)	(644)	(494)
Additions to non-current financial assets (-)	(232)	(337)
Proceeds from the sale of intangibles and property, plant and equipment	48	72
Proceeds from the sale of non-current financial assets	373	103
Capital grants received during the year	-	-
Change in the scope of consolidation	-	-
Other current assets	(1)	17
B. Cash used in investing activities	**(456)**	**(639)**
Receipt of new medium-term and long-term loans	386	1,271
Redemption of new medium-term and long-term loans (-)	(161)	(3,080)
Capital contributions provided by controlling companies or other shareholders	3	1,019
Dividends paid to controlling companies or minority shareholders (-)	(281)	(248)
Change in short-term debt	71	93
C. Cash used in financing activities	**18**	**(945)**
D. Cash and cash equivalents of discontinued operations	**-**	**-**
E. Net currency translation differences	**-**	**-**
F. Net cash flow from operating assets of discontinued operations	**(15)**	**-**
G. Net decrease in cash and cash equivalents (A+B+C+D+E+F)	**85**	**(195)**
H. Cash and cash equivalents at the beginning of the year	**103**	**298**
I. Cash and cash equivalents at the end of the year (G + H)	**188**	**103**
L. Total cash and cash equivalents at end of period (I)	**188**	**103**
M. (-) Cash and cash equivalents of discontinued operations	**-**	**-**
N. Cash and cash equivalents of continuing operations (L-M)	**188**	**103**

As required by Consob Resolution No. 15519 of July 27, 2006, an analysis of transactions with related parties is discussed in a separate disclosure provided later in the Section of this Report entitled "Intercompany and related parties transactions."

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital (a)	Reserves and ret. earnings (loss carry-forward) (b)	Reserve for currency translations (c)	Profit for the period (d)	Group inter. in sharehold. equity (a+b+c+d)=(e)	Minority inter. in sharehold. equity (f)	Total shareholders' equity (e)+(f)
Balance at December 31, 2006	**4,273**	**1,819**	**(3)**	**654**	**6,743**	**147**	**6,890**
Share capital increase due to the conversion of warrants	1,019	-	-	-	1,019	-	1,019
Reclassification of the previous year's earnings and reserves	-	654	-	(654)	-	-	-
Dividend distribution	-	(233)	-	-	(233)	(15)	(248)
Adjustment required by IAS 32 and IAS 39	-	(2)	-	-	(2)	-	(2)
Change in the scope of consolidation	-	(3)	-	-	(3)	3	-
Difference from translation of financial statements in foreign currencies and sundry items	-	(15)	(2)	-	(17)	(8)	(25)
Profit at December 31, 2007	-	-	-	497	497	20	517
Balance at December 31, 2007	**5,292**	**2,220**	**(5)**	**497**	**8,004**	**147**	**8,151**
Share capital increase	-	-	-	-	-	3	3
Reclassification of the previous year's earnings and reserves	-	497	-	(497)	-	-	-
Dividend distribution	-	(268)	-	-	(268)	(13)	(281)
Adjustment required by IAS 32 and IAS 39	-	(185)	-	-	(185)	-	(185)
Change in the scope of consolidation	-	-	-	-	-	26	26
Difference from translation of financial statements in foreign currencies and sundry items	-	10	2	-	12	-	12
Profit at December 31, 2008	-	-	-	346	346	1	347
Balance at December 31, 2008	**5,292**	**2,274**	**(3)**	**346**	**7,909**	**164**	**8,073**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2008

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation Formats of the Financial Statements

The Edison Group's consolidated financial statements at December 31, 2008, which consist of a balance sheet, an income statement, a statement of cash flow, a statement of changes in shareholders' equity and the accompanying notes. The financial statements were prepared in accordance with the International Financial Reporting Standards (IAS/IFRSs) issued by the International Financial Reporting Standards Board, as published in the *Official Journal of the European Union (OJEU).*

Following their publication in the *OJEU*, the international accounting principles and interpretations listed below are also being applied starting in 2008. However, they had no impact on the financial statements of the Edison Group:

- IFRIC 11 "Group and Treasury Share Transactions," which complements the principles set forth in IFRS 2 for the treatment of share-based payments;
- Regulation No. 1044/2008, which partially amends the content of IAS 39 and IFRS 7. According to this amendment, if certain requirements are met, some assets other than derivatives can be reclassified from "trading assets measured at fair value with impact recognized in earnings," to "available-for-sale assets with changes in fair value recognized in equity" or, in the case of held-to-maturity receivables, to "receivables" valued at cost (nominal rate or actual rate interest). The Edison Group chose not to opt for adoption on this Regulation.

The following international accounting principles and interpretations published in the *OJEU* up to January 2009 will become applicable in 2009. Their impact on the valuations used in the financial statements of Edison Group is currently being assessed. The abovementioned principles and interpretations include:

- *Amendment* to IFRS 2 "Share based payment" foresees changes in vesting conditions and cancellations;
- IFRS 8 "Operating Segments," which will replace IAS 14 "Segment Reporting." Compared with the current situation, the new disclosure also includes an analysis concerning the products and services supplied and large customers;
- IAS 23 eliminating the so-called alternative treatment concerning the capitalization of borrowing costs (method adopted by Edison). This regulation requires that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset whenever a significant length of time is required to make the asset available for its intended use or for sale;
- IAS 1 requiring the presentation of additional income statement disclosures in the "Statement of Comprehensive Income Attributable to Minority Shareholders and the Group." The other components of comprehensive income include changes in the cash flow hedge reserve, the currency translation reserve and the gain (loss) from available-for-sale financial assets. Until now, changes in these components were shown exclusively by changes in the corresponding equity reserves;
- IFRIC 13 "Customer Loyalty Programs" and FRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";
- several other non relevant amendments to a number of international accounting principles, with the objective of achieving an overall consistency between the IFRS international accounting principles and the accounting principles adopted internally in certain countries outside the European Union, in particular the United States. These amendments (so called "Improvment to IFRS 2007") will be applicable between 2009 and 2010.

The Board of Directors authorized the publication of these Consolidated Financial Statements on February 11, 2009.

The consolidated financial statements have been audited by PricewaterhouseCoopers Spa in accordance with a three-year assignment (from 2005 to 2007) it received by a resolution of the Shareholders' Meeting of April 19, 2005. On April 5, 2007, the assignment awarded to the abovementioned Independent Auditors was extended till the approval of Financial Statements 2010.

Unless otherwise stated, the amounts that appear in the notes to the consolidated financial statements are in millions of euros.

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats that the Group has chosen for its financial statements have the following characteristics:

- In the **Consolidated Balance Sheet** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the balance sheet date, respectively, are shown separately.
- The **Consolidated Income Statement** is a step-by-step income statement, with the different components analyzed by type.
- The **Statement of Changes in Consolidated Shareholders' Equity** was prepared in accordance with the provisions of IAS 1.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.

Scope of Consolidation

The consolidated financial statements include the financial statements of Edison Spa and of the Italian and foreign subsidiaries over which Edison exercises control, either directly or indirectly. Also the financial statements of the contractual joint venture are included on the basis of the agreements with the others partners.

The subsidiaries companies are consolidated from the date when control of the company was established and are deconsolidated when the control is transferred to other parties.
The financial statements used for consolidation purposes are the latest statutory or consolidated statements of the individual companies or business operations, approved by respective corporate governance bodies, with the adjustments required to make them consistent with Group accounting principles.

For companies with fiscal years that do not coincide with the calendar year, the financial statements used were annual financial statements that match the Group's fiscal year approved by the respective Boards of Directors.

Subsidiaries are consolidated line by line. The assets, liabilities, revenues and expenses of the consolidated companies are recognized in the consolidated financial statements at their full value. The carrying amount of equity investments is eliminated by offsetting it against the underlying interest in the respective shareholders' equity, and the individual assets and liabilities and contingent liabilities are assigned the fair value they had on the date when ownership or control of the investee company was established. Any residual value is recognized as a non-current asset and posted to "Goodwill."

Companies with respect to which Edison retains the majority of risks and enjoys the majority of benefits even after selling an interest in their share capital greater than 50% (so-called Special Purpose Vehicles) are consolidated line by line.

Minority interest in shareholders' equity and profit or loss are shown separately in the balance sheet and income statement, respectively.

Joint ventures are consolidated by the proportional method. Joint control exists only in the case of a company for which, pursuant to contractual stipulations, financial, operational and strategic decisions always require the unanimous consent of all of the parties who share control. In such cases, the consolidated financial statements show the interest of the Group in the assets, liabilities, revenues and expenses of the joint venture by an amount proportional to the interest held.

Receivables and payables, expenses and revenues from transactions between companies included in the scope of consolidation are offset. Profits arising from transactions between the abovementioned companies and the corresponding amounts recognized in the Group's interest in shareholders' equity are eliminated. Gains on the sale of equity investments in consolidated companies that do not result in the loss of control are recognized in earning for the amount equal to the difference between the sales price and the value of the corresponding fraction of the underlying shareholders' equity that is being sold.

Investments in associates over which the Group exercises a significant influence but not joint control as defined above, are valued by the equity method, which requires that the carrying value of equity investments be adjusted mainly to reflect the pro rata share of the investee company's result for the year attributable to the investor company and the dividends distributed by the investee company.

Subsidiaries that are in liquidation or are parties to composition with creditors proceedings are not consolidated. They are carried instead at their estimated realizable value. Their impact on the Group's total assets and liabilities and net financial debt is not significant.

Changes in the Scope of Consolidation Compared with December 31, 2007

The main changes in the scope of consolidation that occurred in 2008 are reviewed below:

Electric Power Operations

- In January, establishment of Dolomiti Edison Energy Srl. On May 1, 2008, Edison conveyed to this company three hydroelectric power plants in the province of Trent. Edison then sold a 51% interest in Dolomiti Edison Energy Srl to Dolomiti Energia Spa, retaining ownership of the remaining 49%. However, because the majority of the risks and benefits related to it accrue to Edison, Dolomiti Edison Energy Srl will continue to be consolidated line by line.
- Establishment of Edison Engineering Sa, a company consolidated line by line that will handle the construction of a combined-cycle power plant in Thisvi, Greece. This company established a contractual joint venture (Kinopraxia Thisvi), as defined in IAS 31, in which it holds a 65% controlling interest. AKTOR Sa owns the remaining 35%.
- In June, establishment of Ise Srl, a company consolidated line by line that will engage directly in the construction and management of power plants and other facilities for the production, sale and transmission of electric power.
- In July, establishment of Hydros Srl. On September 1, 2008, Edison Spa conveyed to this company the business operations consisting of seven hydroelectric power plants in the province of Bolzano. At the end of October, Edison sold a 60% interest in Hydros Srl to SEL Spa. However, because the majority of the risks and benefits related to it accrue to Edison, Hydros Srl will continue to be consolidated line by line.
- The Group purchased 100% of VSV Srl, a company that controls several projects to build wind farms in Calabria. On December 31, 2008, VSV Srl was merged by absorption into Edison Energie Speciali Spa.
- Following its liquidation and dissolution, Bluefare Ltd was deconsolidated as of January 1, 2008.

In addition, in January, upon the exercise of a put option on the Edipower shares, Edison purchased a remaining block of shares equal to a 5% interest, thereby increasing its ownership percentage to 50%. The transaction had no impact on the scope of consolidation, as Edipower was already consolidated at 50%.

Hydrocarbons Operations

- IGI Poseidon Sa, a company 50% owned by Edison International Holding NV and consolidated by the proportional method, was established in June 2008 for the purpose of designing and developing the Greece-Italy submarine natural gas pipeline that will link the coast of Apulia with the Greek coast.

Corporate

- Change on interest held in share capital of Elpedison that, after the sale of 10% of the company to Hellenic Petroleum International AG, is controlled for 50% and proportionally consolidated.
- Edison International Abu Qir BV, Edison International Finance Abu Qir BV and Edison International Exploration & Production BV were incorporated in December. The Edison Group established these companies after being awarded, subject to ratification by the Egyptian Parliament, the exploration, production and development rights for the Abu Qir offshore concession, located north of Alexandria, in Egypt, happened on January, 2009.

Diversified Operations

- Starting in 2008, the Diversified Operations consisting of the activities of the IWH Group are no longer being treated as an independent business segment, as defined in IAS 14, and, because they are no longer deemed to be material, they have been incorporated into the Corporate Activities segment.
- In November, International Water Services (Guayaquil) Interagua C.Ltda, a company that operates in Ecuador, was sold to buyers outside the Group and generated a negative economic impact for about 12 million euros.

Assets and Groups of Assets Held for Sale

In April 2008, CO Energy Power Srl (a company to which, on February 1, 2008, Edison Spa conveyed the business operations consisting of the five thermoelectric power plants) and Termica Boffalora were sold to Cofathec Servizi. At the same time, Termica Celano was sold to SECI. Until March 31, 2008, the divested companies were consolidated line by line in the income statement of the electric power operations. The sale generated a loss of 4 million euros, which is recognized in the income statement as "Profit (Loss) from discontinued operations."

Consolidation of Foreign Companies and Criteria Used to Translate Items Denominated in Foreign Currencies

Assets and liabilities of foreign companies that are denominated in currencies other than the euro are translated at the exchange rates in force on the balance sheet date. Income and expenses are translated at the average rates for the year. Any resulting gains or losses are recognized in equity until the corresponding equity investment is sold.

Upon initial implementation of the IAS/IFRS principles, cumulative translation differences were written off and, consequently, the reserve recognized in the consolidated financial statements reflects only cumulative translation differences that arose after January 1, 2004.

Transactions in foreign currencies are recognized at the exchange rate in force on the transaction date. Monetary assets and liabilities are translated at the exchange rates in force on the balance sheet date. Any resulting foreign exchange translation differences and those realized when the positions are closed are recognized as financial income or expense.

Financial Highlights for 2008 of Companies Consolidated by the Proportional Method

(Amounts prorated based on the percentage interest held)

(in millions of euros)	Edipower 50.00%	Sel Edison 42.00%	Ibiritermo 50.00%	Parco Eolico Castelnuovo Srl 50.00%	ED-Ina D.O.O. 50.00%	IWH 50.00%	Ascot 50.00%	Kinopraxia Thisvi 65.00%	Elpedison Bv 50.00%	IGI Poseidon Sa 50.00%
INCOME STATEMENT										
Sales revenues	664	14	-	1	7	24	1	4	-	-
EBITDA	192	10	-	1	-	5	-	-	-	-
as a % of sales revenues	*28.9%*	*71.4%*	*n.a.*	*n.s.*	*n.s.*	*20.8%*	*n.s.*	*n.s.*	*n.a.*	*n.a.*
Depreciation, amortization and writedowns (-)	(132)	(3)	-	-	-	(1)	-	-	-	-
EBIT	**60**	**7**	**-**	**-**	**-**	**4**	**-**	**-**	**-**	**-**
Profit (Loss)	**2**	**4**	**14**	**-**	**-**	**(10)**	**-**	**-**	**-**	**-**
BALANCE SHEET										
Total assets	**2,229**	**51**	**96**	**2**	**4**	**1**	**1**	**7**	**-**	**-**
Shareholders' equity	**1,011**	**40**	**28**	**1**	**-**	**(1)**	**-**	**-**	**-**	**-**
Net Fiancial Debt (financial assets)	**784**	**8**	**(40)**	**-**	**-**	**(1)**	**1**	**(3)**	**-**	**-**

Valuation Criteria

Property, Plant and Equipment and Investment Property

Property, plant and equipment 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 Group expects to incur in the decommissioning 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 Group 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 Group 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 table that follows shows the ranges of the depreciation rates applied by the Group:

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities	
	min.	max.	min.	max.	min.	max.
Buildings	3.4%	11.1%	2.5%	18.7%	-	2.0%
Plant and machinery	4.0%	23.1%	2.4%	42.9%	5.0%	22.8%
Manufacturing and distribution equipment	5.0%	25.0%	17.5%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	6.0%	25.0%	6.0%	20.0%
Investment property	-	-	-	-	2.0%	2.6%

In addition, items of property, plant and equipment appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the well areas and dismantle or remove structures are recognized as assets and amortized in accordance with the UOP method, which is used to amortize the underlying concessions. Accordingly, depreciation is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the year.

The depreciation of thermoelectric power plant and wind farms that sell energy under the CIP 6/92 rate schedule follows 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 8-year incentivized period, those for the following 7-year contract period 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 less.

Assets acquired through financial leases must be booked under property, plant and equipment, with an offsetting entry of equal amount made to loans payable. The liability is gradually eliminated in accordance with the principal repayment schedule of the respective lease agreement. The value of the asset is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.

Upon initial adoption of the IAS/IFRS principles, the Group 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 decline in value, assets are subjected to an impairment test 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.

Financial expense is not capitalized.

Goodwill, Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits can be identified as intangible assets. They include goodwill, when it is acquired for consideration.

Intangibles are recorded at purchase 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.

The costs incurred to acquire mineral leases or extend the duration of existing permits are recognized as intangible assets. If an exploration project is later abandoned, the residual cost is charged immediately to income.

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, depending on the type of asset, and are depreciated in accordance with the unit-of-product (UOP) method.

The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment are capitalized and amortized in accordance with the unit-of-product (UOP) method.

Hydrocarbon production concessions are amortized in accordance with the unit-of-product method. The amortization rate is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the fiscal year, taking into account any significant change to reserves that occurred during the fiscal year. In addition, a test is conducted each year to make sure that the carrying amounts of these assets are not greater than their realizable value computed by discounting future cash flows, which are estimated based on future production programs and market values.

Goodwill and other intangible assets with indefinite useful lives are not amortized on a straight-line basis, but the recoverability of the carrying amounts is checked 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 section entitled "Impairment of Assets". When the reasons for a writedown no longer apply, the asset's cost is not reinstated.

Environmental Securities (Emission Rights, Green Certificates, etc.)

The Group purchases environmental securities (emissions rights and green certificates, primarily) partly to meet the requirements of its industrial activities (own use) and partly for trading purposes. Different valuation criteria are applied, depending on the intended use at the time of purchase.

Specifically, emission rights and green certificates can be classified as other intangible assets and recognized at their purchase cost if, on the date of the financial statements, the Group has a surplus of rights or certificates compared with its projected needs, determined on the basis of the emissions it released during the years, for the rights, or the output generated, for the green certificates. Rights and

green certificates that are allocated free of charge are recognized as having zero value. Because these assets are intended for instantaneous use, they are tested for impairment and not amortized. Their recoverable value is defined as their value in use or their market value, whichever is greater. However, if on the date of the financial statements the value of the emissions generated is greater than that of the missions allocated to the Group and any purchased emissions, a special provision for risks is recognize to cover the difference. The rights and certificates that are returned each year based on the volume of polluting gases released into the atmosphere in each calendar year or the output generated will be written off, concurrently utilizing the provision for risks established for this purpose the previous year.

As explained below in the "Trading Activities" and "Inventories" section of this Report, rights and green certificates owned and held in conjunction with the Group's trading activities are classified as inventory and recognized at their fair value.

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 a carrying amount is tested by comparing it against an asset's fair value, less cost to sell, or its value in use, whichever is greater.

As a rule, value in use is the present value of future cash flows expected to be derived from an asset or a CGU and from its disposal at the end of its useful life.

CGUs, which have been identified in a way that is consistent with the Group'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.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries, joint ventures and affiliate companies) that the Company plans to sell (trading equity investments) and available-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and current financial assets, such as cash and cash equivalents. Cash and cash equivalents include bank and postal deposit accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. This item also includes loans payable, trade and other payables, other financial liabilities and derivatives.

Financial assets and liabilities are recognized in the accounting records when the Company acquires the contractual rights and obligations conveyed by the underlying financial instrument.

The initial amount at which financial instruments are recognized should include the directly attributable transaction costs incurred upon purchase or the issuance costs that are included in the initial valuation of all those 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, and any resulting gains or losses are recognized in the income statement. This class of assets consists mainly of trading securities and of the so-called "trading activities" described below;
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments and fixed maturities are valued at their amortized cost. Purchasing/Selling costs (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are posted directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense are computed in accordance with the effective interest rate method. The value of financial assets is assessed on a regular basis to determine if there is any objective evidence that their value may have been impaired. More specifically, the valuation 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 the income statement 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.

- **Available-for-sale assets** are valued at fair value and any resulting gains or losses 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 earnings when there is objective evidence that the value of a financial asset has been impaired, even though 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 also includes equity investments representing an interest of less than 20%.
- **Derivatives** are recognized at their fair value. Changes in fair value are recognized in earnings when a derivative does not qualify as a hedging instrument because of the type of instrument or because the Company elects not to perform the effectiveness test. Derivatives can be classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, which must be tested periodically, is high pursuant to IAS 39. 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 earnings. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item. 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 reflected directly in earnings. The carrying value 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 removed from the balance sheet when the corresponding contractual obligations have been satisfied.

