


CONSOLIDATED FINANCIAL STATEMENTS

2009

EDISON

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS 2009

EDISON

Balance Sheet

(in millions of euros)	See Note	12.31.2009	12.31.2008
ASSETS			
Property, plant and equipment	1	7,517	7,416
Investment property	2	12	14
Goodwill	3	3,538	3,521
Hydrocarbon concessions	4	1,259	273
Other intangible assets	5	36	47
Investments in associates	6	43	51
Available-for-sale investments	6	304	248
Other financial assets	7	98	92
Deferred-tax assets	8	103	84
Other assets	9	21	63
Total non-current assets		**12,931**	**11,809**
Inventories		308	304
Trade receivables		1,862	2,330
Current-tax assets		33	14
Other receivables		545	422
Current financial assets		30	26
Cash and cash equivalents		748	188
Total current assets	10	**3,526**	**3,284**
Assets held for sale		**-**	**-**
Total assets		**16,457**	**15,093**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		5,292	5,292
Equity reserves		703	480
Other reserves		1,127	1,171
Reserve for currency translations		4	(3)
Retained earnings (Loss carryforward)		711	623
Profit (Loss) for the period		240	346
Group interest in shareholders' equity		**8,077**	**7,909**
Minority interest in shareholders' equity		177	164
Total shareholders' equity	11	**8,254**	**8,073**
Provision for employee severance indemnities and provision for pensions	12	64	65
Provision for deferred taxes	13	584	519
Provision for risks and charges	14	837	777
Bonds	15	1,199	1,198
Long-term financial debt and other financial liabilities	16	2,184	1,101
Other liabilities	17	30	30
Total non-current liabilities		**4,898**	**3,690**
Bonds		721	9
Short-term financial debt		611	899
Trade payables		1,469	1,659
Current taxes payable		38	54
Other liabilities		466	709
Total current liabilities	18	**3,305**	**3,330**
Liabilities held for sale		**-**	**-**
Total liabilities and shareholders' equity		**16,457**	**15,093**

An analysis of transactions with related parties is discussed in a separate disclosure provided in the section of this Report entitled "Intercompany and Related-Party Transactions."

Income Statement

(in millions of euros)	See Note	2009 (*)	2008 (*)
Sales revenues	19	8,867	10,064
Other revenues and income	20	517	665
Total net revenues		**9,384**	**10,729**
Raw materials and services used (-)	21	(7,673)	(8,863)
Labor costs (-)	22	(240)	(223)
EBITDA	23	**1,471**	**1,643**
Depreciation, amortization and writedowns (-)	24	(772)	(782)
EBIT		**699**	**861**
Net financial income (expense)	25	(156)	(100)
Income from (Expense on) equity investments	26	(3)	-
Other income (expense), net	27	(11)	(31)
Profit before taxes		**529**	**730**
Income taxes	28	(278)	(379)
Profit (Loss) from continuing operations		**251**	**351**
Profit (Loss) from discontinued operations		-	(4)
Profit (Loss)		**251**	**347**
Broken down as follows:			
Minority interest in profit (loss)		11	1
Group interest in profit (loss)		**240**	**346**
Earnings per share (in euros) (**)	29		
Basic earnings per common share		0.0448	0.0647
Basic earnings per savings share		0.0748	0.0947
Diluted earnings per common share		0.0448	0.0647
Diluted earnings per savings share		0.0748	0.0947

(*) Net revenues and raw materials and services used reflect a new presentation of trading activities that recognizes only the resulting "trading margin" (net presentation).
(**) Computed only on the Group's interest in net profit.

An analysis of transactions with related parties is discussed in a separate disclosure provided in the section of this Report entitled "Intercompany and Related-Party Transactions".

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	2009	2008
Profit (Loss) (Minority and Group interest)		**251**	**347**
Other components of comprehensive income:			
- Change in the cash flow hedge reserve	11, 30	298	(268)
- Profit (loss) from available-for-sale financial assets	11, 30	2	(16)
- Differences on the translation of assets in foreign currencies	30	7	-
- Pro rata interest in other components of comprehensive income of investee companies	30	-	2
Income taxes attributable to other components of comprehensive income (-)	30	(110)	99
Total other components of comprehensive income net of taxes		**197**	**(183)**
Total comprehensive profit (loss)		**448**	**164**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		11	1
Group interest in comprehensive profit (loss)		**437**	**163**

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in 2009 (748 million of euros), compared with the corresponding data for 2008 (188 million of 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 the Group's net financial debt.

(in millions of euros)	2009	2008
Group interest in profit (loss) from continuing operations	240	350
Group interest in profit (loss) from discontinued operations	-	(4)
Minority interest in profit (loss) from continuing operations	11	1
Profit (loss)	**251**	**347**
Amortization, depreciation and writedowns	772	782
Interest in the result of companies valued by the equity method (-)	5	(1)
Dividends received from companies valued by the equity method	1	2
(Gains) Losses on the sale of non-current assets	(9)	(5)
Change in the provision for employee severance indemnities	(1)	(3)
Change in other operating assets and liabilities	142	(584)
A. Cash flow from continuing operations	**1,161**	**538**
Additions to intangibles and property, plant and equipment (-)	(1,745)	(644)
Additions to non-current financial assets (-)	(136)	(232)
Proceeds from the sale of intangibles and property, plant and equipment	43	48
Proceeds from the sale of non-current financial assets	15	373
Other current assets	(4)	(1)
B. Cash used in investing activities	**(1,827)**	**(456)**
Receipt of new medium-term and long-term loans	2,074	386
Redemption of new medium-term and long-term loans (-)	(540)	(161)
Capital contributions provided by controlling companies or minority shareholders	-	3
Dividends paid to controlling companies or minority shareholders (-)	(278)	(281)
Change in short-term financial debt	(26)	71
C. Cash used in financing activities	**1,230**	**18**
D. Liquid assets from changes in the scope of consolidation	**(4)**	**-**
E. Net currency translation differences	**-**	**-**
F. Net cash flow from operating assets of discontinued operations	**-**	**(15)**
G. Net cash flow for the period (A+B+C+D+E+F)	**560**	**85**
H. Cash and cash equivalents at the beginning of the period	**188**	**103**
I. Cash and cash equivalents at the end of the period (G+H)	**748**	**188**
L. Total cash and cash equivalents at end of period (I)	**748**	**188**
M. (-) Cash and cash equivalents of discontinued operations	**-**	**-**
N. Cash and cash equivalents of continuing operations (L-M)	**748**	**188**

An analysis of transactions with related parties is discussed in a separate disclosure provided in the section of this Report entitled "Intercompany and Related-Party Transactions."