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

Trading Activities

Since the beginning of 2008, approved activities that are part of the core businesses of the Edison Group include physical and financial trading in commodities and environmental securities. Trading activities are governed by special procedures and separated at inception from the Group's core activities (industrial activities) and segregated in special trading portfolios. Trading activities include trading in physical and financial contracts for commodities and environmental securities (emission rights and green certificates, mainly), which are measured at fair value. Changes in fair value are recognized in earnings. Individual contracts can involve physical delivery. In such cases, any inventories are measured at fair value and changes in fair value are recognized in earnings.

Inventories

Inventories attributable to the industrial activities are valued at the lesser of purchase or production cost, including incidental expenses, or estimated realizable value, based on market conditions. Cost is determined primarily by the FIFO method. Inventories attributable to trading activities are measured at fair value and changes in fair value, which are the result of trading activity, are recognized in earnings.

Employee Benefits

The **provision for employee severance indemnities and the provision for pensions** are computed on an actuarial basis. The value of benefits due to employees who have become vested during the year is charged to income under labor costs. 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 reflected in the income statement, 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 at the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits is being 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 (so-called defined contribution plan).

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

Provision for Risks and Charges

Provision for risks and charges are established exclusively to fund current obligations that arise from past events. These obligations can be legal or contractual in nature or can be the result of representations or actions of the Company that create 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).

Recognition of Revenues and Expenses

Revenues and income and costs and expenses are reflected in the financial statements net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of products 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, emissions quotas and white certificates attributable to the period. Purchases of green certificates, emission quotas and white certificates held for trading are added to inventory. 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

Income taxes for the fiscal year are determined by each company on the basis of its taxable income, computed in accordance with the tax rates and laws that have been enacted or substantively enacted in each country by the balance sheet date and taking into account any applicable exemptions or available tax credits.
Deferred-tax assets and liabilities are computed on the temporary differences between the values attributed to assets and liabilities for statutory and tax purposes, using the tax rates that are expected to be in force when the temporary differences are reversed. Deferred-tax assets are recognized only when

their future recovery is reasonably certain. Otherwise, their value is written down. The valuation of deferred-tax assets must be carried out taking into account the Company's planning horizon, based on available approved Company plans. When gains and losses are recognized directly in equity, the corresponding deferred-tax assets or liabilities must also be reflected under shareholders' equity. The deferred-tax liability on retained earnings of subsidiaries is recognized only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled upon the filing of a consolidated tax return.

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 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 revisions is immediately recognized in the financial statements. The use of estimates has a material impact on the following items:

- Depreciation and amortization (for assets with a finite life) and impairment test for property, plant and equipment and for goodwill and other intangible assets. The process of determining depreciation and amortization expense entails revising on a regular basis the remaining useful lives of the assets, the available hydrocarbon reserves, dismantling and decommissioning costs and recoverable values. Information about the impairment test is provided in the section of this Report entitled "Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles", where the methods used and the assumptions made are explained.
- Valuation of derivatives and financial instruments in general. Additional information is provided in the "Valuation Criteria" section of this Report and quantitative data are available in the accompanying "Notes to the Financial Statements". Compared with previous years, the extreme turbulence that, in 2008 and the beginning of 2009, characterized the markets where the energy commodities handled by the Group and foreign exchange and interest rates are traded could increase the volatility of projected cash flows and results (see also the "Risk Management" chapter of this Report).
- Determination of certain sales revenues, provisions for risks and charges, allowances for doubtful accounts, employee benefits and income taxes. In these cases, the best estimates based on information currently available are used.

RISK MANAGEMENT

This chapter describes the policies and principles adopted by Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions certificates, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
As required by IFRS 7, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

The Edison Group is exposed to 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), which have an impact on the revenues and expenses of its production, storage and marketing operations. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting exchange rate risk.

Consistent with the provisions of its Energy Risk Policies, the Group can use financial derivatives for hedging purposes, with the goal of reducing or containing a specific risk.
From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the trading activity in the financial markets.
From an operational standpoint, the net exposure is computed for the Group's entire portfolio of assets and contracts (Industrial Portfolio), which is the residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This exposure is then used to compute the overall level of economic capital involved, which is measured in terms of Profit at Risk (PaR[1]), with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors approves the economic capital ceiling concurrently with the approval of the annual budget.
The Risk Management Committee, which is headed by a representative of Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher then the predetermined ceiling, defines the appropriate strategic hedging policies, which may involve the use of suitable financial derivatives.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called operational hedges.

At December 31, 2008, outstanding financial derivatives were measured at fair value against the forward market curve on the reference date of the annual financial statements, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.
In Italy, the forward market for electric power currently takes place mainly on a trading platform operated by a brokerage firm, called "Tradition Financial Services" (TFS).
The following forward products are quoted, with or without physical delivery, on this platform:
- baseload
- peak
- off-peak

for different expirations (e.g., CAL09, Q1, Q2, Q3, Q4, week, etc.).

1 Profit at risk is a statistical measurement of the maximum potential negative variance in the expected margin in response to unfavorable market moves, within a given time horizon and confidence interval.

On the TFS platform, these products are seldom quoted for lengths of time that rarely exceed one year. For longer expirations, quarters are seldom quoted on a daily basis, particularly peak and off-peak products.
Because TFS is the closest thing to a market for trading forward electric power products available in Italy, the market price data it provides are used as input for the internal model used to evaluate fair value of the abovementioned products. Obviously, the model does not use the TFS input for periods longer than the platform's quotation period.

As required by IFRS 7, a simulation is carried out for the financial derivatives that hedge the industrial portfolio to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding financial contracts, the farthest maturity of which is currently December 31, 2011. For financial contracts maturing in 2009, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility data and correlations of the spot markets. For financial contracts maturing after 2009, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves on the date of the financial statements are used as a reference level.
Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding financial contracts over the length of a reporting year with a level of probability of 97.5%.
Based on the method explained above, the maximum negative variance in the fair value of financial instruments expected by the end of 2009, with a 97.5% probability compared with the fair value determined at December 31, 2008, is 197.4 million euros (50.9 million euros at December 31, 2007), as shown in the table below:

Profit at Risk (PaR)	December 31, 2008		December 31, 2007	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	97.5%	197.4	97.5%	50.9

In other words, compared with the fair value determined for the financial contracts outstanding at December 31, 2008, the probability of a negative variance greater than 197.4 million euros by the end of 2009 is limited to 2.5% of the scenarios.
The significant change that occurred compared with December 31, 2007 is due to the fact the volume of financial hedges is much greater, as a result of an increase in sales at a fixed prices during a sales campaign and the effect of greater volatility in the financial markets.

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special trading portfolios, separate from the Group's industrial portfolio. Trading portfolios are monitored based on strict risk ceilings. As is the case for the industrial portfolio, compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily VaR[2] limit with a 95% probability on the trading portfolios is 2.1 million euros, with a stop loss of 32.8 million euros. The VaR limit was 29% utilized at December 31, 2008 and the average utilization for the year was 49%.
As is the case for the industrial portfolio, an economic capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of trading portfolios. In this case, the economic capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for possible structured or illiquid

2 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.

positions. The economic capital ceiling for the entire set of trading portfolios is 32.8 million euros. This limit was 30% utilized at December 31, 2008 and the average utilization for the year was 53%.

2. Foreign Exchange Risk Not Related to the Commodity Risk

Except for the issues mentioned above in connection with the commodity risk, the Group has no significant exposure to the foreign exchange risk, the remaining portion of which arises mainly from the translation of the financial statements of certain foreign subsidiaries and cash flows in foreign currencies of limited amount concerning purchases of equipment. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.

At the end of 2008, acting within the framework of the agreement to acquire exploration, production and development rights for the Abu Qir concession, the Group executed several forward currency buy contracts expiring in January 2009 for a total of US$1,100 million to hedge the foreign exchange risks related to the payment of a signing bonus to the Egyptian General Petroleum Corporation (here in after referred EGPC).

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. The Group is mainly indexed to Euribor.

Gross financial debt	12.31.2008			12.31.2007		
(in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	731	1,558	49%	756	1,798	62%
- variable rate portion	2,476	1,649	51%	2,155	1,113	38%
Total gross financial debt (*)	**3,207**	**3,207**	**100%**	**2,911**	**2,911**	**100%**

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

As shown by the breakdown in the preceding table, at December 31, 2008, the Group's exposure to the risk of changes in interest rates was equivalent to about 51% of its total gross exposure (38% at December 31, 2007). The remaining 49% at fixed rates (62% at December 31, 2007), is the combined result of borrowings originally structured with a fixed rate and derivatives executed to hedge bank borrowings of bonds payable that are contractually indexed to a variable rate.

The guidelines that govern the policy applied to hedge the interest rate risk is reviewed below. First of all, Edison Group does not execute derivatives for speculative purposes. On the contrary, the main objective is to reduce volatility-induced changes in financial expense. Some of the hedging transactions executed for this purpose qualify as hedges in accordance with IAS 39. Others qualify as economic hedges. In both cases, the purpose is to reduce the effect of increases in the Euribor on financial expense, while at the same time retaining some of the benefits associated with Euribor decreases. These goals are achieved by establishing, with the help of hedges, an appropriate mix of fixed and variable rates in the indebtedness portfolio.

The adoption of this principle is clearly visible in the main transactions included in the Group's portfolio. As for Edison Spa, most of the hedges applied to bond issues, which constitute the most stable source of financing (for the main characteristics of the outstanding bond issues, see the table provided later in this Report in the section entitled "Default Risk and Debt Covenants"). Through the use of derivatives, the interest rate on a portion (350 million euros) of a 700-million-euro bond issue was changed from a 5.125% fixed rate to a variable rate. In addition, a 500-million-euro bond issue with a variable rate was converted to fixed rate (4.03% at December 31, 2008).

In the case of Edipower, which is the recipient of medium- and long-term syndicated loans totaling 2 billion euros (original contract value) indexed to a variable rate, 1.7 billion euros of which had been drawn down at December 31, 2008 (850 million euros being Edison's pro rata share), the strategy was to use

a composite structure that prevents increases in the reference contractual rate to rise above a ceiling set at around 4.20% (64% of the amount drawn down at December 31, 2008 was hedged).
The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2008, compared with the table referred to 2007.

Sensitivity analysis (in millions of euros)	2008 Impact on the income statement			12.31.2008 Impact on the cash flow hedge reserve		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	145	136	127	(12)	(19)	(24)

Sensitivity analysis (in millions of euros)	2007 Impact on the income statement			12.31.2007 Impact on the cash flow hedge reserve		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	189	183	174	13	5	(3)

4. Credit Risk

The credit risk represents Edison's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. This risk arises primarily from economic/financial factors (i.e., that the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.).
The Edison Group's exposure to credit risk is due mainly to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), the Group has implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions. The policies and tools used to preventively assess credit worthiness and the monitoring and collection activities employed vary depending on the customer type and the consumption level profile. As required by internal credit policies and depending on the customer's credit worthiness, in some cases the Group may ask customers to provide it with guarantees. Generally, these are sight bank or insurance sureties issued by entities with a high credit rating. In addition, a program for the assignment without recourse of trade receivables on a monthly revolving basis got under way in February. In 2008, the Group was a party to transaction involving the assignment of receivables without recourse for a total amount of 1,981 million euros. The amount of receivables assigned with recourse risk that were outstanding at December 31, 2008 is not significant.

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

The payment terms applied to most customers require payment within 30 days from the date of the invoice, which, as a rule, is issued monthly during the month that follows the month when the service was provided. In cases of late payment, Edison, consistent with express provisions of the underlying supply contracts, charges customers delinquent interest at the rate allowed under the applicable laws, reserving the right to termination, i.e., physically cutting off supply, for the most serious cases.
Trade receivables are shown in the financial statements net of any writedowns, which are recognized with a conservative approach using different rates that reflect the degree by which different groups of receivables were being disputed on the balance sheet date.
The table below shows an overview of gross trade receivables, the corresponding allowance for doubt-

ful accounts and the guarantees that the Group holds to secure its receivables. The increase compared with the balance outstanding at December 31, 2007 is due to the substantial receivables owed by the Electrical Sector Adjustment Payments Fund for reimbursements of CO_2 and green certificates costs and to a higher exposure toward Italy's national electrical services manager (GSE Spa) for rate adjustments related to avoided fuel costs.

(in millions of euros)	12.31.2008	12.31.2007
Gross trade receivables	2,406	1,742
Allowance for doubtful accounts (-)	(76)	(88)
Trade receivables	**2,330**	**1,654**
Guarantees held	345	286
Receivables 9 to 12 months in arrear	16	13
Receivables more than 12 months in arrear	64	55

Trade receivables that are delinquent on the balance sheet date are offset by corresponding allowances. Of the receivables in arrears listed in the preceding table, 21% (9 to 12 months in arrears) and 30% (more than 12 months) is owed by agencies of the Italian public administration that are supplied by Edison Energia Spa under CONSIP contracts.

5. Liquidity Risk

The liquidity risk represents the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario - showing undiscounted nominal future cash flows, both for principal and accrued interest, required for financial liabilities, including trade accounts payable and interest rate derivatives - in which 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	12.31.2008			12.31.2007		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	7	50	1,266	7	56	1,343
Borrowings and other financial liabilities	277	463	1,187	366	147	1,405
Trade accounts payable	1,606	53	-	1,282	112	-
Total	**1,890**	**566**	**2,453**	**1,655**	**315**	**2,748**

The strategic goal is to ensure that the Group has access at all times to sufficient committed facilities to repay indebtedness maturing over the ensuing 12 months. As for the composition of its short-term debt, 740 million euros of which are due within a year, it is worth mentioning that it includes 100 million euros of principal amount of the facility owed by Edipower, which at December 31, 2008 held ample liquidity to meet this obligation. It also includes 115 million euros that are part of a long-term financing facility maturing in 2019 provided with EIB funds, with respect to which the bank that acts as intermediary between Edison and the EIB has an exit option exercisable next semester, and 120 million euros in financing owed by two special purpose vehicle companies established by Edison and the autonomous provinces of Trent and Bolzano for the purpose of operating jointly hydroelectric power plants, which are expected to replace their indebtedness with medium-term facilities. The remaining indebtedness consists of short-term credit lines used to finance working capital. Because of the turnover nature of these facilities, they are renewed on a continuing basis.

In any case, at December 31, 2008, the Edison Group had access to unused committed lines of credit

originally amounting to 1,496 million euros consisting of a syndicated standby credit line of 1,500 million euros that expires in 2013. A total of 150 million euros had been drawn from this facility at December 31, 2008. In the table above, this amount was included among borrowings due after one year (see also *infra* in the same paragraph).
In January 2009, and additional 750 million euros was drawn from this credit line to meet the obligations arising from the agreement with EGPC and the Egyptian government, which was executed on January 15, 2009 to acquire the Abu Qir hydrocarbon concession.

The table that follows provides a breakdown by maturity of Edison's gross borrowings at December 31, 2008. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk in that they do not reflect expected nominal cash flow, using instead amortized cost valuations and the fair value of derivatives, or the amounts at which financial liabilities were recognized in the accounting records at December 31, 2008.
Lastly, in the table below, the indebtedness arising from the drawdown of 150 million euros from the syndicated standby facility of 1,500 million euros is shown as being due on the final maturity date of the underlying credit line (April 2013) because, taking also into account the funding needs entailed by the industrial plan, the abovementioned amount is deemed to be part of the Group's medium - and long-term funding sources.

(in millions of euros)	12.31.2009	12.31.2010	12.31.2011	12.31.2012	12.31.2013	After 5 years	Total
Bonds	9	697	501	-	-	-	1,207
Borrowings and other financial liabilities:							
- due to banks	678	153	661	99	161	12	1,764
- due to other lenders	221	2	1	1	1	10	236
Gross borrowings	**908**	**852**	**1,163**	**100**	**162**	**22**	**3,207**

6. Default Risk and Debt Covenants

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

Two issues of debt securities (Euro Medium-term Notes), for a total face value of 1,200 million euros, are still outstanding (see table below):

Description	Issuer	Market where traded	ISIN code	Term (years)	Maturirty	Face value (millions of euros)	Coupon	Curr. rate
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0181582056	7	12.10.2010	700	Fixed, annual	5.125%
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	07.19.2011	500	Variable, quarterly	5.690%

In addition, considering the pro rata consolidation of Edipower's debt, the Group is a party to non-syndicated loan agreements totaling 531 million euros and syndicated loan agreements with a total face value of 2,480 million euros, 1,496 million euros of which were unused at December 31, 2008. Generally, consistent with international practice for financial transactions of this type, these agreements provide the lenders with the right to demand the payment of the indebtedness and terminate 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 another procedure with similar effects.
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 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 Group companies; and (iii) clauses that establish an obligation of immediate repayment even if just some 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 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 loan agreements (pari passu clause), as well as restrictions on Edison's ability to provide collateral to new lenders (negative pledge clause).

As for the other Group companies, certain loan agreements that some of them have negotiated set forth, in addition to the clauses discussed above, the obligation to achieve and/or maintain certain financial ratios (typically indicative of a borrower's ability to repay the indebtedness over the long term - Long Life Cover Ratio, or ratio between net financial position and EBITDA or shareholders' equity, clause) and place restrictions on the ability to distribute dividends. Any violation of these clauses would accelerate the repayment of the loaned amount.

Lastly, the syndicated loan agreement executed by Edipower in January 2007 for a total contractual amount of 2,000 million euros contains negative pledge, pari passu and cross default clauses and includes the obligation to comply with certain financial covenants, which include ratios between Edipower's minimum EBITDA and financial expense and net indebtedness and EBITDA. The content of the abovementioned financial covenants was determined by Edipower, based on its industrial plan and using a suitably conservative approach.

At present, to the Company's knowledge, none of the Group companies is in default or in violation of any of the abovementioned covenants.

Analysis of Forward Transactions and Derivatives

In 2008, the Group began trading for its own account in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with its newly adopted Energy Risk Policies. Accordingly, it defined an appropriate risk control structure and the necessary guidelines and specific procedures. The Group views this activity as part of its regular operations and, consequently, the results derived from it are included in reported EBITDA and are recognized in the income statement. Whenever possible, the Group uses hedge accounting, provided the transactions comply with the requirements of IAS 39.

Derivative transactions can be classified as follows:

1) **Transactions that qualify as hedges in accordance with IAS 39.** They can be cash flow hedges or fair value hedges. In the case of cash flow hedges, which are the only ones used by the Group, realized gains and losses are included in EBITDA for commodity transactions or recognized as financial income or expense for financial transactions. Their projected value is reflected in shareholders' equity.
2) **Transactions that do not qualify as hedges in accordance with IAS 39.** They can be:
   a. risk management on interest rate, foreign exchange rate and energy commodities: for all hedging transactions that comply with internal risk policies and procedures, realized results and expected value are included in EBITDA, if they are attributable to the industrial portfolio, or recognized as financial income or expense, if they are attributable to financial transactions.
   b. trading portfolio: as explained above, include both physical energy commodities contracts and financial derivatives on energy commodities, both the realized results and expected value of these transactions are included in EBITDA.

Instruments Outstanding at December 31, 2008

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

- Derivatives that were outstanding, 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) Risk management on Interest Rates and Foreign Exchange Rates

(in millions of euros)	Notional amount (*)	Notional amount (*)	Notional amount (*)	Balance sheet amount (**)	Cumulative impact on the income statement at 12.31.2008 (***)
	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	267	448	1	(19)	1
- contracts that do not qualify as hedges in accordance with IAS 39	1,212	494	58	6	6
Total interest rate derivatives	**1,479**	**942**	**59**	**(13)**	**7**

	due within 1 year receivable	due within 1 year payable	Due between 2 and 5 years receivable	Balance sheet amount (**)	Cumulative impact on the income statement at 12.31.2008 (***)
Foreign exchange rate risk management					
- contracts that qualify as hedges in accordance with IAS 39					
- On commercial transactions	1,120	36	157	(32)	1
- On financial transactions	-	-	-	-	-
- On non-cash transactions	1,100	-	-	8	-
- contracts that do not qualify as hedges in accordance with IAS 39					
- On commercial transactions	13	-	-	1	1
- On financial transactions	11	-	-	(1)	(1)
Total foreign exchange rate derivatives	**2,244**	**36**	**157**	**(24)**	**1**

(*) 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 recognized on the income statement from the inception of the contract until the date of the financial statements.

B) Risk management on Commodities

	Unit of measure of notional amount	Notional amount due within one year (*)	Notional amount due within two years (*)	Notional amount after two years (*)	Balance sheet value (**) (millions of euros)	Cumulative impact on the income statement at 12.31.2008 (***) (millions of euros)
Price risk management for energy products						
A. Cash flow hedges pursuant to IAS 39, broken down as follows:					(230)	(5)
- Electric power	TWh	(0.7)	-	-	12	-
- LNG, oil	Barrels	10,415,800	1,402,926	57,400	(242)	(5)
- Other commodities	-	-	-	-	-	-
B. Fair value hedges pursuant to IAS 39					-	-
C. Contracts that do not qualify as hedges pursuant to IAS 39, margin hedges:					(7)	(7)
- Electric power	TWh	(0.4)	(0.4)	-	2	2
- LNG and oil	Barrels	(14,335)	36,000	21,000	(6)	(6)
- Coal	Millions of tons	0.07	-	-	(2)	(2)
- CO_2	Millions of tons	0.15	-	-	(1)	(1)
Total					(237)	(12)

(*) + 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 recognized on the income statement from the inception of the contract until the date of the financial statements.

C) Trading Portfolio

	Unit of measure of notional amount	Notional amount due within one year (*)	Notional amount due within two years (*)	Notional amount after two years (*)	Balance sheet value (**) (millions of euros)	Cumulative impact on the income statement at 12.31.2008 (***) (millions of euros)
Trading Portfolio						
Derivatives contracts					16	16
- Electric power	TWh	(0.6)	0.1	-	19	19
- LNG, oil	Barrels	69,950	-	-	(3)	(3)
- CO_2	Millions of tons	(0.86)	-	-	-	-
Physical Energy Commodity					4	4
- Electric power	TWh	0.97	(0.16)	-	4	4
Total					20	20

(*) + 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 recognized on the income statement from the inception of the contract until the date of the financial statements.

Effects of Derivative Transactions and trading activities on the Income Statement and Balance Sheet in 2008

The table below provides an analysis of the financial results generated by derivative transactions and trading activities, that included the effects on physical energy contracts.

(in millions of euros)	Realized in 2008 (A)	Fair Value recognized for contracts outstanding at 12.31.2007 (B)	Portion of (B) contracts realized in 2008 (B1)	Fair Value recognized for contracts outstanding at 12.31.2008 (C)	Change in Fair Value in 2008 (D)=(C-B)	Amounts recognized in earnings (A+D)
Sales Revenues and Other revenues and income (see Notes 21 and 22 in the Income statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	49	-	-	-	-	49
- not definable as hedges pursuant to IAS 39	51	6	6	12	6	57
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	1	1	1
Trading portfolios						
- Financial derivatives included in trading portfolio	17	5	5	28	23	40
- Physical contracts included in trading portfolio (***)	881	23	23	148	125	1,006
Total (A)	**998**	**34**	**34**	**189**	**155**	**1,153**
Raw materials and services used (see Note 23 in the Income statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(71)	-	-	(5)	(5)	(76)
- not definable as hedges pursuant to IAS 39	(32)	(5)	(5)	(20)	(15)	(47)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	37	(10)	(10)	1	11	48
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Trading portfolios						
- Financial derivatives included in trading portfolio	(15)	(7)	(7)	(11)	(4)	(19)
- Physical contracts included in trading portfolio (****)	(883)	(25)	(25)	(144)	(119)	(1,002)
Total (B)	**(964)**	**(47)**	**(47)**	**(179)**	**(132)**	**(1,096)**
TOTAL INCLUDED IN EBITDA (A+B)	**34**	**(13)**	**(13)**	**10**	**23**	**57**
Interest rates hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	4	1	1	1	-	4
- not definable as hedges pursuant to IAS 39	47	7	6	16	9	56
Total financial income (C)	**51**	**8**	**7**	**17**	**9**	**60**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(50)	(20)	(3)	(10)	10	(40)
Total financial expense (D)	**(50)**	**(20)**	**(3)**	**(10)**	**10**	**(40)**
Margin on interest rate hedging transactions (C+D)=(E)	**1**	**(12)**	**4**	**7**	**19**	**20**
Foreign exchange rates hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Total foreign exchange gains (F)	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(3)	-	-	(1)	(1)	(4)
Total foreign exchange losses (G)	**(3)**	**-**	**-**	**(1)**	**(1)**	**(4)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(3)**	**-**	**-**	**(1)**	**(1)**	**(4)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (E+H) (see Note 27 in the Income statement)	**(2)**	**(12)**	**4**	**6**	**18**	**16**

(*) Includes the effective portion, about 47 million euros, comprise among "Raw material and Service used" (see Note 23 in the Income statement) at the voice natural gas.
(**) Includes the ineffective portion.
(***) Value included among "Sales Revenues" (see Note 21 in the Income statement) at the voice revenues from the sales of electric power and trasmission revenues.
(****)Value included among "Raw material and Service used" (see Note 23 in the Income statement) at the voice purchases of electric power and transmision of electric power.

The table below provides a breakdown of the amounts recognized in the balance sheet following the measurement at fair value of the derivatives outstanding and physical energy commodities contract on the date of the financial statements:

(in millions of euros)	12.31.2008		12.31.2007	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	32	(56)	3	(21)
Interest rate transactions	11	(24)	12	(19)
Commodity transactions	201	(418)	59	(61)
Fair value recognized as current asset or current liability	**244**	**(498)**	**74**	**(101)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	148	(144)	-	-
- recognized as "Other receivables and payables"	85	(329)	62	(82)
- recognized as "Current financial assets" and "Short-term borrowings"	11	(25)	12	(19)

With regard to the items listed above, please note that the receivables and payables shown are offset by a negative cash flow hedge reserve amounting to 270 million euros, before the corresponding deferred-tax assets and liabilities.

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, 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, 2008.

The Edison Group has chosen not to adopt the value option and, consequently, as the table shows, neither borrowings nor bonds were restated at fair value.

(in millions of euros)	Criteria applied to value financial instruments in the financial statements						
Financial instrument type	Financial instruments valued at fair value with change in fair value recognized in: earnings	equity		Financial instruments valued at amortized cost	Equity investments valued at cost	Carrying value at 12.31.2008	Fair value at 12.31.2008
	(1)	(2)	(3)	(4)	(5)		
ASSETS							
Available-for-sale equity investments, including:							
- not publicly traded securities	-	-	-	-	240	240	n.a.
- publicly traded securities	-	-	8	-	-	8	8
						248	-
Other financial assets [7] [10]	-	-	-	92	-	92	92
Other assets [10]	-	-	-	63	-	63	63
Trade receivables [9] [10]	148	-	-	2,182	-	2,330	2,330
Other receivables [6] [10]	42	43	-	337	-	422	422
Other current financial assets [6] [8] [10]	18	-	-	8	-	26	26
Cash and cash equivalents [10]	-	-	-	188	-	188	188
LIABILITIES							
Bonds	-	-	-	1,207	-	1,207	1,225
Borrowings [6] [10]	6	19	-	1,975	-	2,000	1,946
Trade payables [9] [10]	144	-	-	1,515	-	1,659	1,659
Other liabilities [6] [10]	35	294	-	380	-	709	709

(1) Financial assets and liabilities valued at fair value with change in fair value recognized in earnings.
(2) Hedging derivatives (Cash Flow Hedge).
(3) Financial assets available-for-sale valued at fair value with change in fair value recognized in Equity.
(4) Loans and receivables and financial liabilities valued at amortized cost.
(5) Financial assets available-for-sale as equity investments not publicly traded securities which fair value cannot be measured reliably, are valued at cost less impairment losses
(6) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(7) Includes 73 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(8) Includes assets held for trading.
(9) Includes receivables and payables from the measurement at fair value of physical contracts in trading portfolio.
(10) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same at their carrying value.

Segment Information

The table below provides information broken down by business segment operation (primary segment). Detailed information about the performance of the different business operations is provided in a separate section of the Report on Operations. Differently from the previous year, "Other Operation" no longer qualify as a business segment pursuant to IAS 14 and, consequently, are included among "Corporate Activities". Comparative data have been adjusted accordingly.

The "secondary segment " by geographical area is not reported because the Group operations are essentially located in Italy.

INCOME STATEMENT	Electric Power		Hydrocarbons		Corporate Activities		Disposal Group		Adjustment		Edison Group	
(in millions of euros)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales Revenues	**8,689**	**6,783**	**5,093**	**3,937**	**77**	**73**	**-**	**-**	**(2,793)**	**(2,517)**	**11,066**	**8,276**
- Intra-Group Revenue	6	5	2,750	2,475	37	37			(2,793)	(2,517)		
EBITDA	**1,326**	**1,238**	**405**	**427**	**(88)**	**(60)**	**-**	**-**	**-**	**-**	**1,643**	**1,605**
as a % of sales revenues	15.3%	18.3%	8.0%	10.8%	n.s.	n.s.					14.8%	19.4%
Depreciation, amortization and write downs	(582)	(557)	(188)	(140)	(12)	(12)	-	-	-	-	(782)	(709)
EBIT	**744**	**681**	**217**	**287**	**(100)**	**(72)**	**-**	**-**	**-**	**-**	**861**	**896**
as a % of sales revenues	8.6%	10.0%	4.3%	7.3%	n.s.	n.s.					7.8%	10.8%
Net financial income (expense)											(100)	(198)
Interest in result of companies value by equity method											1	(1)
Income taxes											(379)	(170)
Profit from continuing operations											**351**	**517**
Profit (loss) from discontinued operations							**(4)**	**-**			**(4)**	**-**
Minority interest in profit (loss) for the period											**1**	**20**
Group interest in profit (loss) for the period											**346**	**497**

BALANCE SHEET	Electric Power		Hydrocarbons		Corporate Activities		Disposal Group		Adjustment		Edison Group	
(in millions of euros)	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07
Total assets	**11,948**	**11,409**	**3,366**	**2,718**	**3,302**	**3,052**	**-**	**318**	**(3,523)**	**(2,774)**	**15,093**	**14,723**
Total liabilities	**3,958**	**3,489**	**2,111**	**1,396**	**2,674**	**2,588**	**-**	**77**	**(1,723)**	**(978)**	**7,020**	**6,572**
Net financial Debt							**-**	**(15)**			**2,920**	**2,687**

OTHER INFORMATION	Electric Power		Hydrocarbons		Corporate Activities		Disposal Group		Adjustment		Edison Group	
(in millions of euros)	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Capital expenditures	284	234	249	183	12	14	-	-	-	-	545	431
Investments in exploration	-	-	62	58	-	-	-	-	-	-	62	58
Investments in intangibles	27	2	1	-	9	3	-	-	-	-	37	5
Total capital investments	**311**	**236**	**312**	**241**	**21**	**17**	**-**	**-**	**-**	**-**	**644**	**494**

	Electric Power		Hydrocarbons		Corporate Activities		Disposal Group		Adjustment		Edison Group	
	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07	12.31.08	12.31.07
Number of employees	1,849	1,851	507	460	605	873	-	93	-	-	2,961	3,277

NOTES TO THE BALANCE SHEET

Assets

1. Property, Plant and Equipment

Property, plant and equipment, which is comprised of the Group's production assets, totaled 7,416 million euros, for a net decrease of 203 million euros compared with the previous year (7,619 million euros). The table that follows shows a breakdown of the changes that occurred in 2008:

(in millions of euros)	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2007 (A)	**903**	**6,232**	**21**	**11**	**452**	**7,619**
Changes in 2008:						
- Additions	2	206	4	1	332	545
- Disposals (-)	(4)	(42)	-	-	-	(46)
- Depreciation (-)	(46)	(563)	(3)	(2)	-	(614)
- Writedowns (-)	-	(73)	-	-	-	(73)
- Reversals of writedowns (+)	-	15	-	-	-	15
- Decommissioning costs	-	9	-	-	-	9
- Changes in scope of consolidation	-	(2)	(10)	(6)	(19)	(37)
- Other changes	(2)	332	-	-	(332)	(2)
Total changes (B)	**(50)**	**(118)**	**(9)**	**(7)**	**(19)**	**(203)**
Balance at 12.31.2008 (A+B)	**853**	**6,114**	**12**	**4**	**433**	**7,416**
Breakdown:						
- Historical cost	1,067	8,726	24	12	434	10,263
- Writedowns (-)	(5)	(238)	(2)	-	(1)	(246)
- Accumulated depreciation (-)	(209)	(2,374)	(10)	(8)	-	(2,601)
Net carrying amount	**853**	**6,114**	**12**	**4**	**433**	**7,416**

The total value of the assets, virtually all of which are located in Italy, includes construction in progress and advances totaling 433 million euros, broken down as follows: 203 million euros for the electric power operations and 228 million euros for the hydrocarbons operations.

Additions totaled 545 million euros. A breakdown by business segment is as follows:

(in millions of euros)	2008	2007
Electric Power Operations	**284**	**234**
broken down as follows:		
- Thermoelectric area	166	181
- Hydroelectric area	40	31
- Wind power	78	22
Hydrocarbons Operations	**249**	**183**
broken down as follows:		
- Hydrocarbon fields in Italy	87	49
- Hydrocarbon fields outside Italy	102	42
- Transmission and storage facilities	60	92
Corporate Activities	**12**	**14**
Total for the Group	**545**	**431**

The main investment projects of the **electric power operations** include the following:
- In the thermoelectric area, the Candela (FG) (34 million euros, mostly due to the district heating system plants), San Filippo del Mela (ME) (22 million euros), Marghera (VE) (21 million euros) and Simeri Crichi (CZ) (11 million euros) power plants. The largest project outside Italy is the construction of a new 420-MW thermoelectric power plant near Thisvi, in Greece (36 million euros);
- In the hydroelectric area the Belviso (SO) and Ganda (BZ) power plants (18 million euros);
- In the wind power area, the Lucito (CB) (46 million euros) and Melissa-Strongoli (KR) (18 million euros) wind farms.

The **hydrocarbons operations** focused its investments on the following projects:
- In the area of transmission and storage facilities, completion of the Cavarzere-Minerbio natural gas pipeline (19 million euros) and expansion of the Collalto Susegana (TV) storage field (30 million euros);
- With regard to hydrocarbon deposits in Italy, development of gas fields in the Adriatic (about 41 million euros) and in the Strait of Sicily (38 million euros);
- With regard to hydrocarbon deposits outside Italy, exploration and production activities in Egypt (62 million euros), Algeria (30 million euros) and Croatia (10 million euros).

Investments by the **Corporate activities** include about 9 million euros for the IWH Group.

Disposals, which totaled 46 million euros and refer mainly to the sale of components from thermoelectric and hydroelectric power plants and the disposal of the Vega tanker ship, generated a net loss of about 5 million euros.

Depreciation of property, plant and equipment totaled 614 million euros. It includes 545 million euros for the electric power operations (550 million euros at December 31, 2007) and 64 million euros for the hydrocarbons operations (57 million euros at December 31, 2007). Corporate activities account for the balance.

Writedowns, which totaled about 73 million euros, due to impairment test, include the following:
- **electric power operation**, some electric power plant of "CIP 6/92 thermoelectric Cash Generating Units" (36 million euros);
- **hydrocarbons operations**, Rosetta concession (19 million euros) and other Italian concession (18 million euros) that were disclosed in the Quarterly Report at September 30, 2008.

Reversals of writedowns refers to the derecognition of charges recognized in previous years by the electric power operations to write down the value of plant and machinery at a power plant.

Decommissioning costs of 9 million euros refer to a revision of the cost projections for the decommissioning of some thermoelectric power plants.

Changes in the scope of consolidation refers to a decrease in assets held by the Corporate Activities caused by the sale of International Water Services (Guayaquil) Interagua C.Ltda, a company that operates in Ecuador.

Among **other changes**, the change in construction in progress is mainly due to:
- For the **electric power operations**, the restart of the Turbigo power plant after completion of the revamping process (about 122 million euros);
- For the **hydrocarbons operations**, the commissioning of the Cavarzere-Minerbio natural gas pipeline (about 106 million euros), the start of Phase III at the Rosetta field in Egypt (about 33 million euros) and the startup of other facilities at oil and gas fields in Italy (for a total of 19 million euros).

In addition:

- The net carrying amount of property, plant and equipment includes **assets transferable at no cost** with an aggregate value of 535 million euros (591 million euros at December 31, 2007) attributable to the hydroelectric operations, which hold 68 concessions, and to the gas and water distribution operations, which hold 62 concessions. The decrease reflects primarily the depreciation taken in 2008, offset only in part by the additions for the year. A breakdown of assets transferable at no cost is provided below:

Assets transferable at no cost (in millions of euros)	Historical cost	Accum. deprec. and writedowns	Net value at 12.31.2008	Net value at 12.31.2007
Buildings and other assets	12	(4)	8	8
Plant and machinery	861	(334)	527	583
Total	**873**	**(338)**	**535**	**591**

- Property, plant and equipment includes **assets acquired under finance leases** totaling 97 million euros (117 million euros at December 31, 2007), which are recognized in accordance with the IAS 17 (revised) method. The balance outstanding on finance leases, which amounts to 9 million euros, is shown under "Short-term borrowings." A breakdown of assets acquired under finance leases is provided below:

Assets acquired under finance leases (in millions of euros)	Historical cost	Accum. deprec. and writedowns	Net value at 12.31.2008	Net value at 12.31.2007
Land and buildings	8	(2)	6	6
Plant and machinery	142	(51)	91	111
Total	**150**	**(53)**	**97**	**117**

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, totaled 14 million euros. The increase of 3 million euros compared with December 31, 2007 is due mainly to land and buildings not used in the production process. The depreciation for the period amounted to less than 1 million euros.

A breakdown of the changes that occurred in 2008 is provided below:

(in millions of euros)	12.31.2008
Balance at 12.31.2007 (A)	**11**
Changes in 2008:	
- Reclassifications	3
- Depreciation (-)	-
Total changes (B)	**3**
Balance at 12.31.2008 (A+B)	**14**
Breakdown:	
- Historical cost	23
- Accumulated depreciation (-)	(2)
- Writedowns (-)	(7)
Net carrying amount	**14**

3. Goodwill

Goodwill totaled 3,521 million euros. The increase of 3 million euros compared with December 31, 2007 is attributable to the electric power operations and the impact of the acquisition of VSV Srl, a renewable resource company.

The balance in this account 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.
As explained in a disclosure provided later in these Notes, goodwill was tested for impairment, as required by IAS 36.

4. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which include 85 mineral leases in Italy and abroad (including 2 storage concessions) for the extraction of hydrocarbon deposits, were valued at 273 million euros. The amortization for the period accounts for the decrease of 26 million euros from the amount reported at December 31, 2007.
The table below shows the changes that occurred in this account in 2008:

(in millions of euros)	31.12.2008
Balance at 12.31.2007 (A)	**299**
Changes in 2008:	
- Amortization	(26)
Total changes (B)	**(26)**
Balance at 12.31.2008 (A+B)	**273**
Breakdown:	
- Historical cost	420
- Accumulated amortization (-)	(143)
- Writedowns (-)	(4)
Net carrying amount	**273**

Information About the Group's Concessions

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

		Remaining life	
	Number	from	to
Storage concessions	2	6	16
Hydroelectric concessions	68	2	23
Distribution concessions	62	1	11
Hydrocarbon concessions	83	(*) "unit of production"	

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

In 2008, the Group was awarded 2 new hydrocarbon exploration licenses in Iran and Norway and the duration of a concession held by the electric power operations was extended.

5. Other Intangible Assets

The balance of 47 million euros includes:

- 27 million euros for patents, licenses and similar rights essentially for software licenses;
- 15 million euros for CO_2 emission rights held in excess of the Group's overall requirements. These rights were marked to market at the end of the year and an 8-million-euro writedown was recognized;
- 5 million euros for intangible assets in progress.

In 2008, following successful exploration programs at some fields in the Strait of Sicily and the Algerian gas fields, about 25 million euros in exploration costs incurred for the extraction of hydrocarbon deposits were added to "Property, plant and equipment," as allowed by IFRS 6.

The remaining hydrocarbon research and exploration costs, which were charged in full to income during the year, totaled 62 million euros.

The table below shows the changes occurred in 2008:

(in millions of euros)	12.31.2008
Balance at 12.31.2007 (A)	**36**
Changes in 2008:	
- Additions	95
- Amortization	(76)
- Writedowns (-)	(8)
Total changes (B)	**11**
Balance at 12.31.2008 (A+B)	**47**
Breakdown:	
- Historical cost	297
- Accumulated amortization (-)	(241)
- Writedowns (-)	(9)
Net carrying amount	**47**

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 units (CGUs).
Keeping in mind the strategic and organizational decisions of the Edison Group, goodwill was tested by making reference to the two different cash generating units to which goodwill has been allocated: the electric power operations and the hydrocarbons operations.