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Statutory reserve	Other reserves and retained earnings (loss carry forward)	Differences on the translation of assets in foreign currencies	Cash flow hedge reserve	Reserve for available-for-sale investments	Profit (Loss)	Group interest in sharehold. Equity	Minority interest in sharehold. Equity	Total sharehold. Equity
Balance at December 31, 2007	**5,292**	**49**	**2,161**	**(5)**	**(1)**	**11**	**497**	**8,004**	**147**	**8,151**
Appropriation of the previous year's profit	-	23	474	-	-	-	(497)	-	-	-
Dividends distributed	-	-	(268)	-	-	-	-	(268)	(13)	(281)
Change in the scope of consolidation	-	-	-	-	-	-	-	-	26	26
Change in comprehensive income for the period (*)	-	-	-	2	(170)	(15)	-	(183)	-	(183)
Share capital increase	-	-	-	-	-	-	-	-	3	3
Other changes	-	-	10	-	-	-	-	10	-	10
Profit for 2008 (*)	-	-	-	-	-	-	346	346	1	347
Balance at December 31, 2008	**5,292**	**72**	**2,377**	**(3)**	**(171)**	**(4)**	**346**	**7,909**	**164**	**8,073**
Appropriation of the previous year's profit	-	18	328	-	-	-	(346)	-	-	-
Dividends distributed	-	-	(268)	-	-	-	-	(268)	(12)	(280)
Change in the scope of consolidation	-	-	(2)	-	-	-	-	(2)	15	13
Change in comprehensive income for the period (*)	-	-	-	7	188	2	-	197	-	197
Other changes	-	-	1	-	-	-	-	1	(1)	-
Profit for 2009 (*)	-	-	-	-	-	-	240	240	11	251
Balance at December 31, 2009	**5,292**	**90**	**2,436**	**4**	**17**	**(2)**	**240**	**8,077**	**177**	**8,254**

(*) Combine to bring about Comprehensive income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at December 31, 2009

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The consolidated financial statements of the Edison Group at December 31, 2009 and is comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the *Official Journal of the European Union (O.J.E.U.).*

It is worth mentioning that, effective January 1, 2009, some international accounting principles have been amended. However, none of these amendments had a material impact on the consolidated accounts of the Group. Specifically:

- IAS 23 revised, which no longer allows the alternative treatment with regard to the capitalization of borrowing costs (method used by Edison Spa until December 31, 2008). As a result, starting on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset must be capitalized when a significant period of time is required before the asset can be ready for its intended use or for sale. At December 31, 2009 the positive impact on the consolidated accounts is for about a million of euros.
- IAS 1 revised, which introduces new disclosure requirements provided by means of a schedule showing "Other Components of the Comprehensive Income Statement." This schedule, which supplements the income statement, lists the result components provisionally recognized in equity, such as the change in the cash flow hedge reserve and the result from available-for-sale financial assets. Previously, information about any changes in these components could only be gleaned by analyzing the respective equity reserves.
- IFRS 8 "Operating Segments," which replaces IAS 14 "Segment Reporting." The required disclosure has been expanded to include an analysis of the products and services supplied by the enterprise and, if applicable, about major customers.
- Revision of IFRS 2 "Share-based Payments," which introduces changes regarding plan vesting conditions and the accounting treatment of cancellations.
- Certain amendments to IAS 39 and IFRS 7, mainly concerning fair value measurement and liquidity disclosures.
- IFRIC 13 "Customer Loyalty Programs" and IFRIC 14 "The Limit on a Defined Benefit Plan Asset, Minimum Funding Requirements and their Interaction."

Accounting Principles, Amendments and Interpretations Applicable After December 31, 2009

In the area of accounting principles, the following accounting principles, amendments and interpretations approved in 2009 will applicable starting in 2010:

- IFRS 1 revised, pursuant to which, parties who adopt the IFRS principles for the first time must prepare a "First-time Adoption" document.
- IFRS 3 revised, which introduces changes on how goodwill from business combinations carried out in multiple phases should be valued. Specifically, goodwill must be recognized on the date control is acquired and any gain or loss remaining after measuring at fair value the acquired assets, liabilities and identified contingent liabilities must be recognized in earnings.
- IAS 27 revised, pursuant to which the minority interest in net result must be recognized even in the event of a loss and any remaining interest in a former subsidiary after a loss of control must be measured at fair value.
- IFRIC 12 "Service Concession Arrangements," which introduces changes to the accounting treatment of regulated activities operated under a concession arrangement. The adoption of this principle, will apply to special situations and to a limited value of the total of assets of the Edison Group.
- IFRIC 15 "Agreements for the Construction of Real Estate."
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation." This interpretation applies to those

cases in which a company wants to hedge the foreign exchange risk entailed by an investment in a foreign entity and qualify this transaction as a hedge pursuant to IAS 39.
- IFRIC 17 "Distribution of Non-cash Assets to Owners." This interpretation clarifies when a dividend should be recognized, how it should be valued and, when the dividend is distributed, how to recognize any difference between the book value of the distributed assets and the book value of the distributable dividend.
- IFRIC 18 "Transfers of Assets from Customers." This interpretation deals with how the assets received from customers (i.e., cash) for connecting them to a distribution network should be recognized. IFRIC 18 must be adopted only by parties who are not required to adopt IFRIC 12.

Lastly, the following international accounting principles and will go into effect in 2011:
- Amendment to IAS 32 "Classification of Emissions Rights." This amendment clarifies how to account for certain rights, when the corresponding instruments are issued in a currency different from that of the issuer.
- Amendments to IFRIC 9 and IAS 39, which clarify the treatment of financial derivatives embedded in other contracts when a hybrid financial asset is reclassified from the category of fair value recognized in profit or loss to another category.

The publication of these consolidated financial statements was authorized by the Board of Directors on February 8, 2010. The consolidated financial statements were audited by PricewaterhouseCoopers Spa in accordance with a three-year assignment (from 2005 to 2007) it received from the Shareholders' Meeting of April 19, 2005, later extended up to the approval of the financial statements at December 31, 2010.

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

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats chosen by the Group for its financial statements incorporate the changes required by the adoption of "IAS 1 Revised." They 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 disclosures about **Other Components of the Comprehensive Income Statement** shows the result components provisionally recognized in equity.
- The Statement of **Changes in Consolidated Shareholders' Equity** shows separately the flows from cash flow hedge transactions, available-for-sale investments and the translation reserve.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.

Lastly, starting in 2009, the amounts shown in the income statement for revenues and raw materials and services used reflect a new presentation of trading activities that recognizes only the resulting "trading margin" (so-called "net presentation"). The corresponding amounts for 2008 were restated accordingly.

Scope of Consolidation

The consolidated financial statements include the financial statements of Edison Spa and those of the Italian and foreign subsidiaries over which Edison exercises control, either directly or indirectly. They also include the financial statements over which Edison exercises joint controls, in accordance with the terms of the relevant agreements with other shareholder.

Subsidiaries are consolidated from the moment the Group effectively acquires control and cease to be consolidated when control is transferred to another party.

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.

Payables and receivables and expenses and revenues that arise from transactions between companies included in the scope of consolidation are eliminated. Gains resulting from transactions between the abovementioned companies and reflected in items still included in Group interest in shareholders' equity are eliminated. Gains on the sale of investments in consolidated companies, when control is not relinquished, are recognized in earnings at an amount equal to the difference between the sales price and the value of the corresponding interest in shareholders' equity that is being sold (so called "Parent entity extension method").