Allocation of goodwill

(in millions of euros)	12.31.2008	12.31.2007
- Electric power operations	2,839	2,836
- Hydrocarbons operations	682	682
Total	**3,521**	**3,518**

Consistent with past practice, the test was carried out by an independent appraiser, using financial flows that were determined on the basis of the Company plan approved by the Board of Directors. The test was extended to subsequent periods covered by the useful lives of the various assets and took into account any changes in their destination and/or profitability. Because of the nature of the Group's businesses, which require investments with returns over the intermediate period, the plan's time horizon is longer than five years.
Specifically, the recoverable value (understood as value in use) of each of the two abovementioned operations was determined by estimating the present value of future cash flows from operations before taxes (as expressly required by the applicable rules) that these operations are expected to generate over the length of the Company's plan (until 2016) and a terminal value beyond the plan's horizon, taking into account the nature of the investments and the types of businesses in which Edison operates.
The terminal value of both operations was estimated by determining an operating cash flow, duly normalized to reflect regular operating conditions and a nominal annual growth rate between zero and 2%.
In addition, for terminal value computation purposes, the cash flows attributed to the electric power

operations until 2019 were estimated taking into account for each year the impact of the expiration of CIP 6/92 contracts and incentives.
Consistent with the cash flows described above, the discount rates applied were estimated by determining the average weighted cost of capital.
The recoverable value was estimated using the financial method. It was obtained by using simulations for different variables - the most significant of which include discount rates, growth rates and nondiscretional investments required to keep the Company operating at a normal level - and applying such statistical simulation techniques as the Montecarlo method. Specifically, the median pretax rates used were 10.5% for the electric power operations and 11.2% for the hydrocarbons operations.
The recoverable values determined by applying the statistical process described above were greater than the corresponding carrying amounts of the various cash generating units.

In order to determine if the value of its property, plant and equipment and intangibles had been impaired, Edison tested in the same manner the components of property, plant and equipment and intangibles held by the Group's core businesses that could be identified as cash generating units. These assets are used for the production activities of the electric power and hydrocarbons operations and for natural gas distribution and storage activities.

The composition of the CGUs to which property, plant and equipment is allocated takes into account the current makeup of the Group's markets and businesses and is consistent with its management reporting and segment information systems. From a management standpoint, the portfolio of property, plant and equipment is divided into macro-groups that operate as separate units (CIP 6/92 Thermoelectric, Captive Thermoelectric, Merchant Thermoelectric, Merchant Hydroelectric, CIP 6/92 Wind Power, Merchant Wind Power, Natural Gas Italy, Natural Gas International, Natural Gas Distribution and Natural Gas Storage), while the flows generated by market sales of electric power and natural gas (Power Exchange and wholesalers) reflect the total quantity of commodities traded, irrespective of the production asset from which they originated.

Therefore, the CGUs to which specific non-current assets are allocated are based on a three-dimensional approach that takes into account: the source (electric power or hydrocarbons), the current target market (dedicated, captive, market) and whether the party that owns a given non-current asset is a separate legal entity.

As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on the operating and financial plans for each CGU and on a time horizon equal to the useful lives of its assets.
The financial flows used in connection with the abovementioned plans were indicative of specific production profiles and prices and took into account such items as decommissioning costs and residual values, when identifiable.
As was done when testing goodwill for impairment, the recoverable value was estimated by applying the financial method, used in combination with the Montecarlo simulation technique.
The pretax cash flows used for each CGU, which were consistent with those provided in the Company Plan, were discounted at rates that were the same as those applied when testing goodwill for impairment. These rates were increased further when the CGUs were located in a foreign country with a significant country risk.
The impairment test performed in accordance with the statistical method described above showed that an impairment loss had occurred for some CIP 6/92 thermoelectric CGUs and for the Rosetta concession CGU, requiring a combined writedown of about 55 million euros.

These writedowns were required primarily by the occurrence of impairment indicators such as increases in interest rates, changes in exchange rates, E.U. legislation concerning the "Climate Package" and the

impact of the capital expenditures that will be required to proceed with Phases 3 and 4 of the development of the Rosetta concession.
These writedowns are in addition to writedowns of plant and equipment appurtenant to Italian concessions for the production of hydrocarbons totaling about 18 million euros that were disclosed in the Quarterly Report at September 30, 2008.

Lastly, based on the corresponding recoverable value, writedowns totaling about 15 million euros recognized in previous years for the "Merchant Thermoelectric" CGU were reversed in 2008.

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

The total includes 51 million euros in investments in companies valued by the equity method and 248 million euros in available-for-sale investments. The latter amount includes an investment in Terminale GNL Adriatico (232 million euros), which owns the offshore regasification terminal near Porto Viro (RO).

The table below shows the main changes that occurred in 2008:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2007 (A)	**44**	**184**	**228**
Changes in 2008:			
- Disposals (-)	-	(1)	(1)
- Additions	1	1	2
- Changes in share capital	9	81	90
- Writedowns and valuations at equity (+/-)	1	(16)	(15)
- Reclassifications and other changes (+/-)	(4)	(1)	(5)
Total changes (B)	**7**	**64**	**71**
Balance at 12.31.2008 (A+B)	**51**	**248**	**299**
Breakdown:			
- Historical cost	47	273	320
- Revaluations	9	-	9
- Writedowns (-)	(5)	(25)	(30)
Net carrying amount	**51**	**248**	**299**

An analysis of the changes is as follows:

- **Additions and changes in share capital** of 90 million euros refer to capital contributions provided to Terminale GNL Adriatico (81 million euros) and Galsi Spa (about 8 million euros);
- **Writedowns and valuations at equity**, with a net negative balance of 15 million euros, reflect primarily the charge generated by marking to market the investment in RCS, which is offset by corresponding amounts recognized in equity.

7. Other Financial Assets

Other financial assets, which totaled 92 million euros, consist of loans receivable due in more than one year. Specifically, other financial assets include the following items:

- a loan receivable of 73 million euros to Ibiritermo recognized as such as a result of the adoption of IFRIC 4;
- 14 million euros for an interest-bearing escrow deposit provided in connection with the sale of Serene Spa, the disbursement of which depends on changes in CIP 6/92 regulations;
- 5 million euros for other long-term financial receivables, which include 4 million euros in bank deposits that secure project financing facilities.

8. Deferred-tax Assets

Deferred-tax assets, which were valued based on realistic assumptions that they would be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans approved by the various companies, amounted to 84 million euros. They reflect differences in the valuation of property, plant and equipment of 26 million euros, a tax-loss carryforward of 24 million euros and tax-deductible provisions for risks of 20 million euros. Other differences stemming from the adoption of IAS 39 account for the balance.
For further information see the note on "Income Taxes" (Note 30 in the Income Statement).

9. Other Assets

Other assets totaled 63 million euros (61 million euros at December 31, 2007). This account includes about 30 million euros (net of an allowance for doubtful accounts of 1 million euros) for tax refunds receivable, including accrued interest through December 31, 2008, about 19 million euros in security deposits and about 3 million euros for other escrow deposits. Sundry receivables account for the balance.

10. Current Assets

(in millions of euros)	12.31.2008	12.31.2007	Change
Inventories	304	250	54
Trade receivables	2,330	1,654	676
Current-tax assets	14	13	1
Other receivables	422	371	51
Current financial assets	26	25	1
Cash and cash equivalents	188	103	85
Total current assets	**3,284**	**2,416**	**868**

A review of the individual components is provided below:

- **Inventories** totaled 304 million euros. A breakdown by business segment is provided below:

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Other	Total at 12.31.2008	Total at 12.31.2007	Change
Electric power operations	38	-	17	1	56	67	(11)
Hydrocarbons operations	11	230	6	1	248	179	69
Corporate activities	-	-	-	-	-	4	(4)
Total for the Group	**49**	**230**	**23**	**2**	**304**	**250**	**54**

The gain of 54 million euros compared with December 31, 2007 is essentially the net result of an increase in the quantities of stored natural gas for 78 million euros and a reduction of the other fuel inventory for 24 million euros. Inventories also include about 9 million euros in strategic reserves of natural gas the use of which is restricted.

- **Trade receivables** totaled 2,330 million euros. A breakdown by business segment is provided in the table that follows:

(in millions of euros)	12.31.2008	12.31.2007	Change
Electric power operations	1,739	1,190	549
Hydrocarbons operations	834	525	309
Corporate activities and eliminations	(243)	(61)	(182)
Total trade receivables	**2,330**	**1,654**	**676**
of which Allowance for doubtful accounts	**(76)**	**(88)**	**12**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, contracts to sell natural gas and Power Exchange transactions.
The balance in this account includes 148 million euros representing the fair value of physical contracts for energy commodities that are part of the Group's trading portfolio.
Receivables owed by the Electric Industry Adjustment Payments Fund for the expected refunds of emission rights and green certificate costs and a higher exposure toward to the Electrical Services Manager (GSE Spa) for rate adjustments related to avoided fuel costs are the main reason for the increase in trade receivables.
Lastly, in 2008, the Group was a party to transactions involving the assignment of receivables without recourse for a total amount of 1,981 million euros.

- **Current-tax assets**, of 14 million euros includes amounts owed by the tax authorities for overpayments of corporate income taxes (IRES) and local income taxes (IRAP) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Srl, the Group's controlling company.
- **Other receivables**, totaled 422 million euros, net of an allowance for doubtful accounts of 30 million euros. They include credits arising from the valuation of derivatives instruments (85 million euros); amounts owed by partners and associates in hydrocarbon exploration projects (42 million euros); receivables from local government entities (49 million euros); receivables from the tax administration (21 million euros); advances paid to suppliers, including those stemming from take-or-pay clauses (22 million euros) and amounts owed by the controlling company (Transalpina di Energia Srl) in connection with the filing of a consolidated income tax return (22 million euros).
- A breakdown of **current financial assets,** which totaled 26 million euros, is as follows:

(in millions of euros)	12.31.2008	12.31.2007	Change
Equity investments held for trading	7	10	(3)
Loans receivable	8	3	5
Derivatives	11	12	(1)
Total current financial assets	**26**	**25**	**1**

A review of the financial assets listed above, all of which are included in the computation of the Group's net financial debt, is provided below:

- The amount shown for *equity investments held for trading* represents investments in the following publicly traded companies: ACEGAS Spa (4 million euros), ACSM Spa (1 million euros) and American Superconductor Corporation (2 million euros). The valuation of these investments at fair value did not have a significant impact on the income statement.
- *Loans receivable* include 1 million euros for the short-term portion of a receivable under a finance lease for the Ibiritermo power plant and loans owed by subsidiaries.
- *Derivatives* refer exclusively to the valuation at fair value of derivatives hedging interest rate risks that were outstanding at December 31, 2008. A comprehensive explanation of the impact of financial derivatives is provided in a separate disclosure included in these Notes.

- **Cash and cash equivalents**, of 188 million euros consist of short-term deposits in bank and postal accounts and other short-term investments. The balance in this account was 85 million euros higher than the previous year.

11. Assets Held for Sale

This item had a zero balance at the end of 2008. The change compared with December 31, 2007 reflects the sale of business operations that included five thermoelectric power plants that operated under CIP 6/92 contracts and of Termica Boffalora and Termica Celano in April 2008.

Liabilities and Shareholders' Equity

12. Group Interest and Minority Interest in Shareholders' Equity

The Group's interest in shareholders' equity amounted to 7,909 million euros, for a net decrease of 95 million euros compared with December 31, 2007. This reduction is the net result of the profit for the year amounting to 346 million euros, a dividend distribution totaling 268 million euros (equal to a dividend of 0.05 euros on each common share and 0.08 euros on each savings share) and, as explained later in these Notes, the changes in reserve balances caused by the adoption of IAS 32 and IAS 39.

Minority interest in shareholders' equity totaled 164 million euros, for a gain of 17 million euros compared with December 31, 2007, due mainly to the allocation to third parties of the reserves conveyed to Hydros Srl and Dolomiti Edison Energia Srl (59 million euros), offset in part by the dividends payable to minority shareholders (13 million euros) and the sale of Termica Boffalora and Termica Celano (33 million euros).

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

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

The reserve for cash flow hedges was established upon the adoption of IAS 32 and IAS 39 to account for derivatives. A breakdown of the change compared with 2007, which refers mainly to the suspension at fair value of the hedges established in connection with risk on energy commodities price and foreign exchange rate, is provided below:

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2007	(2)	1	(1)
- Changes in 2008	(268)	98	(170)
Reserve at December 31, 2008	**(270)**	**99**	**(171)**

The table that follows shows the change that occurred in the Reserve for available-for-sale investments, which is attributable for the most part to the investment in RCS Mediagroup Spa:

Reserve for Available-for-sale Investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2007	12	(1)	11
- Changes in 2008	(16)	1	(15)
Reserve at December 31, 2008	**(4)**	**-**	**(4)**

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

(in millions of euros)	12.31.2008	12.31.2007
Net profit of Edison Spa	**374**	**448**
Intra-Group dividends eliminated in the consolidated financial statements	(269)	(233)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	261	285
Difference in valuation of the result of discontinued operations and of divestments	(16)	-
Other consolidation adjustments	(4)	(3)
Group interest in net profit	**346**	**497**

Reconciliation of the Shareholders' Equity of Edison Spa to the Group's Interest in Shareholders' Equity

(in millions of euros)	12.31.2008	12.31.2007
Shareholders' equity of Edison Spa	**6,769**	**6,847**
Carrying value of equity investments eliminated against the prorated interest in the shareholders' equity of investee companies, including:		
- Elimination of the carrying value of consolidated equity investments	(1,875)	(1,822)
- Recognition of the shareholders' equities of consolidated companies	2,994	2,967
Valuation of equity investments valued by the equity method	6	2
Other consolidation adjustments	15	10
Group interest in shareholders' equity	**7,909**	**8,004**

Non-current Liabilities

13. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which amounted to 65 million euros, reflects the accrued severance indemnities and other benefits owed to employees. A valuation in accordance with the actuarial criteria of IAS 19 was performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held by the Company.

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

- Technical annual discount rate	4.60%
- Annual inflation rate	3.00%
- Estimated annual increase of the provision for severance indemnities	3.75%

The computation process also resulted in the recognition of financial expense totaling about 3 million euros.
The table below shows the changes that occurred in 2008:

(in millions of euros)	Provision for sever. indemn.	Provision for pensions	Total
Balance at 12.31.2007 (A)	**59**	**9**	**68**
Changes in 2008:			
- Financial expense	3	-	3
- Actuarial (gains) losses (+/-)	1	-	1
- Utilizations (-)/Other changes	(7)	-	(7)
Total changes (B)	**(3)**	**-**	**(3)**
Total at 12.31.2008 (A+B)	**56**	**9**	**65**

At December 31, 2008, counting the employees of companies consolidated by the proportional method, the Edison Group had 2,961 employees, or 316 less than at the end of 2007, when 3,277 employees were on the payroll. The average payroll numbered 3,376 employees.

The tables below provides a breakdown by business segment of the Group's payroll and shows the changes that occurred in 2008 in each category of employees:

By Business Segment

(number of employees)	12.31.2008	12.31.2007	Change
Electric Power operations	1,849	1,851	(2)
Hydrocarbons operations	507	460	47
Corporate activities	605	873	(268)
Total core businesses	**2,961**	**3,184**	**(223)**
Groups of assets held for sale	-	93	(93)
Total for the Group	**2,961**	**3,277**	**(316)**

Change by category

(number of employees)	01.01.2008	Added to payroll	Removed from payroll	Reclassifications	12.31.2008	Average payroll
Executives	155	7	(13)	7	156	160
Office staff and middle managers	2,439	654	(880)	55	2,268	2,573
Productions staff	683	45	(129)	(62)	537	643
Total for the Group	**3,277**	**706**	**(1,022)**	**-**	**2,961**	**3,376**

Most of the staff decrease is attributable to a reduction of 317 employees in payroll due to the sale of International Water Services (Guayaquil) Interagua C.Ltda in Ecuador, and to the divestment of business operations comprised of thermoelectric power plants operating under CIP 6/92 contracts (93 employees).

14. Provision for Deferred Taxes

The balance of 519 million euros reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as deemed cost to value property, plant and equipment.
The following table shows a breakdown of this reserve by type of underlying temporary difference, keeping in mind that certain Group companies that met the requirements of IAS 12 offset their deferred-tax liability against deferred-tax assets:

(in millions of euros)	12.31.2008	12.31.2007	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	609	579	30
- Adoption of standard on finance leases (IAS 17)	49	40	9
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	1	(1)
- shareholders' equity	8	2	6
- Other deferred taxes	8	14	(6)
Total deferred-tax liabilities (A)	**674**	**636**	**38**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	50	67	(17)
- Adoption of standard on financial instruments (IAS 39) with impact on:			-
- the income statement	2	7	(5)
- shareholders' equity	101	2	99
- Other prepaid taxes	2	-	2
Total deferred-tax assets (B)	**155**	**76**	**79**
Total provision for deferred taxes (A-B)	**519**	**560**	**(41)**

The changes in deferred-tax liabilities also reflect the non-recurring impact of legislative changes introduced in 2008, which are described in the note on "Income taxes" (see Note 30 in the Income Statement).

15. Provisions for Risks and Charges

The reserves for risks and charges, which are established to cover contingent liabilities, totaled 777 million euros, a decrease of 122 million euros compared with December 31, 2007.

The table below shows the changes that occurred in 2008:

(in millions of euros)	12.31.2007	Additions	Utilizations	Change in scope of consolidation	Other changes and reclassifications	12.31.2008
- Disputed tax items	25	45	(4)	(2)	7	71
- Risks for disputes, litigation and contracts	178	9	(20)	-	(16)	151
- Charges for contractual guarantees on sale of equity investments	124	1	(42)	-	(1)	82
- Provisions for decommissioning and remediation of industrial sites	313	14	(5)	-	9	331
- Environmental risks	82	15	(72)	-	1	26
- Risks on the sale of equity investments	29	-	(7)	(22)	-	-
- Provision for CO_2 emissions quotas	-	-	-	-	-	-
- Other risks and charges	148	14	(8)	(2)	(36)	116
Total for the Group	**899**	**98**	**(158)**	**(26)**	**(36)**	**777**

Additions of 98 million euros include the following main items:

- 42 million euros for disputed tax items attributable primarily to assets sold in previous years for which Edison is liable;
- 15 million euros for environmental risks;
- 8 million euros for legal and contractual risks;
- 14 million euros for financial expense on decomissioning provisions;
- 7 million euros for accrued statutory and tax interest on existing provisions.

Utilizations totaled 158 million euros reflecting primarily the following transactions:

- 69 million euros to settle a dispute with the Ministry of the Environment;
- 42 million euros for the reversal in earnings of provisions made possible by the expiration of contractual warrantees provided in connection with the sale of equity investments;
- 20 million euros for the settlement of outstanding disputes, mainly involving environmental issues;
- 7 million euros for charges related to the sale of equity investments;
- 5 million euros for charges incurred for the remediation or decommissioning of industrial sites.

Changes in the scope of consolidation, which refer to Corporate Activities, reflect a reduction in provisions for risks and charges that resulted from the sale of International Water Services (Guayaquil) Interagua C.Ltda in Ecuador.

Other changes refer mainly to a reclassification of the provision for writedowns related to an escrow deposit provided for IPSE 2000 (39 million euros), net of an increase in decommissioning provisions, which is offset by a corresponding increase in property, plant and equipment (9 million euros).

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 these Notes entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2008."

16. Bonds

The balance of 1,198 million euros represents the non-current portion of the bonds issued, valued at amortized cost.
The table below provides a breakdown of the bond liability at December 31, 2008 and shows the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Long-term amortized cost	Short-term amortized cost	Fair value
Euro Medium Term Notes:									
Edison Spa	Luxembourg Securities Exchange	EUR	700	Annual in arrears	5.125%	12.10.2010	699	2	724
Edison Spa	Luxembourg Securities Exchange	EUR	500	Quarterly in arrears	5.690%	07.19.2011	499	7	501
Total for the Group			**1,200**				**1,198**	**9**	**1,225**

17. Long-term Borrowings and Other Financial Liabilities

This account totaled 1,101 million euros at December 31, 2008, or 115 million euros less than the 1,216 million euros reported at the end of 2007.
A breakdown is as follows:

(in millions of euros)	12.31.2008	12.31.2007	Change
Due to banks	1,086	1,188	(102)
Due to leasing companies	-	9	(9)
Due to other lenders	15	19	(4)
Total for the Group	**1,101**	**1,216**	**(115)**

The year-over-year decrease is due primarily to the reclassification to short-term borrowings of the portion due within one year of long-term bank indebtedness owed by the Edipower subsidiary (100 million euros).

The amount due to other lenders includes 14 million euros owed to minority shareholders of consolidated companies.

18. Other Liabilities

Other liabilities of 30 million euros refer mainly to the gain, the economic recognition of which has been deferred due to the existence of put and call options exercisable by the parties, that Edison Spa realized on the sale of a 51% interest in Dolomiti Edison Energy Srl, which the Group continues to consolidate on a line-by-line basis.

19. Current Liabilities

(in millions of euros)	12.31.2008	12.31.2007	Change
Bonds	9	9	-
Short-term borrowings	899	485	414
Trade payables	1,659	1,394	265
Current taxes payable	54	9	45
Other liabilities	709	652	57
Total current liabilities	**3,330**	**2,549**	**781**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 9 million euros represent for the most part accrued interest at December 31, 2008.

- **Short-term borrowings**, which totaled 899 million euros, include 678 million euros due to banks, 25 million euros of which represent the effect of measuring at fair value interest rates and currency derivatives; 17 million euros owed to unconsolidated subsidiaries in liquidation; and 9 million euros for short-term obligations owed to leasing companies. In the period the bank provided facilities to the following subsidiaries: Hydros Srl (80 million euros), Dolomiti Edison Energy Srl (40 million euros) and Thisvi Power Generation Plant Sa (50 million euros).
- **Trade payables**, totaled 1,659 million euros. A breakdown of this item by business segment is provided below:

(in millions of euros)	12.31.2008	12.31.2007	Change
Electric power operations	1,081	883	198
Hydrocarbons operations	794	586	208
Corporate activities	(216)	(75)	(141)
Total trade payables	**1,659**	**1,394**	**265**

  Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to scheduled and extraordinary plant maintenance. This item also includes 144 million euros for the fair value of physical energy commodity contracts included in the trading portfolio.
- **Current taxes payable**, of 54 million euros represent the liability for income taxes owed by Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Srl) and reflect the additional corporate income tax (IRES) liability for the so-called "Robin Hood Tax," which will be paid separately by the individual companies upon which it is being levied.
- The main components of **other liabilities** of 709 million euros (652 million euros at December 31, 2007) include the following: liabilities stemming from the measurement at fair value of derivatives instruments (329 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (133 million euros), the amount owed to the controlling company (Transalpina di Energia Srl) in connection with the filing of a consolidated tax return (32 million euros), and payables owed for miscellaneous services (63 million euros).

20. Liabilities Held for Sale

This item had a zero balance at the end of 2008. The change compared with December 31, 2007 reflects the sale of business operations that included five thermoelectric power plants that operated under CIP 6/92 contracts and of Termica Boffalora and Termica Celano in April 2008.

Net Financial Debt

At December 31, 2008, net financial debt totaled 2,920 million euros, or 233 million euros more than the 2,687 million euros owed at December 31, 2007.

This increase is the net result of the following contrasting factors: a positive operating cash flow and proceeds from the disposal of equity investments totaling 373 million euros, which offset in part the period's capital expenditures (644 million euros), net financial expense (100 million euros), additional equity investments (of which 139 million euros for the purchase of a 5% interest in Edipower and 81 million euros for a capital increase provided to Terminale GNL Adriatico), dividend distributions (281 million euros) and income taxes (396 million euros).

Consistent with the practice followed at the end of 2007, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	Ref. Balance Sheet Note	12.31.2008	12.31.2007	Change
Net Long-term debt				
Bonds - non-current portion	16	1,198	1,201	(3)
Non-current bank loans	17	1,086	1,188	(102)
Amounts due to other lenders - non current portion	17	15	28	(13)
Other non-current financial assets (*)	7	(73)	(81)	8
Total Net long-term debt		**2,226**	**2,336**	**(110)**
Net Short-term debt				
Bonds - current portion	19	9	9	-
Short-term borrowings	19	899	485	414
Current financial assets	10	(26)	(25)	(1)
Cash and cash equivalents	10	(188)	(103)	(85)
Loans payable of divested operations	20	-	13	(13)
Loans receivable of divested operations	11	-	(28)	28
Total Net short-term debt		**694**	**351**	**343**
Net Financial Debt		**2,920**	**2,687**	**233**

(*) Includes the long-term portion of financial receivables, as required by the adoption of IFRIC 4.

Net financial debt include 215 million euros stemming from transactions with related parties (193 million euros owed to Mediobanca and 22 million euros owed to Banca Popolare di Milano).
Short-term borrowings include 17 million euros owed to unconsolidated subsidiaries and affiliated companies.

Information about compliance with the obligation to maintain certain financial indicators within predetermined minimum/maximum levels (as set forth in the financial covenants) is provided in a special section of the "Risk Management" section of this Report.

NOTES TO THE INCOME STATEMENT

In 2008, the Group reported revenues of 11,066 million euros, up from 8,276 million euros the previous year, reflecting the positive impact of gains both by the electric power operations (+28.1%) and the hydrocarbons operations (+29.4%). Higher average unit prices, with sales volumes increasing for the electric power operations and holding steady for the hydrocarbons operations, account for this improvement.

At 1,643 million euros, **EBITDA** were 38 million euros higher (+2.4%) than the 1,605 million euros earned in 2007. This increase is the result of contrasting trends in the Group's two areas of business:

- The **electric power operations** increased EBITDA by 7.1% compared with the previous year thanks to strong gains in unit sales and margins in the deregulated segment of the business (non-captive customers, Power Exchange and wholesalers), while in the CIP 6/92 area the positive effect of AEEG Resolutions No. 77/08 and No. 80/08 concerning the reimbursement of costs incurred in connection with CO_2 emission rights and green certificates more than offset the EBITDA shortfall caused by the divestiture of 7 power plants in April (negative impact of about 46 million euros) and by the expiration of some contracts.
- On the other hand, the EBITDA reported by the **hydrocarbons operations** decreased by 5.2% due to a reduction in the margins generated through the procurement and distribution of natural gas caused by the different timing with which changes in crude oil prices are reflected in procurement costs and sales prices. In the area of gas and oil production, a steady decrease in domestic output was more than offset by volume gains outside Italy (Egypt, especially). This trend is expected to accelerate as a result of new investments in hydrocarbon concessions planned for early 2009.

The Group's interest in net profit totaled 346 million euros, compared with 497 million euros earned the previous year.
This performance is the net result of the following factors: a charge of 66 million euros due to the net writedowns, a reduction in net financial expense (98 million euros) made possible by a steady reduction in average indebtedness, an net addition of 31 million euros to the provisions for risks recognized primarily for tax risks related to assets divested in previous years for which Edison may be liable, and a charge of about 135 million euros for the exceptional tax effect of the so-called Robin Hood Tax and of Decree Law No. 185/2008 (the so-called "Anti-Crisis Decree").

The table below, which shows a breakdown by quarter and a comparison with corresponding data from the previous year, provides a clearer understanding of cumulative sales revenues and EBITDA at December 31, 2008:

	First quarter			Second quarter			Third quarter			Fourth quarter			Total		
(in millions of euros)	2008	2007	Var. %	2008	2007	Var. %	2008	2007	Var. %	2008	2007	Var. %	2008	2007	Var. %
Sales revenues	2,502	2,231	12.1%	2,503	1,821	37.5%	2,756	1,862	48.0%	3,305	2,362	39.9%	11,066	8,276	33.7%
EBITDA	307	397	(22.7%)	502	507	(1.0%)	400	366	9.3%	434	335	29.6%	1,643	1,605	2.4%
as a % of sales revenues	12.3%	17.8%	(31.0%)	20.1%	27.8%	(28.0%)	14.5%	19.7%	(26.2%)	13.1%	14.2%	(7.4%)	14.8%	19.4%	(23.4%)

The quarterly breakdown provided above was computed based on balance sheets and income statements approved by the Board of Directors. Individual quarterly data are not audited.

21. Sales Revenues

Sales revenues totaled 11,066 million euros, for an increase of 2,790 million euros (+33.7%) compared with the 8,276 million euros reported at the end of 2007. This improvement, which was achieved even though overall demand in the Italian market was relatively flat, reflects the impact of higher unit sales prices both for electric power and natural gas made possible by a sharp rise in the price of benchmark commodities, and of higher unit sales by the electric power operations.

The table below provides a breakdown of sales revenues, which were booked for the most part in Italy:

(in millions of euros)	2008	2007	Change	Change %
Revenues from the sales of:				
- Electric power	8,032	5,856	2,176	37.2%
- Natural gas	2,187	1,448	739	51.0%
- Steam	155	161	(6)	(3.7%)
- Oil	105	100	5	5.0%
- Green certificates	2	16	(14)	(87.5%)
- Water and other utilities	31	32	(1)	(3.1%)
- Other revenues	9	4	5	n.s.
Total sales revenues	**10,521**	**7,617**	**2,904**	**38.1%**
Revenues from contract services	21	19	2	10.5%
Storage services	27	18	9	50.0%
Transmission revenues	471	595	(124)	(20.8%)
Other revenues from sundry services	26	27	(1)	(3.7%)
Total for the Group	**11,066**	**8,276**	**2,790**	**33.7%**

The above amount includes realized revenues from and changes in the fair value of physical energy commodity contracts included in the trading portfolio and reflects the portion attributable to 2008 of the effects of Resolutions No. 77/08 and No. 80/08 by which the AEEG defined the criteria for the reimbursement, in the form of a rate adjustment, of the costs incurred by companies that operate facilities under CIP 6/92 contracts to comply with emissions rights and green certificate obligations.

Breakdown of Sales Revenues by Business Segment

(in millions of euros)	2008	2007	Change	Change %
Electric power operations	8,689	6,783	1,906	28.1%
Hydrocarbons operations	5,093	3,937	1,156	29.4%
Corporate activities	77	73	4	5.5%
Eliminations	(2,793)	(2,517)	(276)	11.0%
Total for the Group	**11,066**	**8,276**	**2,790**	**33.7%**

More specifically:

- The 28.1% increase in sales revenues reported by the **electric power operations** is mainly due to higher unit sales, primarily in the deregulated markets, and to higher unit sales prices, which more than offset the contraction in the scope of consolidation that resulted from the sale of power plants operating under CIP6/92 contracts.
- A rise in unit revenues made possible by higher benchmark oil prices are the main reasons for the 29.4% gain in revenues reported by the **hydrocarbons operations.**

22. Other Revenues and Income

Other revenues and income totaled 684 million euros. A breakdown is as follows:

(in millions of euros)	2008	2007	Change	Change %
Commodity derivatives (*)	147	138	9	6.5%
Recovery of costs from Edipower's Tollers	176	147	29	19.7%
Recovery of costs from partners in hydrocarbon exploration projects	25	48	(23)	(47.9%)
Utilizations of provisions for risks	21	45	(24)	n.s.
Out of period income	157	81	76	93.8%
Sundry items	158	124	34	27.4%
Total for the Group	684	583	101	17.3%

(*) Include trading portfolio derivatives

Out of period income reflects the portion attributable to previous years of the positive impact produced on power plants operating under CIP 6/92 contracts by AEEG Resolutions No. 77/08 and No. 80/08, which recognized, in the form of a rate adjustment, the costs incurred for emissions rights and extended the reimbursement period for the costs incurred to purchase green certificates, and the benefits, referred to previous years, generated by renegotiating a supply contract to purchase natural gas.

Utilizations of provisions for risks refer primarily to allowances for doubtful accounts and should be viewed in conjunction with the corresponding account item.

The main components of **sundry items** are:

- A gain of 79 million euros generated by the sale of a 60% interest in Hydros Srl to SEL Spa for a price of about 130 million euros;
- Recoveries of miscellaneous costs totaling 28 million euros;
- Gains totaling 19 million euros generated by asset sales, including 12 million euros involving hydroelectric and thermoelectric assets and about 7 million euros from the sale of the Vega tanker ship;
- 15 million euros in insurance settlements for accidents that occurred at thermoelectric power plants in previous years.

23. Raw Materials and Services Used

Raw materials and services used totaled 9,884 million euros, or 40.5% more than the costs incurred in 2007 (7,035 million euros). This increase, which affected both the electric power operations (+34.1%) and the hydrocarbons operations (+31.1%), is primarily the result of the same causes discussed when explaining the corresponding rise in sales revenues, which had an impact on the procurement of petroleum products. A breakdown is provided below:

(in millions of euros)	2008	2007	Change	Change %
- Natural gas	4,324	3,204	1,120	35.0%
- Electric power	2,399	948	1,451	n.s.
- Dispatching and balancing market	132	116	16	13.8%
- Blast furnace, recycled and coke furnace gas	447	351	96	27.4%
- Oil and fuel	403	336	67	19.9%
- Demineralized industrial water	38	41	(3)	(7.3%)
- Green certificates	81	95	(14)	(14.7%)
- CO_2 emissions rights	162	4	158	n.s.
- Other materials and utilities	157	156	1	0.6%
Total	**8,143**	**5,251**	**2,892**	**55.1%**
- Facilities maintenance	189	258	(69)	(26.7%)
- Transmission of electric power and natural gas	974	989	(15)	(1.5%)
- Professional services	112	82	30	36.6%
- Insurance services	23	28	(5)	(17.9%)
- Commodity derivatives (*)	141	59	82	n.s.
- Additions to provisions for risks	15	23	(8)	(34.8%)
- Writedowns of trade receivables	36	39	(3)	(7.7%)
- Change in inventories	(55)	60	(115)	n.s.
- Use of property not owned	82	75	7	9.3%
- Sundry charges	224	171	53	31.6%
Total for the Group	**9,884**	**7,035**	**2,849**	**40.5%**

(*) Include the trading portfolio derivatives

Realized costs and differences in fair value attributable to physical energy commodity contracts held in trading portfolios are included in the corresponding cost items (purchases and transmission of electric power). The amount shown for **natural gas** reflects the positive impact of the renegotiation of supply contracts (28 million euros) and the positive impact of the effective portion of commodity related foreign exchange hedge (47 million euros).

The overall increase in costs is attributable in part to the charges for CO_2 compliance, which totaled 162 million euros compared with 4 million euros in 2007. The substantial increase is due to the combined impact of a reduction in the quantity of emission rights awarded under the National Allocation Plan and a sizable increase in the cost per ton.

Change in inventories represents the net effect of an increase in gas held in storage and a decrease of other fuel inventories.

Sundry charges of 224 million euros include the following:

- Out of period charges of 52 million euros, including about 17 million euros for the failure to receive a refund for the CCT 2004 rate component;
- Losses on sales of property, plant and equipment totaling 14 million euros;
- Advertising expenses of about 22 million euros incurred to sponsor the Italian National Team at the Beijing Olympics and promote the launch of the electric power sales package for the residential market.

Breakdown of Raw Materials and Services Used by Business Segment

(in millions of euros)	2008	2007	Change	Change %
Electric power operations	7,780	5,800	1,980	34.1%
Hydrocarbons operations	4,784	3,649	1,135	31.1%
Corporate activities	124	108	16	14.8%
Eliminations	(2,804)	(2,522)	(282)	11.2%
Total for the Group	**9,884**	**7,035**	**2,849**	**40.5%**

24. Labor Costs

Based on the average payroll for the period, labor costs totaled 223 million euros, little changed from 2007, when the corresponding amount was 219 million euros.

25. EBITDA

EBITDA totaled 1,643 million euros, or 38 million euros more (+2.4%) than in 2007. The contribution provided by the electric power operations accounts for most of the increase.
A breakdown by business segment is provided below:

(in millions of euros)	2008	as a % of sales revenues	2007	as a % of sales revenues	EBITDA % change
Electric power operations	1,326	15.3%	1,238	18.3%	7.1%
Hydrocarbons operations	405	8.0%	427	10.8%	(5.2%)
Corporate activities	(88)	n.s.	(60)	n.s.	n.s.
Total for the Group	**1,643**	**14.8%**	**1,605**	**19.4%**	**2.4%**

More specifically:

- The increase of 88 million euros in EBITDA reported by the **electric power operations** (+7.1% compared with 2007) reflects other then nonrecurring effects of a gain of 79 million of euros generated by the sale of 60% of Hydros Srl, primarily growth in unit sales to customers in the deregulated market segment (+20.3%), which more than offset the impact of a reduction in the profitability of CIP6/92 sales. The decrease of the margins earned in this segment is due to the expiration of some contracts and to the ongoing implementation of a program to reorganize the portfolio of production facilities that began with the sale of seven thermoelectric power plants and reduced EBITDA by about 46 million euros.

- Even though production and sales volumes were virtually unchanged, the **hydrocarbons operations** reported EBITDA that were about 22 million euros less than in 2007 (-5,2%). Favorable factors in 2008 included the positive effect of the renegotiation of a long-term natural gas supply contract (about 60 million euros) and an increase in the margins generated by the exploration and production activities made possible by higher benchmark oil prices. The figure for 2007 included the effect of the reversal of a provision recognized in connection with Resolution No. 248/04 (about 56 million euros) and the favorable settlement of a dispute with the AEEG related to the alleged use, during the 2004-2005 period, of natural gas storage capacity for uses different from those for which it had been awarded (20 million euros).

26. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 782 million euros, is provided below:

(in millions of euros)	2008	2007	Change	Change %
Depreciation of property, plant and equipment	614	612	2	0.3%
Depreciation of investment property	-	1	(1)	(100.0%)
Amortization of hydrocarbon concessions	26	24	2	8.3%
Amortization of other intangible assets	76	69	7	10.1%
Writedown of property, plant and equipment	73	3	70	n.s.
Writedown of intangible assets	8	-	8	n.s.
Reversal of writedown of property, plant and equipment	(15)	-	(15)	n.s.
Total for the Group	**782**	**709**	**73**	**10.3%**

Breakdown by Business Segment

(in millions of euros)	2008	2007	Change	Change %
Electric power operations	582	557	25	4.5%
Hydrocarbons operations	188	140	48	34.3%
Corporate activities	12	12	-	n.s.
Total for the Group	**782**	**709**	**73**	**10.3%**

More specifically:

- The increase of 25 million euros shown for the **electric power operations** is due mainly to the writedowns of industrial facilities required by the results of the impairment test (negative impact of 21 million euros, net of the effect of reversals of writedowns recognized in previous years) and the write-off of CO_2 emission quotas held in excess of the Group's requirements (8 million euros). The reduction in depreciation that resulted from the sale of thermoelectric power plants that operate under CIP 6/92 contracts and the extension of the concession for the Taio hydroelectric power plant have partially offset the higher depreciation expense incurred due to the commissioning of the thermoelectric power plants in the fourth quarter of 2007.

- The increase reported by the **hydrocarbons operations** reflects primarily writedowns of plant and equipment for 37 million euros, appurtenant to Rosetta concessions (about 19 million euros) and Italian concession (about 18 million euros) for the production of hydrocarbons and hydrocarbon exploration costs charged to income in the course of the year rising from 58 million euros in 2007 to about 62 million euros in 2008.

27. Net Financial Income (Expense)

Net financial income (expense) was down sharply in 2008, decreasing to 100 million euros, or 98 million euros less than in the previous year. This decrease was made possible by a substantial reduction in average net financial debt and by the economic and financial environment that developed during the second half of the year and the resulting significant drop in interest rates.

A breakdown of net financial income (expense) is as follows:

(in millions of euros)	2008	2007	Change
Financial income			
Financial income from commodity derivatives (*)	-	30	(30)
Financial income from financial derivatives	60	78	(18)
Interest earned on finance leases	23	13	10
Interest earned on bank and postal accounts	7	9	(2)
Interest earned on amounts due from the tax administration	-	1	(1)
Other financial income	22	23	(1)
Total financial income	**112**	**154**	**(42)**
Financial expense			
Interest paid on bond issues	(61)	(115)	54
Financial expense from commodity derivatives (*)	-	(29)	29
Financial expense from financial derivatives	(40)	(81)	41
Interest paid to banks	(86)	(80)	(6)
Bank fees	(6)	(4)	(2)
Financial expense on decommissioning projects	(14)	(13)	(1)
Interest paid on finance leases	(1)	(1)	-
Financial expense in connection with employee severance benefits	(3)	(3)	-
Interest paid to other lenders	(9)	(3)	(6)
Other financial expense	(4)	(29)	25
Total financial expense	**(224)**	**(358)**	**134**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	56	19	37
Foreign exchange translation losses	(44)	(13)	(31)
Net foreign exchange translation gain (loss)	**12**	**6**	**6**
Net financial income (expense) for the Group	**(100)**	**(198)**	**98**

(*) As of January 1, 2008, these amounts are included in EBITDA

More specifically:

- **Interest earned on finance leases** of 23 million euros reflects the adoption of IFRIC 4.
- **Other financial income** of 22 million euros includes about 18 million euros in interest earned on trade receivables.
- **Financial expense on decommissioning projects**, which amounted to 14 million euros, is offset by provisions for decommissioning and remediation of industrial sites attributable to the hydrocarbons operations for about 12 million euros and to the electric power operations for the balance.
- In 2007, **other financial expense** included about 16 million euros related to Edipower put-and-call transactions.
- **Foreign exchange gains and losses** mainly reflect the impact of translating assets and liabilities of foreign companies and gains and losses generated by commercial transactions.