Investments in associates over which the Group exercises a significant influence but not joint control, as defined above, are valued by the equity method, pursuant to which the carrying value of the investments is adjusted primarily to reflect the investor company's interest in the profit or loss for the period and any 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, 2008

The changes in the scope of consolidation that occurred in 2009 are reviewed below:

Electric Power Operations

- In March, Edison and Hellenic Petroleum entered into a joint venture agreement, establishing a company called Elpedison Bv, which is consolidated at 50% by the proportional method. Pursuant to the agreements between the parties, Edison International Holding Nv conveyed to Elpedison Bv a 65% interest in Thisvi Sa and 55 million euros, while Helpe, the Greek joint venture partner, conveyed a 50% interest in Energiaki Thessalonikis Sa (T-Power). Subsequently, Elpedison Bv purchased the remaining 50% of T-Power for 55 million euros. This transaction had no impact on the income statement. Elpedison Bv, a 50-50 joint venture of Edison International Holding Nv and Hellenic Petroleum, is being consolidated at 50% by the proportional method.
  More specifically:
  - As of March 31, 2009, Thisvi Sa, which was consolidated line by line, is being consolidated at 50% by the proportional method;
  - As of March 31, 2009, Energiaki Thessalonikis Sa (T-Power) has been added to the scope of consolidation and is being consolidated at 50% by the proportional method.

  The following additional transactions were then executed, as required by the agreements between the parties:
  - in September, Thisvi Sa was merged into and absorbed by Energiaki Thessalonikis Sa (T-Power), which then changed its name to Elpedison Power Sa; and
  - in October, Elpedison Bv (the controlling shareholder) sold to minority shareholders a 21.13% interest in Elpedison Power Sa. As a result, the interest held by the Edison Group in the new company decreased to 37.5%.
- In July, Elpedison Commercial Sa, now named Elpedison Trading Sa, was established in Greece as a wholly owned subsidiary of Elpedison Bv. The Company is being consolidated at 50% by the proportional method.
- Also July Edison Group acquired control of an 86.12% interest in the Sistemi di Energia Group, which previously was 40.57% owned and was valued by the equity method.
- In November, Edison Energie Speciali Sicilia Srl was established as a wholly owned subsidiary of Edison Energie Speciali Spa.
- In December, Presenzano Energia Srl was established as a wholly owned subsidiary of 100% of Edison Spa.

Hydrocarbons Operations

- In January 2009, the Edison International Spa subsidiary completed the acquisition of the business operations comprised essentially of the Abu Qir concession, north of Alexandria, in Egypt, at a price of 1,011 million euros. Abu Qir Petroleum Company, an operating company in which Edison International Spa holds a 50% interest and is consolidated by the proportional method, was established in connection with this transaction.
- On March 10, 2009, the Group closed the purchase of an 80% interest in AMG Gas Srl at a price of 25 million euros. AMG Gas Srl, which distributes natural gas to customers in the Palermo metropolitan area, is being consolidated line by line as of March 31, 2009. Goodwill totaling 16 million euros was recognized in connection with this acquisition.
- Volta Spa, which is being liquidated, was deconsolidated as of April 30, 2009.

An analysis of the impact produced on the Group's balance sheet by business combinations completed during the 2009 is provided in the section of this Report entitled "Information About Business Combinations (IFRS 3)."

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 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 2009 of Companies Consolidated by the Proportional Method

(Amounts in millions of euros, prorated based on the percentage interest held)

	Edipower Spa	Sel Edison	Ibiritermo Sa	Parco Eolico Castelnuovo Srl	ED-Ina D.O.O.	IWH	Ascot Srl	Elpedison Bv	Elpedison Power Sa (*)	Elpedison Trading Sa	Kinopraxia Thisvi	Abu Qir Petroleum Company	IGI Poseidon Sa
% of proportional consolidation	**50.00%**	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**
% interest held by the Group	**50.00%**	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**37.50%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**
INCOME STATEMENT													
Sales revenues	570	14	-	-	45	-	-	-	18	-	42	-	-
EBITDA	219	9	-	-	-	-	-	-	3	-	-	-	(1)
as a % of sales revenues	*38.4%*	*64.3%*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*16.7%*	*n.a.*	*n.m.*	*n.a.*	*n.m.*
Depreciation, amortization and writedowns (-)	(129)	(3)	-	-	-	-	-	-	(8)	-	-	-	-
EBIT	**90**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**-**	**-**	**(1)**
Profit (Loss)	**27**	**4**	**6**	**-**	**-**	**1**	**-**	**6**	**(4)**	**-**	**-**	**-**	**(1)**
Minority interest in profit (loss)	-	-	-	-	-	-	-	-	1	-	-	-	-
BALANCE SHEET													
Total assets	**2,088**	**50**	**95**	**2**	**27**	**-**	**-**	**49**	**267**	**-**	**20**	**3**	**1**
Shareholders' equity	**1,036**	**38**	**23**	**1**	**-**	**-**	**-**	**49**	**55**	**-**	**-**	**-**	**-**
Minority interest in shareholders' equity	-	-	-	-	-	-	-	-	15	-	-	-	-
Net borrowings (financial assets)	**658**	**10**	**(41)**	**-**	**-**	**-**	**-**	**-**	**167**	**-**	**(4)**	**(3)**	**(1)**

(*) The Income Statement amounts are recognized as of the acquisition date.

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 and other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	3.4%	11.1%	2.5%	15.6%	-	2.0%
Plant and machinery	4.0%	20.0%	1.7%	40.2%	5.3%	25.6%
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 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.
As of January 1, 2009, financial expense directly attributable to the acquisition, construction or production of an asset are capitalized. Until December 31, 2008, financial expense was 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.
Exploration and Production activities in which Edison Group is the operator or the venturer are recorded only for the own interest in the activities and/or operations.
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 (Emissions Rights, Green Certificates, etc.)

The Group secures a supply of environmental securities (emissions rights and green certificates) partly to meet its own requirements in the exercise of its industrial activities (so-called "own use") and partly for trading purposes (so-called "trading activities"). The valuation criteria applied vary, depending on the intended use at the time of acquisition.
Specifically, other intangible assets can include emissions rights and green certificates, which are recognized at the cost incurred to acquire them if the rights or certificates carried by the Group on the

balance sheet date exceed its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, on the balance sheet date, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is set aside to cover the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted using any reserves for risks set aside the previous year.
Emissions rights and green certificates owned and held during the year in the exercise of trading activities are treated as inventory and measured at fair value, as explained in the Trading Activities and Inventory sections of these Notes.

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 at fair value 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 the so-called "Trading Activities" reviewed 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

Approved activities that are part of the core businesses of the Edison Group include physical and financial trading in commodities and environmental securities. These activities must be carried out in accordance with special procedures and are segregated at inception in special Trading Portfolios, separate from the other core activities (so-called "Industrial activities"). Trading activities include physical and financial contracts for commodities and environmental securities (essentially, emissions rights and green certificates), which are measured at fair value, with changes in fair value recognized in profit or loss. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in profit or loss.

Inventories

Inventories attributable to the "Industrial activities" are valued at the lesser of purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or estimated realizable value, based on market conditions. Inventories attributable to "Trading activities" are deemed to be assets held for trading and, consequently, are measured at fair value, with changes in fair value recognized in profit or loss.

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 payments").

Provision for Risks and Charges

Provision for risks and charges are established exclusively to fund current obligations that arise from past events that can be reliably estimated. These obligations can be legal or contractual in nature or can be the result of representations or actions 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). If the time value of money is significant the net present value of the provision is recorded in the financial expenses.

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 rights and white certificates attributable to the period. Purchases of green certificates, emission rights 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 related 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 thus differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in profit or loss. The use of estimates is particularly significant for the following items:

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

GROUP FINANCIAL 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 credits, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7 and consistent with the disclosures provided in the Report on Operations, 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 its Energy Risk Policies, the Group may use hedging financial derivatives to minimize or contain 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.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (Industrial Portfolio) except for those related to pure trading activities described below (Trading Portfolio), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), which 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, 2009, 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).

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

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.).
On the TFS platform, these products are seldom quoted for lengths of time that exceed one year. For longer expirations, quarters are seldom quoted on a daily basis, particularly peak and off-peak products. In addition, in the fall of 2008, electric power futures started to trade on IDEX, a segment of Borsa Italiana's derivatives market, which, however, is less liquid and handles exclusively trading in financial products. Only baseload products with a maximum time horizon of two years are traded on this market. The "MTE" forward market for baseload and peakload physical products organized by the GME began to operate in the fall of 2009. Only a few sporadic trades were executed on the MTE during its first trading sessions in 2009.
As for over-the-counter transactions, in the second half of 2009, additional brokers (GFI, ICAP and Prebon) began to offer quotes for forward products in Italy, but volume was low compared with TFS.
Because TFS is the closest thing to a market for trading forward electric power products available in Italy, the market price data it provides, together with those taken from IDEX quotes or from transactions with other brokers, are treated as input for the internal model used to measure at fair value the abovementioned products. Obviously, the model does not use the TFS input for periods longer than the quotation period.

As required by IFRS 7, a simulation is carried out for the financial derivatives that hedge the Industrial Portfolio, as defined before, 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 2010, 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 2010, 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 hedging instruments expected by the end of 2010, with a 97.5% probability, compared with the fair value determined at December 31, 2009, is 87.4 million euros (197.4 million euros at December 31, 2008), as shown in the table below:

Profit at Risk (PaR)	12.31.2009		12.31.2008	
	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%**	**87.4**	**97.5%**	**197.4**

In other words, compared with the fair value determined for hedging financial contracts outstanding at December 31, 2009, the probability of a negative variance greater than 87.4 million euros by the end of 2010 is limited to 2.5% of the scenarios.
The decrease, compared with the level measured at December 31, 2008, is due primarily to a lower volume of outstanding financial contracts and, to a lesser extent, to a different monthly profile. Specifically, while in 2008 the bigger volumes referred to longer maturities and, consequently, reflected a higher degree of volatility, in 2009, the distribution of hedging contracts shows a greater concentration in the closer maturities, with lower volatility.

The hedging strategy deployed in 2009 enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in 2009 by the Industrial Portfolio would have been equal to 98% of the approved limit, with a peak of 184% in February 2009 and an average limit excess of 147% for the first six months of the year. The amount of Economic Capital absorbed at December 31, 2009 by the Industrial Portfolio was equal to 27% of the approved limit.
With hedging, the average amount of Economic Capital absorbed in 2009 by the Industrial Portfolio was 42%, with a peak of 86% in February 2009. At December 31, 2009, the amount of Economic Capital absorbed was equal to 18% of the approved limit.
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 2.6 million euros, with a stop loss of 26.6 million euros. On average, the VaR limit was 29% utilized in 2009, with a peak of 41% in March 2009. The utilization at December 31, 2009 was equal to 20%.
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 positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 40.9 million euros. On average, this limit was 36% utilized in 2009, with a peak of 59% in November 2009. The utilization at December 31, 2009 was equal to 20%.

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.

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's main interest rate exposure is to the Euribor.

Gross financial debt: (in millions of euros)	12.31.2009			12.31.2008		
	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion	1,419	1,109	24%	731	1,558	49%
- variable rate portion	3,296	3,606	76%	2,476	1,649	51%
Total gross financial debt (*)	**4,715**	**4,715**	**100%**	**3,207**	**3,207**	**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, 2009, the Group's exposure to the risk of changes in interest rates was equivalent to about 76% of its total gross exposure (51% at December 31, 2008). The remaining 24% at fixed rates (49% at December 31, 2008), 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. Considering that, at

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.

December 31, 2009, the Group held 748 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial debt, they become, respectively about 70% (variable rate) and about 30% (fixed rate).
The guidelines that govern the policy applied to hedge the interest rate risk is reviewed below. First of all, the 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 (Cash Flow Hedges and Fair Value Hedges). Others qualify as economic hedges.
Consistent with the risk management policy outlined above, the change in the percentage of exposure to variable rates, compared with 2008, is explained partly by operational developments and partly by the low level of market rates in 2009. The transactions that hedged a 500-million-euro bond issue by converting to a fixed rate the interest rate on 200 million euros and applying to the remaining 300 million euros a structure that prevented the contractual interest rate from rising above 3.95% expired on July 20, 2009. In view of the current trend in market rates, this hedge was not replaced, opting instead for a variable-rate exposure. Nevertheless, the medium-term objective is to achieve, 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 hedging transactions included in the Group's portfolio. As for Edison Spa, the hedges apply 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"). Specifically:

- through the use of derivatives, the interest rate on a portion (350 million euros) of a 700-million-euro bond issue, maturing in December 2010, was changed from a 5.125% fixed rate to a variable rate;
- the fixed interest rate (4.25%) on a portion (500 million euros) of a new 700-million-euro bond issue, with maturity date at July 22, 2014, was changed to a variable interest rate using interest swap transactions recorded with the Fair Value Hedge methodology.

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, 1.4 billion euros of which had been drawn down at December 31, 2009 (700 million euros being Edison's pro rata share), the strategy was to use Interest Rate Swaps as hedges to set the maximum interest rates at 4.20% (68% of the amount drawn down at December 31, 2009 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 2009 and provides a comparison with 2008.

Sensitivity analysis (in millions of euros)	2009 Impact on financial expense (P&L)			12.31.2009 Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	155	129	102	(18)	(22)	(25)

Sensitivity analysis (in millions of euros)	2008 Impact on financial expense (P&L)			12.31.2008 Impact on the cash flow hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	145	136	127	(12)	(19)	(24)

4. Credit Risk

The credit risk represents Edison Group'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 related mainly to sales of electric power and natural gas. To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), Edison 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, during the year, Edison executed transaction assigning receivable without recourse on a revolving and spot basis for a total amount of 2,828 million of euros. At December 31, 2009, the risk of recourse that still existed on some of these transactions was not material.

Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison deals only with entities with a high credit rating. At December 31, 2009, 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 doubtful accounts and the guarantees that the Group holds to secure its receivables. The decrease in receivables outstanding at December 31, 2009, compared with the balance a year earlier, is largely due to changed conditions in the international scenario, which caused a reduction in fuel prices, with an attendant decrease in revenue amounts.

(in millions of euros)	12.31.2009	12.31.2008
Gross trade receivables	1,991	2,406
Allowance for doubtful accounts (-)	(129)	(76)
Trade receivables	**1,862**	**2,330**
Guarantees held	556	345
Receivables 9 to 12 months in arrears	34	16
Receivables more than 12 months in arrears	73	64

5. Liquidity Risk

The liquidity risk represents the risk that the Group 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 (in millions of euros)	12.31.2009			12.31.2008		
	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	2	772	1,329	7	50	1,266
Financial debt and other financial liabilities	170	178	2,282	277	463	1,187
Trade accounts payable	1,413	56	-	1,606	53	-
Total	**1,585**	**1,006**	**3,611**	**1,890**	**566**	**2,453**
Guarantees provided to third parties (*)	763	198	566			

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

The Group's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity and implementing on a timely basis negotiations for the funding of maturing financing facilities.