28. Income from (Expense on) Equity Investments

The balance in this account is the net result of gains on the disposal of equity investments totaling 14 million euros (including 7 million euros from the sale of a minority interest in Enìa Energia Spa), offset by a loss of 12 million euros on the sale of a foreign subsidiaries and by writedowns and valuations of investments by the equity method including 4 million euros attributable to trading securities.

A breakdown is provided in the table below:

(in millions of euros)	2008	2007	Change
Income from equity investments			
Dividends	2	2	-
Revaluations and valuations by the equity method of investments	1	3	(2)
Gain on the sale of equity investments	14	3	11
Total income from equity investments	**17**	**8**	**9**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(5)	(22)	17
Loss on the sale of equity investments	(12)	(3)	(9)
Total expenses on equity investments	**(17)**	**(25)**	**8**
Total income from (expenses on) equity investments	**-**	**(17)**	**17**

29. Other Income (Expense), Net

Net other expense of 31 million euros is the result of nonrecurring items that are not related directly to the Group's industrial or financial operations. The main items included in this account are:

- **Income** of 51 million euros mainly from the reversal in earnings of existing provisions set aside in previous years, made possible by the cancellation of guarantees provided in connection with the sale of equity investments.
- **Expense** of 82 million euros, including 42 million euros added to provisions to cover tax risks related mainly to assets sold in previous years for which Edison may be liable, 15 million euros for environmental risks and 7 million euros for accrued statutory and tax interest on existing provisions. Nonrecurring charges account for the balance.

30. Income Taxes

Income taxes totaled 379 million euros, or 209 million euros more than the 170 million euros recorded in 2007. A significant portion of this increase amounting to 115 million euros, including 70 million euros in deferred taxes, is due to the 5.5% surcharge introduced by Law No. 133/2008 (the so-called "Robin Hood Tax") levied on all companies that produce or distribute electric power and engage in exploration for and production of hydrocarbons. In addition, Decree Law No. 185/08 (the so-called "Anti-Crisis-Decree") had a negative effect of about 20 million euros, mostly in terms of deferred taxes. The tax benefit of about 135 million euros recognized in 2007 in response to the reduction in tax rates set forth in the 2008 Budget Law had a further adverse effect on the year-over-year comparison.
Net of the effect of the abovementioned nonrecurring events, the tax rate held steady at about 33.4%, compared to the theoretical tax of 31.4% excluded the "Robin Hood Tax".
A breakdown of income taxes and a comparison with the data for 2007 is provided below:

(in millions of euros)	2008	2007	Change
Current taxes	329	302	27
Net deferred-tax liabilities (assets)	53	(132)	185
Income taxes attributable to previous years	(3)	-	(3)
Total for the Group	**379**	**170**	**209**

Current taxes include 295 million euros for corporate income taxes (IRES), 45 million euros of which refer to the 5.5% surcharge of the "Robin Hood Tax", 52 million euros for regional taxes (IRAP), a benefit of 21 million euros generated by filing a consolidated income tax return and 3 million euros in foreign taxes.

The increase in **net deferred-tax liabilities** is also due to the impact of the "Robin Hood Tax" (for about 70 million euros) and of the "Anti-Crisis Decree" (for about 19 million euros), mostly in terms of deferred taxes arising from the measurement of property, plant and equipment at fair value.

A breakdown of deferred-tax liabilities and deferred-tax assets is as follows:

(in millions of euros)	12.31.2007	Additions	Utilizations	Restat. for new rates	IAS 32/39 to sharehold. equity	Change in scope of consolid.	Other changes/ Reclassif./ Offsets.	12.31.2008
Provision for deferred taxes:								
Valuation differences of property, plant and equipment	579	6	(103)	146	-	-	(19)	609
Adoption of IAS 17 to value finance leases	40	4	-	5	-	-	-	49
Adoption of IAS 39 to value financial instruments:								
- impact on the income statement	1	1	(1)	-	-	-	(1)	-
- impact on shareholders' equity	2	-	-	-	6	-	-	8
Other deferred-tax liabilities	14	6	(7)	-	-	(2)	(3)	8
	636	**17**	**(111)**	**151**	**6**	**(2)**	**(23)**	**674**
Offsets	(76)	-	-	-	-	-	(79)	(155)
Provision for deferred taxes net of offsets	**560**	**17**	**(111)**	**151**	**6**	**(2)**	**(102)**	**519**
Deferred-tax assets:								
Tax loss carryforward	31	-	(12)	5	-	-	-	24
Taxed provisions for risks	86	16	(41)	10	-	-	(1)	70
Adoption of IAS 39 to value financial instruments:								
- impact on the income statement	9	-	(3)	-	-	-	(4)	2
- impact on shareholders' equity	2	-	-	-	105	-	-	107
Valuation differences of property, plant and equipment	22	2	(22)	46	-	-	(22)	26
Other deferred-tax assets	4	2	-	1	-	-	3	10
	154	**20**	**(78)**	**62**	**105**	**-**	**(24)**	**239**
Offsets	(76)	-	-	-	-	-	(79)	(155)
Deferred-tax assets net of offsets	**78**	**20**	**(78)**	**62**	**105**	**-**	**(103)**	**84**

31. Profit (Loss) from Discontinued Operations

The net loss of 4 million euros is due to the sale of the business operations consisting of five thermo-electric power plants operating under CIP 6/92 contracts and of Termica Boffalora and Termica Celano in April 2008. At the end of 2007, these assets were classified as a disposal group.

32. Earnings per Share

Diluted earnings per share were computed taking into account the shares reserved for the exercise of stock options. The Group's stock option plan ended in 2008.

(in millions of euros)	2008		2007	
	Common shares	Savings shares (1)	Common shares	Savings shares (1)
Group interest in net profit	346	346	497	497
Profit attributable to the different classes of shares (A)	336	10	482	15
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings per share:				
- basic (B)	5,181,093,229	110,592,420	4,638,069,829	110,592,420
- diluted (C) (2)	5,181,090,583	110,592,420	4,939,211,526	110,592,420
Earnings per share (in euros)				
- basic (A/B)	0.0647	0.0947	0.1040	0.1340
- diluted (A/C) (2)	0.0647	0.0947	0.0976	0.1340

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in net income.

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

OTHER INFORMATION

Disclosure Pursuant to IFRS 5

Disposal Group - "CIP 6/92 Thermoelectric Power Plants"

In April 2008, Edison closed the sale of six thermoelectric power plants to Cofathec Servizi, a Gaz de France Group company. These facilities, which operate under CIP/92 contracts, have a combined installed capacity of about 370 MW. In a separate transaction, Edison sold to Seci Energia, a company of the Maccaferri Group, a 70% interest in a company that controls a 170-MW thermoelectric power plant in Celano (AQ). Seci Energia, which already owned a 30% interest in this company, exercised the preemptive right it held pursuant to the articles of association.

The sale generated a 205-million-euros equity deconsolidation at the price of 204 million euros, generating, taking into account the charges directly attributable, a loss, of about 4 million euros. The total impact on net financial debt has been positive for 189 million euros, due to 15-million-euros deconsolidation of net financial assets.

Commitments and Contingent Risks

(in millions of euros)	12.31.2008	12.31.2007	Change
Guarantees provided	1,238	1,237	1
Collateral provided	1,459	1,596	(137)
Other commitments and risks	1,617	410	1,207
Total for the Group	**4,314**	**3,243**	**1,071**

Guarantees Provided

Guarantees provided totaled 1,238 million euros. This figure, which is equal to the undiscounted amount of potential commitments on the balance sheet date, is about the same as December 31, 2007.
The main guarantees provided include the following:

- 393 million 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 intra-Group assignment of tax credits.
- Guarantees provided by the Group's Parent Company to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

Collateral Provided

Collateral provided, which amounted to 1,459 million euros, or 137 million euros less than at December 31, 2007, reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower shares (1,035 million euros) pledged to a pool of banks to secure financing facilities. The increase in the value of the pledged shares compared with December 31, 2007 is due to the exercise of a put option.
Collateral provided includes additional collateral for liabilities listed on the balance sheet (424 million euros), which generally consist of mortgages and encumbrances granted on facilities of the electric power operations to secure financing. A total of 84 million euros refers to mortgages that are in the process of being deleted following the repayment of loans used to build wind farms. The decrease compared with December 31, 2007, reflects in part the deletion of a mortgage on the production facilities of Termica Milazzo (143 million euros) upon the repayment of the corresponding loan and the removal of mortgages on facilities sold as part of the disposal group (97 million euros).

Other Commitments and Risks

Other commitments and risks, which increased to 1,617 million euros, or 1,207 million euros more than at December 31, 2007, include the following items:

- About 1,003 million euros for a commitment undertaken by Edison International Spa to buy from Egyptian General Petroleum Corporation the exploration, production and development rights to the Abu Qir offshore concession in Egypt.
- About 23 million euros for the balance of an expense commitment undertaken by Edison in connection with the purchase of an 80% interest in AMG Gas Srl, a company that distributes natural gas to more than 130,000 customers in Palermo, generating a sales volume of about 80 million cubic meters of gas.
- About 4.5 million euros for the maximum incremental amount that Edison Energie Speciali Spa has agreed to pay for the purchase of VSV Srl, based on future success in obtaining permits to install stipulated levels of wind power generating capacity.

The balance reflects mainly commitments undertaken to complete investment projects that are being carried out in connection with wind power facilities and natural gas storage fields and pipelines in Italy and to build a new thermoelectric power plant abroad.

Unrecognized Commitments and Risks

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

1) **Hydrocarbons operations:**

- The hydrocarbons operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract.

  The import contracts with Russia, Libya, Norway and Algeria (a supply contract with Sonatrach for about 2 billion cubic meters a year went into effect in October 2008), which are already operational, provide total supplies of 9.4 billion cubic meters of natural gas a year. The following contracts to import additional quantities of natural gas in future years have also been signed:
  - A supply contract with RasGas (Qatar) that calls for deliveries to begin upon the commissioning of the Isola di Porto Viro LNG terminal, which is expected to go on stream in the coming months. When this agreement is fully operational, RasGas will supply a total of 6.4 billion cubic meters of natural gas per year.
  - A contract to import natural gas from Algeria (*Protocolle d'accord*) with Sonatrach in November 2006 that calls for the supply of 2 billion cubic meters of natural gas a year through the new pipeline linking Algeria with Sardinia and Tuscany that will be built by Galsi. The implementation of this agreement is subject to the construction of the pipeline, which is currently in the project development phase.

  Take-or-pay payments are made at a price equal to a percentage of the supply contract price, which is indexed to current market conditions. The duration of these contracts ranges between 3 and 25 years and, when all of them are fully implemented, will supply the Group with 18 billion cubic meters of natural gas per year.

- The contract concerning Terminale GNL Adriatico Srl includes the following conditions:
  - For all shareholders, the obligation not to transfer their equity interest until 36 months have passed from the startup of the terminal, but, in any case, not later than July 1, 2011 (lockup clause).
  - For Edison, the right to buy the 90% it does not own or sell its 10% upon the occurrence of certain events, for which Edison would not be responsible, that would prevent the construction of the terminal (put-and-call clause).
  - For the two majority shareholders, the right to buy the 10% interest held by Edison if the supply contract with RasGas should be cancelled for reasons for which Edison is responsible (call clause).
  - A price for the sale of shares if the put or call options are exercised, which will be determined based on the sum of the capital contributions provided until the options are exercised.
  - A commitment by the shareholders, each for its pro rata share, to provide the company with sufficient financial resources to build the terminal. Lastly, once the terminal that is being built in the Northern Adriatic has been completed, Edison, while owning just 10% of the infrastructure, will become its main user and will have access to about 80% of the terminal's gasification capacity for 25 years.

Take-or-pay clauses were activated in 2008. Payments made for shortages between the stipulated maximum quantities and the quantities actually used, net of recoveries, (about 22 million euros) were treated as advances to suppliers and recognized under other receivables.

2) **Electric power operations:**

- Edison granted to Cartiere Burgo Spa a call option to purchase a 51% interest in Gever. 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.

- Edison Spa, the Group's Parent Company, entered into the following contracts for the procurement of CO_2 certificates:
  - Emission Reductions Purchase Agreements (ERPAs) for the purchase of Certified Emission Reduction certificates (CERs) in China, which are CO_2 emissions reduction certificates. These contracts cover credits generated by Clean Development Mechanism (CDM) projects for a total of about 5 million CERs during the 2008-2012 period. Under the agreements, payment will be due upon the delivery of the CERs between December 1 and March 1 of each year. The projects are a different stages in the registration process required in by the United Nations Framework Convention on Climate Change (UNFCC).
  - A Management Agreement with EDF Trading (EDF Carbon Fund) involving the purchase for a fixed price of Certified Emission Reduction/Emission Reduction Units (CER/ERUs - CO_2 emission certificate) on terms that are defined in the Investment Guidelines. Edison's interest in the fund will amount up to 30 million euros during a period of 5 years. In December 2008, 8,930 CERs were delivered for a relatively modest amount.
  - On June 30, 2008 Edison Spa entered into an agreement with Natsource by which it joined the Natsource Carbon Asset Pool (NAT-CAP), a fund established to purchase CO_2 emissions reduction credits generated by CDM (Clean Development Mechanism)/JI (Joint Implementation) projects. Edison's investment in the fund will amount up to 20 million euros during a period of five years.

- Edison Spa and Akarport Sa entered into a Preliminary Agreement that sets forth the obligations of both parties with regard to the handling of coal and coal-based products at a new power plant in Greece. Under the terms of the Preliminary Agreement, if Edison cancels the agreement before June 30, 2009 after obtaining the Power Generation License and the Installation License, Edison will be required to pay Akarport compensation in the amount of 50,000 euros. If by June 30, 2009 Edison communicates in a Confirmation Letter its firm decision to build the facility and subsequently decides to abandon this project, the Agreement will be cancelled and Edison will incur penalties of up to 20 million euros.
- Due to the sale of 51% interest in Dolomiti Edison Energy Srl to buyers outside the Group, pursuant to agreements with the buyer, Edison is the holder of a call option exercisable only if the hydroelectric concessions are not renewed by March 31, 2018.

3) **Corporate activities:** As part of the agreements among the shareholders of RCS Mediagroup 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.

Status of the Main Legal and Tax Disputes Pending at December 31, 2008

A review, based on information currently available, of the main legal and tax disputes currently outstanding is provided below, listing separately actions involving Edison Spa and actions involving other Group companies. Legal disputes were subdivided further between probable liabilities, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and contingent liabilities, which are dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the Notes to the financial statements.

Legal disputes involving a probable liability for which a provision for risks was recognized in the balance sheet are reviewed below.

A) Edison Spa

European Commission - Antitrust Proceedings Against Ausimont

The Court has still not set a date for oral arguments in the appeal filed by Edison before the E.U. Court

of First Instance against the temporarily enforceable decision by the European Commission in the proceedings regarding violations of Article 81 of the EC Treaty and Article 53 of the SEE Agreement concerning a cartel in the market for hydrogen peroxide and its derivatives, sodium perborate and sodium percarbonate, by which Edison was fined 58.1 million euros, 25.6 million euros of which are payable jointly with Solvay Solexis. The purpose of the appeal is to see the fine voided or, alternatively, reduced. In 2006, Edison paid on a provisional basis the sum of 45.4 million euros, which is equal to the entire fine levied against it and one-half the amount owed jointly by Edison and Solvay Solexis.

Sale of Ausimont: Solvay Arbitration

On December 11, 2008, Solvay Sa and Solvay Solexis Spa, party of the first part, and Edison, party of the second part, reached a settlement that ended the arbitration proceedings filed on May 11, 2005 by Solvay Sa and Solvay Solexis Spa, acting through the International Chamber of Commerce (ICC) - International Arbitration Chamber, against Edison in connection with certain disputes, including one related to the antitrust proceedings described in the previous paragraph, that had arisen between the parties with respect to the representations and warranties contained in the contract covering Edison's sale of its interest in Agorà Spa (parent company of Ausimont Spa). As a result of the settlement, the parties to the arbitration proceedings waived their respective claims in exchange for Edison's commitment to defray half of the penalty imposed, jointly with Solvay Solexis, in the antitrust proceedings described above, amounting to 12.8 million euros, which Edison has in fact already paid to the European Commission and is the subject of the appeal described above. Due to this agreement the provision for this dispute has been reversed for about 13 million euros.

Stava Dam Disaster

Negotiations are continuing to settle the remaining claims of parties injured by the collapse of the Prestavel Dams in 1985.

Actions for Damages Arising from the Operation of Chemical Facilities Transferred to Enimont

The Court of Milan handed down its decision in the suit filed by the Region of Lombardy against EniChem, BASF Italia, Dibra and Montecatini (now Edison) seeking compensation for environmental damages caused by the operation of a factory in Cesano Maderno. As a result of this decision, Edison was ordered to reimburse the costs incurred by the Region of Lombardy and the Municipality of Limbiate and compensate them for the damages they suffered quantified in the aggregate at about 7 million euros, plus statutory interest from the date of the complaint, litigation costs and CTU expenses. The other dispute pending before the Court of Milan between Dibra, EniChem and Montecatini (now Edison) for damages stemming from the sale of a portion of the Cesano Maderno facility is still suspended, pending the outcome of the related lawsuit mentioned above.

Porto Marghera Petrochemical Facility - Civil Lawsuits Following the Conclusion of the Criminal Proceedings for Injuries Caused by Exposure to Monovinyl Chloride and for Damages to the Environment

In the criminal proceedings for injuries caused by exposure to monovinyl chloride and for damages to the environment at the Porto Marghera petrochemical facility, following a court decision that found five former Montedison (now Edison) Directors and executives guilty of involuntary manslaughter in the death of an employee, who died of liver sarcoma in 1999, some of the other charges having been dropped due to the effect of the statute of limitations, Edison (formerly Montedison), in its capacity as the party civilly liable for the convicted defendants, reached settlements with all of the injured individuals and some of the public entities who had joined the proceedings as plaintiffs seeking damages. No agreement has been reached with some other plaintiffs, including the Municipality and Province of Venice, the Veneto Region and some associations. These parties have filed a suit before the Venice Court of Appeals seeking damages and compensation for legal costs incurred with the abovementioned criminal proceedings.

Brindisi Petrochemical Facility - Criminal Proceedings for Injuries Sustained Through Exposure to Monovinyl Chloride and Polyvinyl Chloride and for Damages to the Environment

The proceedings that were pending before the Court of Brindisi against former Montedison (now Edi-

son) Directors and executives for alleged injuries caused by exposure to monovinyl chloride and polyvinyl chloride and damages to the environment was officially closed upon the Court granting the motion to dismiss filed by the Public Prosecutor at the end of the discovery process.

Mantua Petrochemical Complex - Criminal Proceedings for Personal Injuries and Environmental Damages

The preliminary investigation launched by the Public Prosecutor of Mantua has been completed and notice thereof has been served on the parties who are target of the investigation, all of who are former Directors and executives of Montedison Spa (now Edison). Based on the information currently available, the investigation appears to focus on the activity carried out at a local petrochemical plant until 1989. It is being alleged that the abovementioned activity damaged the health of the plant's employees, who were exposed to benzene and asbestos.

Verbania Factory/1 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust

The trial of certain former Directors and executives of Montefibre Spa, some of whom were also Directors and executives of Montedison (now Edison), that was pending before the Court of Verbania in connection with events at a Verbania plant formerly owned by Montefibre Spa ended with three of the defendants guilty of involuntary manslaughter. The court also ordered Montefibre Spa, in its capacity as the party civilly liable for the convicted defendants, to pay the damages suffered by the plaintiffs in the civil action, which were quantified on a provisional basis, and court costs. An appeal against this decision has been filed with the Turin Court of Appeal.

Verbania Factory/2 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust

As a result of the outcome of the trial discussed in the preceding paragraph, the Office of the Public Prosecutor of Verbania began a new investigation targeting former Directors and executives of Montefibre Spa, some of whom were also Directors and executives of Montedison (now Edison), in connection with the death or illness of employees allegedly caused by exposure to asbestos in different forms at the Verbania factory.

Claims for Damages Caused by Exposure to Asbestos

In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.