As for the composition of the financial debt, 1,122 million euros of which is due within a year, offset by 748 million euros in liquid assets, the main component are:

- for 736 million euros is represented by Edison Spa bonds with a face value of 700 million euros issued in 2003;
- for 180 million euros is owed by the Elpedison Power Sa subsidiary, in Greece, which plans to consolidate it with a medium-term facility;
- for 86 million euros consists of the portion, included the accrued interest, for the loan owed by Edipower.

In any case, at December 31, 2009, the Edison Group had access to unused committed lines of credit amounting to 964 million euros, provided primarily by a syndicated standby credit line of 1,500 million euros that expires in 2013. A total of 650 million euros has been drawn against this credit line, which is shown under financial debt due after one year in the corresponding section of these notes. The higher level of financial debt due after one year, which increased by 1,158 million euros compared with December 31, 2008, reflects the utilization of a new three-year 600-million-euro facility provided to Edison Spa in May 2009 on a Club-Deal basis by a pool of Italian and international banks, as disclosed in the Semiannual report at June 30, 2009, and the issuance on July of the 2009-2014 Edison Spa fixed-rate bonds with a total face value of 700 million euros, offset in part by the reclassification to short-term indebtedness of the 700-million-euro bond issue maturing next December.

The table that follows provides a breakdown by maturity of Group's gross financial debt at December 31, 2009. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations for derivatives, i.e., the amounts at which financial liabilities were recognized in the accounting records at December 31, 2009.

As mentioned above, the new Club Deal credit line of 600 million euros is listed based on its contractual maturity of May 2012.

(in millions of euros)	12.31.2010	12.31.2011	12.31.2012	12.31.2013	12.31.2014	After 5 years	Total
Bonds	721	502	-	-	697	-	1,920
Financial debt and other financial liabilities owed to outsiders:							
- due to banks	331	679	706	674	74	5	2,469
- due to other lenders	280	5	4	4	11	22	326
Gross financial debt	**1,332**	**1,186**	**710**	**678**	**782**	**27**	**4,715**

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).

Three issues of debt securities (Euro Medium-term Notes), for a total face value of 1,900 million euros, are outstanding (see table below):

Description	Issuer	Market where traded	ISIN code	Term (years)	Maturirty	Face value (in millions of euros)	Coupon	Current 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	1.340%
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed, annual	4.250%

In addition, considering the pro rata consolidation of Edipower's debt, the Group is a party to non-syndicated loan agreements totaling 476 million euros and syndicated loan agreements with a total face value of 2,924 million euros (964 million euros unused at December 31, 2009).

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 Spa sets forth, among other clauses, Edison's obligation to comply with certain commitments, which include making sure that the lender banks are being afforded a treatment equal to the one offered under other unsecured creditors (pari passu clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause). Similar commitment are included in the loan agreement for the 600-million-euro facility provided to Edison, in May 2009, by a pool of Italian and international banks on a Club Deal basis. In this case, in addition to the obligations and restrictions mentioned above, the loan agreement also sets forth requirements concerning compliance with financial ratios (financial covenants). Specifically, the ratio of EBITDA to financial expense and the ratio of net financial debt to EBITDA must be not lower and not higher, respectively,

than predetermined thresholds. The threshold levels were determined conservatively, based on the Group's industrial plan.
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 debt 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 (1,000 million euros Edison pro rata) 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 financial debt 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, none of the Group companies has been declared in default by any of the lender banks.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

The Group engages in trading for its own account in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with special 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 the results derived from it are recognized in the income statement and are included in reported EBITDA.

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.** This category includes transactions that hedge the risk of fluctuations in cash flow (Cash Flow Hedges) and those that hedge the fair value of assets and liabilities carried on the balance sheet (Fair Value Hedges). More specifically:
   a. In the case of *Cash Flow Hedges (CFH),* realized results are either included in EBITDA, for commodity transactions, or recognized as financial income or expense, for financial transactions. The effective portion of the expected value is reflected in a special reserve of shareholders' equity and the changes that occurred in this reserve during the year are analyzed in the disclosures about "Other Components of the Comprehensive Income Statement." The ineffective portion is recognized in profit or loss.
   b. In the case of *Fair Value Hedges (FVH),* which at this point refer only to a portion of the fixed-rate bonds issued in July 2009, both the fair value of the derivatives (expected value) and the realized result are recognized in profit or loss.

2) **Transactions that do not qualify as hedges in accordance with IAS 39**. They can be:
   a. Transactions to manage interest rate and foreign exchange risks on energy commodities. For all hedging transactions that comply with internal risk policies and procedures, realized results and expected value are either included in EBITDA, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts, both the realized results and expected value of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 7

IFRS 7 identifies a fair value hierarchy to rank the reliability of inputs used in a valuation approach of fair value.
The IFRS 7 ranking is based on the following hierarchy:

- **Level 1:** Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. This category includes instruments with which the Edison Group operates directly in active markets or in over-the-counter markets and which constitute “identical assets” compared with the corresponding organized markets (e.g. futures).
- **Level 2:** Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable. This category includes instruments with which the Edison Group operates in over-the-counter markets that are insufficiently liquid or do not generate binding market quotes on a continuing basis. It also includes instruments with which the Edison Group operates in markets ranked at “Level 1” the fair value of which is determined by models with unobservable input or market-based input (e.g. swaps based on futures markets, the valuation of which depends on futures prices, the interest rate and the remaining days to delivery).
- **Level 3:** Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At present, only one Level 3 instruments of negligible value is recognized in the financial statements. The fair value of this instrument was determined based on models with input not directly derived from observable market data.

The ranking of financial instruments can entail significant subjective judgment. However, as required by IFRS 7, Edison uses prices quoted in active markets, when available, as the best estimate of the fair value of all derivatives.

Instruments Outstanding at December 31, 2009

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

- Fair value hierarchy;
- 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) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Balance sheet amount (**)	Cumulative impact on the income statement at 12.31.2009 (***)
		due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management						
- Cash Flow Hedges in accordance with IAS 39	2	81	408	-	(22)	-
- Fair Value Hedges in accordance with IAS 39	2	-	500	-	7	7
- contracts that do not qualify as hedges in accordance with IAS 39	2	358	80	14	6	6
Total interest rate derivatives		**439**	**988**	**14**	**(9)**	**13**

		Due within 1 year		Due between 2 and 5 years	Due after 5 years		
		receivable	payable	receivable	receivable		
Foreign exchange rate risk management							
- contracts that qualify as hedges in accordance with IAS 39							
- On commercial transactions	2	788	-	29	-	(21)	-
- On financial transactions	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39							
- On commercial transactions	2	-	15	-	-	-	-
- On financial transactions	2	188	-	-	-	3	3
Total foreign exchange rate derivatives		**976**	**15**	**29**	**-**	**(18)**	**3**

(*) 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.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7".

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*) Unit of measure	Due within one year	Due within two years	After two years	Balance sheet value (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2009 (***) (in millions of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:						**73**	**2**
- Electric power	2	TWh	(0.04)	-	-	-	-
- LNG, oil	2	Barrels	13,160,580	415,520	-	73	2
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as Fair Value Hedges pursuant to IAS 39, margin hedges:							
- Electric power	2	TWh	0.35	-	-	3	3
- LNG and oil	2	Barrels	(1,035,590)	21,000	-	(3)	(3)
- Coal	2	Millions of tons	0.03	-	-	-	-
Total						**73**	**2**

(*) + 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.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7".

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*) Unit of measure	Due within one year	Due between two years	After two years	Balance sheet value (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2009 (***) (in millions of euros)
Derivatives						**2**	**2**
- Electric power	1/2	TWh	0.27	0.04	0.13	1	1
- CO_2	1/2	Millions of tons	(0.55)	0.30	0.25	1	1
Physical contracts						**15**	**15**
- Electric power	2/3	TWh	1.89	(0.18)	(0.13)	15	15
Total						**17**	**17**

(*) + 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.
(****) For the definition see the previous paragraph "Fair Value hierarchy according to IFRS 7".

Effects of Hedging and Trading Derivative Transactions on the Income Statement and Balance Sheet in 2009

The table below provides an analysis of the financial results generated by derivative hedging and trading transactions in 2009, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized in 2009 (A)	Fair Value recognized for contracts outstanding at 12.31.2008 (B)	Portion of (B) contracts realized in 2009 (B1)	Fair Value recognized for contracts outstanding at 12.31.2009 (C)	Change in fair value in 2009 (D)=(C-B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 19 and 20 in the Income statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	91	-	-	2	2	93
- not definable as hedges pursuant to IAS 39	53	12	12	12	-	53
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	2	1	-	-	(1)	1
Margin on Trading Activities						
- Sales revenues from physical contracts included in the trading portfolios (***)	1,213	148	148	105	(43)	1,170
- Other revenues and income from derivatives included in the trading portfolios (****)	43	28	28	11	(17)	26
- Raw materials and services used from physical contracts included in the trading portfolio (***)	(1,212)	(144)	(144)	(90)	54	(1,158)
- Raw materials and services used from derivatives included in the trading portfolio (****)	(17)	(11)	(11)	(9)	2	(15)
Total margin on trading activities	*27*	*21*	*21*	*17*	*(4)*	*23*
Total (A)	**173**	**34**	**33**	**31**	**(3)**	**170**
Raw materials and services used (see Note 21 in the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(202)	(5)	(5)	-	5	(197)
- not definable as hedges pursuant to IAS 39	(39)	(20)	(20)	(12)	8	(31)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(16)	1	1	-	(1)	(17)
- not definable as hedges pursuant to IAS 39	(11)	-	-	-	-	(11)
Total (B)	**(268)**	**(24)**	**(24)**	**(12)**	**12**	**(256)**
TOTAL INCLUDED IN EBITDA (A+B)	**(95)**	**10**	**9**	**19**	**9**	**(86)**
Interest rates hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	2	1	1	-	(1)	1
- definable as hedges pursuant to IAS 39 (FVH)	-	-	-	7	7	7
- not definable as hedges pursuant to IAS 39	33	16	7	12	(4)	29
Total financial income (C)	**35**	**17**	**8**	**19**	**2**	**37**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	(17)	-	-	-	-	(17)
- definable as hedges pursuant to IAS 39 (FVH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(23)	(10)	(2)	(6)	4	(19)
Total financial expense (D)	**(40)**	**(10)**	**(2)**	**(6)**	**4**	**(36)**
Margin on interest rate hedging transactions (C+D)=(E)	**(5)**	**7**	**6**	**13**	**6**	**1**
Foreign exchange rates hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	3	-	-	-	-	3
- not definable as hedges pursuant to IAS 39	6	-	-	3	3	9
Total foreign exchange gains (F)	**9**	**-**	**-**	**3**	**3**	**12**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	(12)	-	-	-	-	(12)
- not definable as hedges pursuant to IAS 39	(9)	(1)	-	-	1	(8)
Total foreign exchange losses (G)	**(21)**	**(1)**	**-**	**-**	**1**	**(20)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(12)**	**(1)**	**-**	**3**	**4**	**(8)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 25 to the Income Statement)	**(17)**	**6**	**6**	**16**	**10**	**(7)**

(*) Includes the effective portion included in Raw materials and services used (Note 21 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in Sales revenues (Note 19 to the Income Statement) under margin on trading activities.
(****) Amounts included in Other revenues and income (Note 20 to the Income Statement) under margin on trading activites.

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

(in millions of euros)	12.31.2009		12.31.2008	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	12	(30)	32	(56)
Interest rate transactions	18	(27)	11	(24)
Commodity transactions	210	(120)	201	(418)
Fair value recognized as current asset or current liability	**240**	**(177)**	**244**	**(498)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	105	(90)	148	(144)
- recognized as "Other receivables and payables"	117	(60)	85	(329)
- recognized as "Current financial assets" and "Short-term financial debt"	18	(27)	11	(25)

With regard to these items, consistent with the information provided in the preceding pages, the values of all receivables and payables arising from foreign exchange and interest rate transactions are ranked at Level 2 in the fair value hierarchy. In the case of commodity transactions, 6 million euros in receivables and 6 million euros in payables are ranked at Level 1 in the fair value hierarchy and a receivable of less than 1 million euros is ranked at Level 3; the values of all remaining items are ranked at Level 2.

With regard to the items listed above, please note that the receivables and payables shown are offset by a positive cash flow hedge reserve amounting to 28 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, 2009.

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

Financial instrument type	Criteria applied to value financial instruments in the financial statements						
(in millions of euros)	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 12.31.2009**	Fair value at 12.31.2009
	(1)	(2)	(3)	(4)	(5)		
ASSETS							
Available-for-sale equity investments, including:							
- unlisted securities	-	-	-	-	294	294	n.a.
- listed securities	-	-	10	-	-	10	10
						304	
Other financial assets (7) (10)	-	-	-	98	-	98	98
Other assets (10)	-	-	-	21	-	21	21
Trade receivables (9) (10)	105	-	-	1,757	-	1,862	1,862
Other receivables (6) (10)	25	92	-	428	-	545	545
Other current financial assets (6) (8) (10)	27	-	-	3	-	30	30
Cash and cash equivalents (10)	-	-	-	748	-	748	748
LIABILITIES							
Bonds	-	-	-	1,920	-	1,920	1,948
Financial debt (6) (10)	5	22	-	2,768	-	2,795	2,798
Trade payables (9) (10)	90	-	-	1,379	-	1,469	1,469
Other liabilities (6) (10)	18	42	-	406	-	466	466

(1) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(2) Cash Flow Hedge.
(3) Available-for-sale financial assets measured at fair value, with gains-losses recognized in Equity.
(4) Loans, receivables and financial liabilities valued at amortized cost.
(5) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably, are valued at cost, reduced by any impairment losses.
(6) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(7) Includes 79 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(8) Includes equity investments held for trading.
(9) Includes receivables from the measurement at fair value of derivatives and equity investments held for trading.
(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 as their carrying value.

Segment Information

The segments, as identified by the Group in accordance with IFRS 8, correspond to the Electric Power Operations, the Hydrocarbons Operations and Corporate Activities and Other Segments, as a residual sector. This segment information disclosure is based on the same structure used for the reports that are periodically analyzed by the Board of Directors to manage the Group's business activities and for management reporting, planning and control purposes.