Savings Shareholders/UBS: Lawsuit for Damages Caused by the Merger of Edison into Italenergia

On July 16, 2008, in the proceedings concerning the combined lawsuits in which the Joint Representative of the savings shareholders and UBS AG sued Edison, Italenergia Spa and others challenged the merger of the abovementioned companies and asked the Court to award them compensation for damages, the Court of Milan ordered the defendants to pay 22.5 million euros, plus interest, inflation adjustment and legal costs, substantially confirming the findings of the report submitted by a technical consultant appointed by the Investigating Judge who, while finding that the valuation criteria used were indeed adequate, concluded that there were some flaws in the valuation process (lack of control methods) and instances of incorrect application of the chosen valuation criteria that may have produced adverse consequences for the holders of savings shares. The Company is currently assessing which actions may be best suited to define the outcome of these proceedings.

Sesto Siderservizi - Environmental Remediation of Concordia South Properties

There have been no significant developments in lawsuit filed by Sesto Siderservizi against Edison (in

its capacity as the company that absorbed Termica Narni Spa) before the Court of Milan seeking payment for part of the costs incurred for the environmental remediation of the properties called Concordia South, in the city of Sesto San Giovanni. The lawsuit is based on a series of agreements that the companies allegedly concluded when they were both part of the Falck Group.

Industria Chimica Saronio Spa Factory - Municipal Administrations of Melegnano and Cerro al Lambro

The Regional Administrative Court of Lombardy denied a motion filed by Edison asking the court to suspend the enforcement of two separate implementable and urgent ordinances by which the municipal administrations of Cerro al Lambro and Melegnano ordered the Company to carry out the work required to prevent contaminants from a facility decommissioned in the 1960s and formerly owned by Industria Chimica Saronio Spa (of which Edison is the universal assign) from migrating from the higher to the deeper levels of the aquifer. Edison has challenged these two ordinances claiming, among other grounds, the absence of the requirements of implementability and urgency and its inability to take any action in this matter since it had not owned and did not have access to the location in question for a very long time. The decision of the Regional Administrative Court was upheld by the Council of State, which, in a protective order of March 2008, urged the parties to reach an agreement with regard to the work strictly necessary to ensure the safety of the aquifer used for human consumption. Negotiations with the relevant municipal administration to define the type and scope of the remediation projects are ongoing.

Remediation of Plot of Land in Via Bovisasca, Milan

The City of Milan asked several parties, including Edison, to carry out the remediation of a plot of land in via Bovisasca, in Milan, currently owned by the City of Milan as a result of an exchange of assets executed in 1993. Until the late 1970s, the plot of land in question was occupied by chemical facilities owned by Montecatini-Montedison (now Edison).

Farmoplant - 1988 Accident at the Massa Plant

In the civil action filed against Farmoplant (now Edison) by the Province of Massa-Carrara and the Municipalities of Massa and Carrara for damages caused by an accident that occurred at Farmoplant's Massa facility in 1988, the Court of Genoa denied the motions filed by the plaintiffs asking that the Court request the opinion of a technical expert and set a hearing for the response to final arguments.

B) Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

There were no significant new developments with regard to the negative assessment action filed by Finimeg (now Nuova Cisa), parent company of Poggio Mondello, asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Italian Supreme Court in December 2001 be ruled unenforceable (the seizure also covers other real estate assets owned by Poggio Mondello) and the appeal concerning the same issues that was filed against the decision handed down by the Court of Palermo. With regard to the appeal, the lower court handed down a decision stating that it lacked jurisdiction (the criminal court being the proper court of venue) and denying the claims for damages filed by Finimeg (now Nuova Cisa) against the City of Palermo.

The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg (now Nuova Cisa), Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of their properties, proceeded through the various levels of the court system.

Edison International Holding NV (formerly Montedison Finance Europe) - Bankruptcy of Domp BV

The appeal against a decision by the Dutch trial court that found Montedison Finance Europe liable for J. Domp's bankruptcy and, therefore, liable for all of the respective liabilities, which have been quantified by the Trustee in Bankruptcy at a total of about 11.6 million euros ended with Montedison Finance

Europe (now Edison International Holding) reaching a settlement with the Trustee in Bankruptcy. Pursuant to the terms of the settlement, Edison International Holding paid to the Trustee in Bankruptcy the sum of about 2.6 million euros settling any and all claim against it.

Multiutility vs Edison Energia

Multiutility Spa is suing Edison Energia Spa alleging numerous instances of failure to comply with obligations arising from contracts executed by the two companies between 2004 and 2006 and involving the wholesale supply of electric power. Specifically, the disputed items include a claim that a transaction executed by Multiutility and Edison Energia pursuant to the abovementioned contracts is void and involve the manner in which the sales prices of electric power were determined in accordance with or disregarding certain resolutions issued by the Electric Power and Gas Authority that were later challenged before the Regional Administrative Court of Lombardy. The Company joined the proceeding defending itself effectively. Subsequently, the Investigating Judge, putting aside an earlier reservation, ruled that the lawsuit was ready for the decision phase and scheduled a hearing for the purpose of filing concluding clarifications.

Montedison Srl - Property in Bussi sul Tirino (Pe)

The Commissioner empowered to carry out on an urgent basis characterization, safety and remediation projects in the Aterno River basin, near Bussi sul Tirino, where for over a century a factory has been in operation, most recently by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, ordered Montedison Srl, which owns a plot of land adjoining the abovementioned factory, to prepare a characterization plan for the area, to begin on an emergency basis the required safety project and submit to the Commissioner's Office a soil and aquifer remediation plan. Montedison Srl, which never operated any activity at this location, has appealed this order before the Regional Administrative Court and, taking a conservative approach and for the sole purpose of obtaining all of the data needed to determine the course of action that would best protect its interests, established a provision to cover the costs that the characterization of the property in question would entail. In addition to the abovementioned appeal before the Regional Administrative Court, Montedison Srl filed a new appeal before the Regional Administrative Court against a subsequent order by the Extraordinary Commissioner that amended his earlier order. In the meantime, the Ministry of the Environment, having included the Bussi site in the list of sites of national interest, convened a service conference to determine the environmental projects that the area requires. With regard to the issue of the contamination of the property owned by Montedison Srl and, more in general, the environmental conditions of the Bussi plant, formerly owned by Ausimont, and the resulting impact on the aquifers, including those used to supply drinking water, the Public Prosecutor of the Court of Pescara served notice on several defendants, including some former Directors and executives of Ausimont and Montedison (now Edison), that the preliminary investigation carried out pursuant to Article 415 *bis* of the Code of Criminal Procedure with regard to the crimes of water poisoning, disaster and fraud has been completed. The record of these proceeding concerning the preliminary investigation, only recently made available, are currently being reviewed.

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The current status of the principal **legal disputes** that have arisen from past events which are dependent on the occurrence of events that are possible, but non probable, or are probable but their impact cannot be quantified reliably and that are likely to result in a cash outlay of an amount that cannot reasonably be estimated as a result of obligations that existed on the balance sheet date, based on available information, is reviewed below:

Environmental Legislation

In recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations"), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of

two new types of liabilities for the act of polluting-objective liability (which does not require the objective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws.
In Italy, this approach is becoming established practice at both the administrative level (the relevant provisions are being enforced very aggressively) and the judicial level (criminal laws and civil liability provisions concerning instances of environmental damage are being interpreted very restrictively).
In this area, several proceedings are pending before administrative judges, at different stages of development and judicial levels, against decisions issued by national and local governments ordering the Company to carry out environmental remediation projects both at facilities that the Company no longer owns and at industrial properties that it still owns (mainly thermoelectric power plants) that were contaminated by work carried out in past years. More in general, without questioning the validity of these new legislative assumptions and the procedural accuracy of their implementation and interpretation, and taking into account the current and past scope of the Company's industrial operations, particularly in the chemical industry, their wide geographical distribution and their environmental impact based on the time when they were being carried out and the technology existing at the time, which was in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new charges may be levied against the Company in addition to those issued in the existing administrative and civil proceedings. It is also probable that current legislation will be applied with the strictness and severity mentioned above to all contamination events that occurred in the past.
At this point, based on the available information and the documents filed in the proceedings reviewed above, it is impossible to determine whether damages will in fact be assessed nor the amount of those damages.

A) Edison Spa

ACEA Unfair Competition

The discovery phase in the lawsuit filed by ACEA Spa before the Court of Rome in connection against several parties, including, among others, AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa is continuing without any significant development. ACEA alleges that the acquisition of joint control of Edison by EdF Sa and AEM Spa constitutes a violation of the 30% ceiling in the ownership of Edipower Spa by a government-owned company, as set forth in the Prime Minister Decree dated November 8, 2000. Such ownership would constitute an instance of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, and is injurious to ACEA, which is asking that AEM Spa and EdF Sa be ordered to pay damages and take the actions necessary to void the consequences of their actions (such as the proportional divestiture of equity interests in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower Spa in excess of the quantity allowable accordingly).

Montedison (now Edison) - Finanziaria Agroindustriale Merger

No significant new developments have occurred with regard to the appeal to overturn the decision handed down by the Court of Genoa in December 2000 in the suit filed by Mittel Investimenti Finanziari and other shareholders of Finanziaria Agroindustriale. The parties that refused to join in the settlement concluded by Edison and Mittel Investimenti Finanziari are still waiting for a decision.

Sale of Tecnimont: Edison/Falck Arbitration

In the arbitration proceedings concerning the dispute that arose when Falck failed to purchase Edison's equity investment in Tecnimont, the technical consultant retained by Board of Arbitrators filed his report on the work performed to determine the damages suffered by Edison because of Falck's failure to perform its obligations. The expert's report concurs with the main proposals put forth by Edison for the purpose of quantifying the damages caused by Falck's failure to perform its obligations under the contract for the sale of the abovementioned equity investment.

MEMC Lawsuits

MEMC vs Edison-Edison Energia and Enel-Enel Distribuzione

The appeal filed by MEMC against Enel, Enel Distribuzione and Edison and Edison Energia before the

Court of Venice in connection with business transactions involving the sale and supply of electric power ended with a decision overturning the lower court's decision, limited to awarding to MEMC a credit toward Enel and Enel Distribuzione and ordering Enel, Enel Distribuzione, Edison and Edison Energia to reimburse MEMC for the legal costs incurred in the appeal proceedings.

Pagnan vs Edison

By means of a third-party summons, Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of Land and Sea and the Ministry of Infrastructures for alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park, sued Edison before the Court of Venice. The Company joined the proceedings to defend its position, also in light of the settlement reached by the Office of the Prime Minister and Edison concerning issues related to the Porto Marghera Industrial Park.

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

The Porto di Pozzallo (RG) Coast Guard took a series of official actions, which culminated with the issuance of a cease and desist order demanding that Edison remove the Vega Oil vessel, which is used to store hydrocarbons extracted from the Vega offshore field, to a dockyard to complete extraordinary maintenance work that was already being performed on site. Edison challenged this and other orders asking that they be held in abeyance but without success. The Company then defined and implemented the operational program needed to comply with the Coast Guard's order, removing the vessel from its anchorage, sold it and replaced it with a newer vessel that will be fully in compliance with the applicable laws currently in force.
As a result of the abovementioned orders issued by the Coast Guard, some of which were forwarded to the Public Prosecutor in Modica, the latter launched two separate preliminary investigations. In the course of one of these proceedings, the Public Prosecutor carried an evidence gathering procedure to determine if there was a danger that the vessel might sink and if the Vega Oil vessel was in compliance with the applicable safety regulations. The technical expert retained for this purpose filed his report, concluding that there was no danger that the vessel might sink, but did find some instance in which the vessel was not in compliance with the relevant provisions of the Navigation Code. A hearing was subsequently held, which will be followed by the conclusion of the evidence gathering process.

Meraklon/Edison-Edison Energia Dispute

In relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon challenge of an injunction issued by the Court of Milan for the benefit of Edison Energia for the purpose of collecting receivables owed pursuant to the abovementioned contract, Meraklon sued Edison Energia and Edison, the original counterpart in the abovementioned supply contract, putting forth a series of counterclaims against both companies in connection with disputes concerning the supply of electric power, heat and other utilities to the Terni factory.

B) Other Group Companies

Edison Trading and Edipower - Brindisi Coal Storage Facility

In the criminal proceedings following the issuance of an order of seizure on March 3, 2005 by the Public Prosecutor of the Court of Brindisi in response to the excessive dust caused by the coal storage facility at Edipower's Brindisi North power plant, one of the parties target of the investigation was advised that the preliminary investigation carried out pursuant to Article 415 bis of the Code of Criminal Procedure had been completed.

Edison Stoccaggio - Cavarzere-Minerbio Natural Gas Pipeline (Dedicated to the Offshore Regasification Terminal Being Built by Adriatic LGN Near Rovigo)

Based on statements provided voluntarily by a former employee of a company hired to build a section of the Cavarzere-Minerbio natural gas pipeline, the Office of the Public Prosecutor of Rovigo launched a series of preliminary investigations. As part of this process, in July 2007, it ordered that allegedly defective pipes used by Edison Stoccaggio to build a section of the natural gas pipeline be seized as evidence. The

company challenged the seizure in a motion asking for a review by the Court of Rovigo, which, in September 2007, handed down a decision lifting the seizure of the pipes. The public prosecutor appealed to the Court of Cassation, which, after a hearing held in January 2008, set aside the lower court's decision. In the meantime, the case was transferred to the Office of the Public Prosecutor at the Court of Venice, which has geographical jurisdiction. No further action has been taken in these proceedings.

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The developments that affected the status of the main **tax disputes** in 2008 are reviewed below:

Old Edison Spa - Income Taxes for the 1994 to 1999 Fiscal Years

In May 2008, the Company received notice that the Solicitor General, acting on behalf of the revenue administration, had filed an appeal before the Court of Cassation against a decision in favor of the Company handed down in 2007 by the Regional Tax Commission in connection with the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995 and 1996 fiscal years.
In June 2008, the Regional Tax Commission handed down a favorable decision in the appeal filed by the revenue administration against an equally favorable decision handed down by the Provincial Tax Commission in connection with the IRPEG and ILOR assessment for the 1997 fiscal year. Obviously, the revenue administration still has the option of appealing to the Court of Cassation.
A provision for risks has been recognized in connection with this dispute.

Assessment for the 2002 Fiscal Year Following a Tax Audit of Edison Spa

The appeal filed against the assessments issued for the 2002 fiscal year was substantively upheld and the full amount of the assessment was voided, except for an addition of 26,000 euros to taxable income. At the beginning of May, the Company was served notice that the Revenue Office was appealing this decision. The Regional Tax Commission heard oral arguments in January 2009 and is now expected to hand down a decision.
In view of the nature of this dispute, the Company did not deem it necessary to recognize a separate provision for risks.

EDF Energia Italia Srl - Customs VAT Audit for 2001, 2002 and 2003

Edison Energia, as successor to EDF Energia Italia, filed a motion before the Milan Provincial Tax Commission contesting a notice of assessment for customs VAT due for 2001, 2002 and 2003, asking that the entire amount of the assessment be voided. While the Provincial Commission heard oral arguments in October 2007, it has not yet handed down a decision.
A separate motion has been filed against a notice of penalty assessment received in May 2007 in connection with the same issue. The Provincial Commission upheld the appeal filed by the Company. The deadline by which the Revenue Administration must file an appeal is still pending.
In any case, any charges that may be incurred as a result of the abovementioned audits are covered by special guarantees provided by the seller (EDF International Sa) in connection with the sale of its interest in EDF Energia Italia for the purpose of holding the Company totally harmless in such cases.

Old Calcestruzzi Spa - Income Taxes for the 1991 to 1992 Fiscal Years

In the spring of 2008, the Court of Cassation handed down a ruling overturning decisions favorable to the Company issued in past years by the Regional Tax Commission of Emilia Romagna in connection with notices of IRPEG and ILOR tax assessment for the 1991 and 1992 fiscal year owed by Calcestruzzi, for which Edison is currently liable, and returning the proceeding to the lower jurisdiction was filed recently. Among other tax claims, the assessments denied the validity of a transaction involving the beneficial ownership of shares executed with a foreign company by the then existing Ferruzzi Group. The Company believes that its position will be fully vindicated in the proceedings, as the details and merit of this issue are reviewed. However, in view of recent radical changes in the jurisprudence, the Company made the conservative decision of recognizing a special provision for risks large enough to cover any charges that may result from an unfavorable decision on this matter.

Intercompany and related parties transactions

In 2008, Edison Spa and its subsidiaries engaged in a number of commercial and financial transactions with some of its current shareholders and/or companies controlled by them. The table that follows provides 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 that are consistent with market practice. A breakdown is as follows:

(in millions of euros)			Other related parties									
	With unconsolidated Group companies	With the controlling company	EdF Group	A2A Group	ENIA Group	SEL Group	Dolomiti Energia Group	Banca Popolare Milano	Mediobanca	Total related parties	Total for financial statem. line item	Impact %
Balance sheet transactions												
Trade receivables	-	-	27	19	8	-	1	-	-	55	2,330	2.4%
Other receivables	1	26	10	-	-	-		-	-	37	422	8.8%
Trade payables	4	-	22	23	1	4	5	-	-	59	1,659	3.6%
Other payables	-	36	-	3	-	-	-	-	-	39	709	5.5%
Short-term borrowings	17	-	-	-	-	-	-	3	25	45	899	5.0%
Long-term borrowings and other financial liabilities	-	-	-	-	-	-	-	19	168	187	1,101	17.0%
Income statement transactions												
Sales revenues	126	-	175	87	142	13	2	-	-	545	11,066	4.9%
Other revenues and income	-	-	11	71	8	-		-	-	90	684	13.2%
Raw materials and services used	18	-	206	87	4	30	8	-	1	354	9,884	3.6%
Financial income	-	-	-	-	-	-	-	-	-	-	112	0.0%
Financial expense	1	-	-	-	-	-	-	1	11	13	224	5.8%
Transactions with impact on cash flow												
Dividends paid	-	159	50	-	-	-	-	-	-	209	281	74.4%
Proceeds from the sale of non-current financial assets	-	-	-	-	8	130	31	-	-	169	373	45.3%
Commitments and contingent risks												
Guarantees provided	-	-	-	-	-	-	-	5	-	5	1,238	0.4%
Collateral provided	-	-	-	-	-	-	-	-	46	46	1,459	3.2%

A) Transaction among Group companies

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 and the use of electrical networks.
- 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 (so-called VAT Pool).

All of the transactions listed above are governed by contracts with conditions that are consistent with market terms (i.e., terms that would have been agreed upon by two independent parties), with the exception of those related to the VAT Pool and the Consolidated corporate income tax (IRES) return, which were executed pursuant to law.

Consolidated VAT Return - Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The Group VAT return for December 2008 shows that the Group had a credit of about 9 million euros.

Consolidated IRES Return - Following a transaction completed in 2006, Edison Spa and its wholly-owned subsidiaries agreed to be included in a consolidated income tax return filed by Transalpina di Energia Srl, their controlling company, as allowed by Article 117 and following of Presidential Decree No. 917/86 (Uniform Income Tax Code, abbreviated as TUIR in Italian), for three years from 2006 to 2008. Most Group companies are subject to the 5.5% corporate income tax surcharge payable by companies that engage in the exploration for and production of hydrocarbons and in the production and distribution of electric power. This surcharge was introduced in 2008, effective as of the same year. Pursuant to the provisions of the relevant legislation, the companies included in the consolidated tax return that are liable for the surcharge are required to pay it independently, instead of paying an aggregate amount through Transalpina, the Controlling Company, as is the case for the regular corporate income tax, Consequently, the rate used for the purpose of the consolidated return is the regular rate of 27.5%, with corporate income tax payable and receivable positions settled within the scope of the consolidated return consistent with the regulations and contractual stipulations that specifically apply to the consolidated return. All of the companies affected by the corporate income tax surcharge will recognize their liability under the new tax provision as a separate liability toward the tax administration that cannot be consolidated for tax purposes.

B) Other Transactions with Related Parties

An analysis of the main transactions with other related parties is provided below.

1) Commercial Transactions

EDF Group

Transactions executed with the EDF Group included the following:

- Purchases of electric power and transmission service costs totaling about 60 million euros under contracts for the supply of electric power, mainly with ENBW;
- With Fenice Spa, sales revenues of about 35 million euros, mainly from sales of natural gas and electric power and recovery of maintenance costs, and costs for purchases of electric power amounting to 7 million euros;
- With EDF Trading, sales revenues of 138 million euros and costs of 134 million euros stemming from purchases and sales of commodities by the trading operations;

A2A Group

The transactions carried out with the A2A Group resulted in the following:

- Sales revenues of 87 million euros, including 79 million euros from contracts to supply electric power;
- Other revenues and income of 71 million euros from Aem Trading Srl for managing fuel procurement for some production sites, pursuant to the Tolling Agreement;
- Materials and services used totaling 87 million euros, broken down as follows: 57 million euros for dispatching services, 17 million euros for purchases of electric power, 9 million euros for electric power and natural gas transmission services and about 4 million euros for green certificates.