INCOME STATEMENT (in millions of euros)	Electric Power		Hydrocarbons		Corporate activities and other segments		Disposal Group		Adjustment		Edison Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Sales Revenues	**6,463**	**7,687**	**4,158**	**5,093**	**53**	**77**	**-**	**-**	**(1,807)**	**(2,793)**	**8,867**	**10,064**
- Intra-Group Revenue	6	6	1,762	2,750	39	37	-	-	(1,807)	(2,793)	-	-
EBITDA	**1,227**	**1,326**	**347**	**405**	**(103)**	**(88)**	**-**	**-**	**-**	**-**	**1,471**	**1,643**
as a % of sales revenues	19.0%	17.2%	8.3%	8.0%	n.m.	n.m.					16.6%	16.3%
Depreciation, amortization and writedowns	(533)	(582)	(229)	(188)	(10)	(12)	-	-	-	-	(772)	(782)
EBIT	**694**	**744**	**118**	**217**	**(113)**	**(100)**	**-**	**-**	**-**	**-**	**699**	**861**
as a % of sales revenues	10.7%	9.7%	2.8%	4.3%	n.m.	n.m.					7.9%	8.6%
Net financial income (expense)											(156)	(100)
Interest in result of companies value by equity method											(5)	1
Income taxes											(278)	(379)
Profit (Loss) from continuing operations											**251**	**351**
Profit (Loss) from discontinued operations							**-**	**(4)**			**-**	**(4)**
Minority interest in profit (loss)											**11**	**1**
Group interest in profit (loss)											**240**	**346**

BALANCE SHEET (in millions of euros)	Electric Power		Hydrocarbons		Corporate activities and other segments		Disposal Group		Adjustment		Edison Group	
	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08
Total assets	**11,743**	**11,948**	**4,194**	**3,366**	**5,445**	**3,302**	**-**	**-**	**(4,925)**	**(3,523)**	**16,457**	**15,093**
Total liabilities	**4,031**	**3,958**	**2,826**	**2,111**	**4,327**	**2,674**	**-**	**-**	**(2,981)**	**(1,723)**	**8,203**	**7,020**
Net Financial Debt											**3,858**	**2,920**

OTHER INFORMATION (in millions of euros)	Electric Power		Hydrocarbons		Corporate activities and other segments		Disposal Group		Adjustment		Edison Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Capital expenditures	365	284	284	249	2	12	-	-	-	-	651	545
Investments in exploration	-	-	66	62	-	-	-	-	-	-	66	62
Investments in intangibles	7	27	1,012	1	9	9	-	-	-	-	1,028	37
Total capital investments	**372**	**311**	**1,362**	**312**	**11**	**21**	**-**	**-**	**-**	**-**	**1,745**	**644**

	Electric Power		Hydrocarbons		Corporate activities and other segments		Disposal Group		Adjustment		Edison Group	
	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08	12.31.09	12.31.08
Number of employees	**1,946**	**1,849**	**1,357**	**507**	**620**	**605**	**-**	**-**	**-**	**-**	**3,923**	**2,961**

Thus far, the Group has not viewed **geographic data information** as meaningful, since it is essentially located and active in Italy. However, beginning in 2009, the Group started to significantly expand its international operations, at the end of period the net carrying value totalized 1,596 million of euros, of which 222 million of euros on Electric Power Operations (mostly attributable to Greece) and 1,374 million of euros related to Hydrocarbons operations, of which 1,039 million of euros regarding the Abu Qir concession. At December 31, 2009, the contribution of foreign operations accounted for about 5% of EBITDA and about 10% of net invested capital.

As for the disclosure about the so-called "**major customers**," the Group's sales are generally not concentrated, except for the electric power operations, where two major customers generated revenues of 2,686 million euros in 2009, equal to about 42% of the total revenues of electric power operations.

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 7,517 million euros, for a net increase of 101 million euros compared with the previous year (7,416 million euros). The table that follows shows a breakdown of the changes that occurred in 2009:

(in millions of euros)	Land and buildings	Plant and machinery	Manufact, and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2008 (A)	**853**	**6,114**	**12**	**4**	**433**	**7,416**
Changes in 2009:						
- Additions	4	298	1	1	347	651
- Disposals (-)	(7)	(25)	-	-	(7)	(39)
- Depreciation (-)	(42)	(540)	(3)	(1)	-	(586)
- Writedowns (-)	(2)	(23)	-	-	(29)	(54)
- Decommissioning costs	-	1	-	-	-	1
- Changes in scope of consolidation	9	146	-	-	(21)	134
- Other changes	5	168	-	1	(180)	(6)
Total changes (B)	**(33)**	**25**	**(2)**	**1**	**110**	**101**
Balance at 12.31.2009 (A+B)	**820**	**6,139**	**10**	**5**	**543**	**7,517**
Breakdown:						
- Historical cost	1,076	9,308	23	15	572	10,994
- Accumulated depreciation (-)	(252)	(2,910)	(13)	(10)	-	(3,185)
- Writedowns (-)	(4)	(259)	-	-	(29)	(292)
Net carrying amount	**820**	**6,139**	**10**	**5**	**543**	**7,517**

The total value of the assets includes construction in progress and advances totaling 543 million of euros, broken down as follows: 252 million of euros for the electric power operations and 291 million of euros for the hydrocarbons operations.

In the **additions**, for 651 million euros, are included the investments of the period. A breakdown by business segment is as follows:

(in millions of euros)	2009	2008
Electric Power Operations	**365**	**284**
broken down as follows:		
- Thermoelectric area	211	166
- Hydroelectric area	60	40
- Renewable sources area (wind power, photovoltaic, etc.)	94	78
Hydrocarbons Operations	**284**	**249**
broken down as follows:		
- Hydrocarbon fields in Italy	69	87
- Hydrocarbon fields outside Italy	164	102
- Transmission, storage and distribution infrastructures	51	60
Corporate activities and other operations	**2**	**12**
Total for the Group	**651**	**545**

The main investment projects include the following:

- For the **electric power operations,** the repowering of Marghera power plant (46 million euros), the construction of a new thermoelectric power plant near Thisvi, in Greece (86 million euros) and the Mistretta (48 million euros) and Melissa-Strongoli (37 million euros) wind farms, which were commissioned in 2009.
- For the **hydrocarbons operations**, the development and expansion of the storage fields (San Potito-Cotignola, Cellino and Collalto which totaled 44 million euros), the Leonis ship (34 million euros) and development and production activities at the Abu Qir and Rosetta field in Egypt (which totaled 78 million euros).

Disposals of 39 million euros refer mainly to the sale of some components of thermoelectric and hydroelectric power plants which generated a net gain of 13 million euros.

Writedowns, which totaled 54 million euros and were primarily booked to recognize the impact of the annual impairment test, included the following:

- Within the **electric power operations**, writedowns affected some power plants included in the Captive Cash Generating Unit (8 million euros) and some thermoelectric facilities (for a total of 7 million euros).
- The assets written down by the **hydrocarbons operations** included equipment installed at the concession in Algeria (29 million euros) and at some concessions in Italy (6 million euros), where workover projects proved to be non-productive.

Decomissioning costs of one million euros refer to a revision of the cost projections for the decommissioning of some thermoelectric power plants and hydrocarbon storage fields.

Changes in the scope of consolidation refers mainly to the joint venture established with Hellenic Petroleum and the acquisition of the Sistemi di Energia Group.