ENIA Group

Transactions with Enìa Energia Spa generated essentially revenues of 142 million euros from sales of natural gas, electric power and transmission services.

SEL Group

Transactions with the SEL Group resulted in revenues of about 13 million euros from the sale of electric power and costs of about 30 million euros for purchases of electric power.
In addition, a 60% equity interest in Hydros Srl was sold to SEL Spa for 130 million euros.

Dolomiti Energia Group

Transactions with Dolomiti Energia Group resulted in revenues of about 2 million euros from the sale of electric power and costs of about 8 million euros for purchases of electric power.

In addition, a 51% equity interest in Dolomiti Edison Energy Srl was sold to Dolomiti Energia for 31 million euros.

2) Financial Transactions

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

- Banca Popolare di Milano was also one of the lenders in a syndicated financing facility totaling 2 billion euros provided to Edipower in January 2007. At December 31, 2008, following a partial repayment of the loan in accordance with the amortization schedule, the portion of the facility underwritten by Banca Popolare di Milano is about 48 million euros (24 million euros attributable to Edison). At December 31, 2008, about 43 million euros had been drawn against this credit line (21.5 million euros attributable to Edison). The same bank provided Edison with a 50-million-euro revocable line of credit that accrues interest at market rates. At December 31, 2008, about 5 million euros had been drawn against this line;
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds. A portion of this loan has been repaid in accordance with the amortization schedule and a balance of about 115 million euros was outstanding at December 31, 2008. Mediobanca was also one of the banks that provided Edipower with the abovementioned 2-billion-euro syndicated loan. At December 31, 2008, Mediobanca's share of the loan was abput 160 million euros (80 million euros attributable to Edison). Since this credit line was used only in part at December 31, 2008, Edipower's exposure toward Mediobanca was about 144 million euros (72 million euros attributable to Edison). Gever, an Edison Group company, holds lines of credit in a financing pool totaling about 7.4 million euros, of which about 5.9 million euros have been drawn down. Lastly, Mediobanca is a party to interest risk hedging transactions executed by Group companies.

3) Other Transactions

In July 2008, further to the "Addendum Amending and Replacing the Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa" signed and executed on July 27, 2007 by Edison Spa, Enìa Spa and SAT Finanziaria Spa in July 27, 2007 and subsequent stipulations, Edison Spa closed the sale to Enìa Spa of its 9.13% interest in the share capital of Enìa Energia Spa. The abovementioned sale generated a positive effect of about 7 million euros.

Significant Nonrecurring Events and Transactions

As required by the CONSOB Communication No DEM/6064293 of July 28 2006, the following disclosure lists the significant nonrecurring transaction that the Edison Group executed in 2008:

- Sale of business operations consisting of five thermoelectric power plants that operate under CIP 6/92 contracts and of the investments in Termica Boffalora and Termica Celano. Additional information is provided in the section of this report entitled "Information Pursuant to IFRS 5."
- Conveyance of business operations consisting of three hydroelectric power plants located in the province of Trent to a newly established company called Dolomiti Edison Energy and subsequent sale of a 51% interest in the new company to Dolomiti Energia.
- Conveyance of business operations consisting of seven hydroelectric power plants located in the province of Bolzano to a newly established company called Hydros Srl and subsequent sale of a 60% interest in the new company to SEL Spa.

With regard to the two conveyances of business operations described above, because the majority of the risks and benefits accrue to Edison, the two companies in question will continue to be consolidated line by line. Additional information is provided in the section of this Report entitled "Changes in the Scope of Consolidation Compared with December 31, 2007."

Another significant development was the enactment of Resolutions No. 77/08 and No. 80/08, by which the AEEG acknowledged the right of operators of CIP 6/92 power plants to be reimbursed for costs incurred to comply with emission rights and green certificate requirements that, for the previous years, recorded for 81 million euros.

Changes Resulting from Atypical and/or Unusual Transactions

As required by CONSOB Communication No. DEM/6064293 of July 28, 2006, the Group declares that in 2008 it did not execute atypical and/or unusual transactions, as defined in the abovementioned Communication.

Treasury Shares

At December 31, 2008, no treasury shares were held by companies of the Group.

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 and the Company's Ownership Structure 2008".

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2008

Edison, the Egyptian Government and EGPC Sign a Contract for the Abu Qir Hydrocarbon Concession in Egypt

On 15 January 2009, Edison, acting through its Edison International Spa subsidiary ("Edison"), the Egyptian Oil Minister, in his capacity as representative of the Arab Republic of Egypt, and the Egyptian General Petroleum Corporation ("EGPC") signed a contract awarding to Edison the Abu Qir offshore concession, in Egypt, and granting Edison the concession's exploration, production and development rights. Edison will operate the Abu Qir concession jointly with EGPC through a new operating company.
At closing, as required by the contract, the amount of US$ 1,405 million was paid to EGPC. This obligation is disclosed in the financial statements at December 31, 2008, under "Commitments and Contingent Risks - Other commitments and Risks," as amounting to about 1,003 million euros.

New Natural Gas Discovery in Algeria

In January, a joint venture of Edison (18.5%), Sonatrach (25%), Repsol (33.7%) and RWE Dea (22.5%) discovered two new gas fields in the Algerian desert.
Production tests of the two new wells (KLS-1 in the Reggane North block and OTHL-2 in the M'Sari Akabli concession) registered a combined flow of about 1 million cubic meters of gas a day.
These two new wells come on the heels of other discoveries made in the Reggane block between 2005 and 2007.

Milan, February 11, 2009

The Board of Directors
by Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION

at December 31, 2008

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2008

List of Equity Investments (including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2008	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	Interest held in share capital By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
A) Investments in Companies Included in the Scope of Consolidation										
A.1) Companies Consolidated Line by Line										
Parent Company										
Edison Spa	Milan (IT)	EUR	5,291,700,671							
Electric Power Operations										
Electric Power Business Unit										
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	-	49.00	Edison Spa	-	-	SUB
Ecofuture Srl (Sole Shareholder)	Milan (IT)	EUR	10,200	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Edison Engineering Sa	Athens (GR)	EUR	60,000	100.00	-	100.00	Edison Spa	-	-	SUB
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	SUB
Hydro Power Energy Srl - Hpe Srl (Sole Shareholder)	Bolzano (IT)	EUR	50,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	-	40.00	Edison Spa	-	-	SUB
ISE Srl (Sole Shareholder)	Milan (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	-	-	SUB
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	SUB
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	55.00	55.00	55.00	Edison Spa	-	-	SUB
Sondel Dakar Bv	Rotterdam (NL)	EUR	18,200	100.00	100.00	100.00	Edison Internat. Holding Nv	-	-	SUB
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	(g)	SUB
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	(g)	SUB
Thisvi Power Generation Plant Sa	Athens (GR)	EUR	8,448,000	65.00	65.00	65.00	Edison Internat. Holding Nv	-	-	SUB
Renewable Sources										
Edison Energie Speciali Spa (Sole Shareholder)	Milan (IT)	EUR	4,200,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Hydrocarbons Operations										
Hydrocarbons Business Unit										
Edison D.G. Spa (Sole Shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Edison International Spa	Milan (IT)	EUR	17,850,000	100.00	100.00	70.00	Edison Spa	-	(g)	SUB
						30.00	Selm Holding International Sa			
Edison Stoccaggio Spa (Sole Shareholder)	Milan (IT)	EUR	81,497,301	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	0.00	Edison Spa	-	-	SUB
						100.00	Selm Holding International Sa			
Energy Management										
Energy Management Business Unit										
Edison Trading Spa (Sole Shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Volta Spa	Milan (IT)	EUR	130,000	51.00	51.00	51.00	Edison Spa	-	-	SUB

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2008	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
Marketing and Sales										
Marketing and Sales Business Unit										
Edison Energia Spa (Sole Shareholder)	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Eneco Energia Spa	Bolzano (IT)	EUR	222,000	100.00	100.00	90.00	Edison Spa	-	(g)	SUB
Corporate Activities										
Italian and Foreign Holding Companies										
Atema Limited	Dublino 2 (IE)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	SUB
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	SUB
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	-	100.00	International Holding Nv	-	-	SUB
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.00	-	100.00	International Holding Nv	-	-	SUB
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	-	100.00	International Holding Nv	-	-	SUB
Edison International Holding Nv	Amsterdam (NL)	EUR	4,582,803	100.00	100.00	100.00	Edison Spa	-	-	SUB
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.00	100.00	99.95	Edison Spa	-	-	SUB
						0.05	Montedison Srl (Sole Shareholder)			
Real Estate										
Montedison Srl (Sole Shareholder)	Milan (IT)	EUR	2,583,000	100.00	100.00	100.00	Edison Spa	-	(g)	SUB
Nuova Alba Srl (Sole Shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	(g)	SUB

A.2) Companies Consolidated by the Proportional Method

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2008	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
Electric Power Operations										
Electric Power Business Unit										
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	50.00	Edison Spa	-	-	JV
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	-	65.00	Edison Engineering Sa	-	(l)	JV
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	42.00	Edison Spa	-	-	JV
Seledison Net Srl (Sole Shareholder)	Castelbello (IT) Ciardes (BZ)	EUR	200,000	42.00	42.00	100.00	Sel Edison Spa	-	-	JV
Renewable Sources										
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	50.00	Edison Energie Speciali Spa (Sole Shareholder)	-	-	JV
Other Electric Power Assets										
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00	50.00	Edison Spa	-	-	JV

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2008	12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
Hydrocarbons Operations										
Hydrocarbons Business Unit										
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa	-	-	JV
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Posei	Herakleio - Attiki (GR)	EUR	670,000	50.00	-	50.00	Edison Internat. Holding Nv	-	-	JV
Marketing and Distribution										
Marketing and Distribution Business Unit										
Ascot Srl	Bressanone (BZ) (IT)	EUR	10,330	50.00	50.00	50.00	Eneco Energia Spa	-	-	JV
Corporate Activities										
Italian and Foreign Holding Companies										
Elpedison Bv (ex Edison Nederland Bv)	Amsterdam (NL)	EUR	18,000	50.00	60.00	50.00	Edison Internat. Holding Nv	-	-	JV
Water										
International Water (Uk) Limited	London (GB)	GBP	2,601,001	50.00	50.00	100.00	International Water Holdings Bv	-	-	JV
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.00	50.00	50.00	Edison Spa	-	-	JV
International Water Services Ltd	Zug (CH)	CHF	100,000	50.00	50.00	100.00	International Water Holdings Bv	-	-	JV

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
B) Investments in Companies Valued by the Equity Method										
Electric Power Operations										
Electric Power Business Unit										
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	ASS
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.00	Jesi Energia Spa	-	-	-	ASS
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	1,9	ASS
GTI Dakar Ltd	George Town Gran Caiman (GBC)	EUR	14,686,479		30.00	Sondel Dakar Bv	-	-	5,2	ASS
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	16,9	ASS
Renewable Sources										
Sistemi di Energia Spa	Milan (IT)	EUR	10,475,000		40.57	Edison Spa	-	-	4,9	ASS
Hydrocarbons Operations										
Hydrocarbons Business Unit										
Soc. Svil. Rea. Gest. Gasdot. Alg-Ita.V. Sardeg. Galsi Spa	Milan (IT)	EUR	33,838,000		20.81	Edison Spa			11,6	ASS
Marketing and Distribution										
Marketing and Distribution Business Unit										
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	1,6	ASS
Gasco Spa	Bressanone (BZ) (IT)	EUR	350,000		40.00	Edison Spa	-	-	0,2	ASS
Utilità Spa	Milan (IT)	EUR	2,307,692		35.00	Edison Spa	-	-	1,6	ASS
Corporate Activities										
Real Estate Companies										
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Montedison Srl (Sole Shareholder)	-	-	4,5	ASS
Total Equity Investments Valued by the Equity Method									**48,7**	

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
C) Investments in Companies in Liquidation or Subject to Long-Term Restrictions										
Hydrocarbons Operations										
Hydrocarbons Business Unit										
Auto Gas Company S.A.E. (In liquid.)	Cairo (EG)	EGP	1,700,000		30.00	Edison International Spa	-	-	0,1	ASS
Corporate Activities										
Dormant Companies and other Companies										
Codest Srl	Pavia di Udine (UD) (IT)	EUR	15,600		33.33	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
Finsavi Srl	Palermo (IT)	EUR	18,698		50.00	Edison Spa	-	-	-	ASS
Poggio Mondello Srl (Sole Shareh.)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	(g)	-	SUB
In Liquidation and Subject to Restrictions										
C.F.C. Consorzio Friulano Costruttori (In liquid.)	Udine (IT)	LIT	100,000,000		20.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
Cempes Scrl (In liquid.)	Roma (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
CI.FAR. Scarl (In bankruptcy)	Udine (IT)	LIT	20,000,000		60.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	(h)	-	SUB
Coniel Spa (In liquid.)	Rome (IT)	EUR	1,020		35.25	Edison Spa	-	-	-	ASS
Consorzio Carnia Scrl (In liquid.)	Rome (IT)	EUR	45,900		17.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	OC
Convolci Scnc (In liquid.)	Sesto San Giovanni (MI) (IT)	EUR	5,165		27.37	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
Groupement Gambogi-Cisa (In liquid.)	Dakar (SN)	XAF	1,000,000		50.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
Inica Sarl (In liquid.)	Lisbon (PT)	PTE	1,000,000		20.00	Edison Spa	-	-	-	ASS
Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	(g)	2,4	SUB
Nuova I.S.I. Impianti Selez. Inerti Srl (In bankruptcy)	Vazia (RI) (IT)	LIT	150,000,000		33.33	Montedison Srl (Sole Shareholder)	-	-	-	ASS
Roma Energia Srl (In liquid.)	Rome (IT)	EUR	50,000		35.00	Edison Spa	-	-	-	ASS
Sistema Permanente di Servizi Spa (In bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	OC
Soc. Gen. per Progr. Cons. e Part. Spa (Under Extraordinary Administration)	Rome (IT)	LIT	300,000,000		59.33	Edison Spa	-	-	-	SUB
Sorrentina Scarl (In liquid.)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (In liquid.) (Sole Shareholder)	-	-	-	ASS
Total Equity Investments in Liquidation or Under Permanent Restrictions									2,5	

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)

D) Investments in Other Companies Valued at Fair Value

D.1) Trading Investments

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
Corporate Activities										
Publicly Traded Securities										
Acegas-Aps Spa	Trieste (IT)	EUR	283,690,763		1.30	Edison Spa	-	-	3,5	OC
Acsm Spa	Como (IT)	EUR	46,870,625		3.17	Edison Spa	-	-	1,4	OC
Amsc-American Superconductor Corp.	Westborough (US)	USD	19,128,000		0.84	Edison Spa	-	-	1,9	OC

D.2) Available-for-sale Investments

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2007	Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
Hydrocarbons Operations										
Hydrocarbons Business Unit										
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		10.00	Edison Spa	-	-	232,1	OC
Marketing and Distribution										
Marketing and Distribution Business Unit										
Prometeo Spa	Osimo (AN) (IT)	EUR	2,164,498		18.81	Edison Spa	-	-	0,5	OC
Corporate Activities										
Publicly Traded Securities										
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.02	Edison Spa	1.06	1.06	7,6	OC
Not Publicly Traded										
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0,2	OC
European Energy Exchange Ag - Eex	Leipzig (DE)	EUR	40,050,000		0.75	Edison Spa	-	-	0,7	OC
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3,5	OC
MB Venture Capital Fund I Partecipating Comp. e Nv	Amsterdam (NL)	EUR	50,000		7.00	Edison Spa	-	-	2,2	OC
Syremont Spa	Messina (IT)	EUR	750,000		40.00	Edison Spa	-	(i)	-	ASS
Others minor									1,0	
Total Investments in Other Companies Valued at Fair Value									254,6	
Total									305,8	

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head Office	Currency	Share Capital at 12.31.2008	Consolidated Group Interest
Companies entered from the scope of consolidation during the year ended on December 31, 2008				
Acquired companies				
VSV Srl	Milan (IT)	EUR	10,000	100.00
Established companies				
Co Energy Power Srl (Sole Shareholder)	Milan (IT)	EUR	10,000	100.00
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	100.00
Edison Engineering Sa	Atene (GR)	EUR	60,000	100.00
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.00
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	100.00
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Posei	Herakleio - Attiki (GR)	EUR	670,000	50.00
Ise Srl (Sole Shareholder)	Milan (IT)	EUR	10,000	100.000
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00

Name	Head Office	Currency	Share Capital at 12.31.2007	Consolidated Group Interest at 2008	Consolidated Group at 12.31.2007
Companies removed from the scope of consolidation during the year ended on December 31, 2008					
Divested companies					
Co Energy Power Srl (Sole Shareholder)	Milan (IT)	EUR	5,000,000	100.00	-
International Water Serv. (Guayaquil) Interagua C. Ltda	Guayaquil (EC)	USD	32,180,000	45.00	45.00
International Water Services (Guayaquil) Bv	Amsterdam (NL)	EUR	20,000	50.00	50.00
Termica Boffalora Srl	Milan (IT)	EUR	14,220,000	70.00	70.00
Termica Celano	Milan (IT)	EUR	259,000	70.00	70.00
Merged companies					
VSV Srl (Sole Shareholder)	Milan (IT)	EUR	10,000	100.00	-
Companies in liquidation					
Bluefare Ltd	London (GB)	GBP	1,000	50.00	50.00

Notes

(a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis, and by jointly controlled companies consolidated by the proportional method.

(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.

(c) The percentage of the voting securities held is equivalent to the ratio between the number of voting securities held directly (irrespective of the ownership of the voting rights) and the total number of voting securities (e.g. common and preferred shares) included in the share capital. The percentage is shown only if it is different from the overall interest held.

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes which can be effectively cast by the investor company attending an Ordinary Shareholders' Meeting and the total number of votes that can be cast at an Ordinary Shareholders' Meeting. The percentage is shown only if it is different from the overall interest held.

(e) SUB = subsidiary JV = joint venture ASS = associate OC = other company.

(f) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, and only if it is equal to or greater than 1 million euros.

(g) Company subject to the oversight and coordination of Edison Spa.

(h) The deletion of this company from the Company Register is pending following a decision handed down by the Court of Udine on April 20, 2007, which closed the bankruptcy proceedings upon to total distribution of assets. However, on May 2, 2007, the Udine Company Register recorded the court decision as if the company was still active.

(i) On January 30, 2007, Edison exercised its put option but the counterpart is currently in default.

(l) The Company is a contractual joint venture.

The currency codes used in the preceding schedules are those of the ISO 4217 Standard.

BRL Brazilian real

CHF Swiss franc

EGP Egyptian pound

EUR Euro

GBP British pound

HRK Croatian kuna

LIT Italian lira

PTE Portuguese escudo

USD U.S. dollar

XAF Central African franc

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 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 Consolidated Financial Statements at December 31, 2008:

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

2. We further certify that:

   2.1. the Consolidated Financial Statements:

   a) were prepared in accordance with applicable international accounting principles recognized by European Union pursuant to Regulation (CE) 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 and of all of the companies included in the scope of consolidation;

   2.2. the report on operations includes a reliable analysis of the developments and results from operations, as well as of the position of the issuer and all of the companies included in the scope of consolidation, together with a description of the main risks and contingencies to which they are exposed[1].

Milan, February 11, 2009

Chief Executive Officer	"Il Dirigente preposto alla redazione dei documenti contabili societari"
Umberto Quadrino	Marco Andreasi

(1) Pursuant to Article 154 - *bis*, Section 5, Letter *e)* of Legislative Decree No, 58 of 1998 (Uniform Finance Code).

REPORT OF THE INDEPENDENT AUDITORS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the shareholders of
EDISON SpA

1 We have audited the consolidated financial statements of EDISON SpA and its subsidiaries ('EDISON Group') as of 31 December 2008, comprising the consolidated balance sheet, income statement, cash flow statement, 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 29 February 2008.

3 In our opinion, the consolidated financial statements of EDISON SpA as of 31 December 2008 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 consolidated financial position, results of operations, changes in shareholders' equity and cashflows of EDISON Group for the year then ended.

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** 40122 Via delle Lame 111 Tel. 051526611 – **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 30 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** 38100 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

4 The preparation of the report on operations, as provided for by the law and applicable 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 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 read the financial information contained in the report on operations and verified the consistency of said financial information with the consolidated financial statements of EDISON SpA as of 31 December 2008. In respect of the other information included in the report on operations, our procedures were limited to an overall reading on the basis of the information acquired during our audit performed in accordance with the standards indicated in paragraph 2 above. In our opinion, based on the aforesaid work, the report on operations is consistent with the consolidated financial statements of EDISON SpA as of 31 December 2008.

Milan, 20 February 2009

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

(2)

This document is also available on the
Company website: www.edison.it

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