Capitalized borrowing costs recognized as part of property, plant and equipment, as required by I A S 23 Revised, amounted to about one million euros.

In addition:

- The net carrying amount of property, plant and equipment includes **assets transferable at no cost** with an aggregate value of 487 million euros (535 million euros at December 31, 2008) attributable to the hydroelectric operations. The decrease reflects primarily the depreciation taken in 2009, offset only in part by the additions for the year. A breakdown of these assets is provided below:

Assets transferable at no cost (in millions of euros)	Historical cost	Accum. deprec. and writedowns	Net value at 12.31.2009	Net value at 12.31.2008
Buildings and other assets	12	(6)	6	8
Plant and machinery	874	(393)	481	527
Total	**886**	**(399)**	**487**	**535**

- Property, plant and equipment includes **assets acquired under finance leases** totaling 34 million euros (97 million euros at December 31, 2008), which are recognized in accordance with the IAS 17 (revised) method. The lower amount compared with the end of 2008 is the net result of an increase of about 34 million euros related to the commissioning of the Leonis ship, which is being used as a floating storage facility to support hydrocarbon production from the Vega field, and of a decrease caused by the buyout of the thermoelectric power plant operated by Jesi Energia Spa, which is now fully owned by the Group. The balance outstanding on finance leases, which amounts to 31 million euros, is shown part under "Long-term financial debt and other financial liabilities" (28 million euros) and part under "Short-term financial debt" (3 million euros). 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 12.31.2009	Net value at 12.31.2008
Land and buildings	-	-	-	6
Plant and machinery	34	-	34	91
Total	**34**	**-**	**34**	**97**

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, is valued at 12 million euros. A breakdown of the changes that occurred in 2009 is provided below:

(in millions of euros)	12.31.2009
Balance at 12.31.2008 (A)	**14**
Changes in 2009:	
- Reclassifications	(2)
- Depreciation (-)	-
Total changes (B)	**(2)**
Balance at 12.31.2009 (A+B)	**12**
Breakdown:	
- Historical cost	21
- Accumulated depreciation (-)	(2)
- Writedowns (-)	(7)
Net carrying amount	**12**

3. Goodwill

Goodwill totaled 3,538 million euros. The increase of 17 million euros compared with December 31, 2008 is mainly attributable to the acquisition of an 80% interest in AMG Gas Srl.
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 this Report, goodwill was tested for impairment, as required by IAS 36.

4. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which include 83 mineral leases in Italy and abroad (including 3 storage concessions) for the extraction of hydrocarbon deposits, were valued at 1,259 million euros. The net increase of 986 million euros, compared with December 31, 2008, reflects primarily the effect of investments to acquire exploration, production and development rights for the Abu Qir offshore field in Egypt (a detailed analysis of this transaction is provided later in this Report, in the note providing the disclosure required by IFRS 3 in connection with business combinations). The table below shows the changes that occurred in this account in 2009:

(in millions of euros)	12.31.2009
Balance at 12.31.2008 (A)	**273**
Changes in 2009:	
- Additions	1,011
- Other changes	28
- Amortization (-)	(53)
Total changes (B)	**986**
Balance at 12.31.2009 (A+B)	**1,259**
Breakdown:	
- Historical cost	1,458
- Accumulated amortization (-)	(195)
- Writedowns (-)	(4)
Net carrying amount	**1,259**

Disclosure About the Group's Concessions

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

	Number	Remaining life (years) from	to
Storage concessions	3	5	20
Hydroelectric concessions	71	1	22
Distribution concessions	62	1	11
Hydrocarbon concessions	80	(*) "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.

The following developments occurred in 2009:

- The Edison Stoccaggio Spa subsidiary was awarded a new storage concession for the San Potito and Cotignola fields;
- As a result of the acquisition of control of the Sistemi di Energia Group, the hydrolectric concessions of the Edison Group increased by three.

5. Other Intangible Assets

The balance of 36 million euros includes the following:

- 20 million euros for patents, licenses and similar rights, consisting mainly of software licenses.
- 5 million euros for CO_2 emissions rights held in excess of the Group's overall requirements. These rights were marked to market at the end of the year and a 2-million-euro writedown was recognized.
- 5 million euros for work in progress.
- 6 million euros corresponding to the fair value of the customer portfolio included in the AMG Gas Srl acquisition.

Other intangible assets include hydrocarbon exploration costs. These costs, which tend to be quite substantial and are amortized in full the year they are incurred, amounted to 66 million euros. The increase of 4 million euros, compared with 62 million euros in 2008, is mainly the result of an increase in international exploration activity. No exploration costs were capitalized in 2009 in connection with successful exploration activities leading subsequently to production.

The table that follows shows the changes that occurred in 2009:

(in millions of euros)	12.31.2009
Balance at 12.31.2008 (A)	**47**
Changes in 2009:	
- Additions	83
- Disposals (-)	(9)
- Changes in scope of consolidation	6
- Amortization (-)	(77)
- Writedowns (-)	(2)
- Other changes	(12)
Total changes (B)	**(11)**
Balance at 12.31.2009 (A+B)	**36**
Breakdown:	
- Historical cost	367
- Accumulated amortization (-)	(327)
- Writedowns (-)	(4)
Net carrying amount	**36**

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

Because goodwill is an intangible asset with an indefinite useful life and, therefore, cannot be amortized in regular installments, IAS 36 requires that its value be tested for impairment at least once a year. Since goodwill does not generate cash flow independently and cannot be sold separately, IAS 36 requires a test of the value that can be recovered on a residual basis. This is accomplished by determining the cash flows generated by the complex of assets that constitute the business or businesses to which goodwill is attributable (the cash generating unit or units - CGUs).

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)	12.31.2009	12.31.2008
- Electric power operations	2,838	2,839
- Hydrocarbons operations	700	682
Total	**3,538**	**3,521**

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 of Edison Group, which guidelines have been 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.

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 2017) 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 11.4% for the hydrocarbons operations. These rates were increased further when estimating the recoverable value of the cash flows from a CGU's business operations exposed to a country risk at a level appreciable different than that of Italy. 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, Natural Gas Transmission 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 were discounted at rates that were the same as those applied when testing goodwill for impairment (except Natural Gas Distribution, Natural Gas Transmission and Natural Gas Storage where were used regulated rates). These rates were increased further when estimating the recoverable value of the cash flows from a CGU's business operations exposed to a country risk at a level appreciable different than that of Italy.

The impairment test performed in accordance with the statistical method described above showed that an impairment loss had occurred for some thermoelectric CGUs: two captive thermoelectric CGUs, a CIP 6/92 thermoelectric CGU and a merchant thermoelectric CGU, requiring a combined writedown of about 15 million euros.

These writedowns were required primarily by the occurrence of some impairment indicators that included: for the captive thermoelectric CGUs, the effect of the current economic crisis on their customers, who decreased purchases of electric power in accordance with specific terms of their supply contracts; for the CIP 6/92 thermoelectric CGU, a reduction of the period of subsidized rates, as allowed under the CIP 6/92 contract; for the merchant thermoelectric CGU, a technical breakdown that forced a shutdown of the power plant.

Moreover, additional writedowns of property, plant and equipment were made in hydrocarbons operations related to hydrocarbons concessions:
- 29 million euros for assets of concession in Algeria, due to a revision of the investment profiles and the renegotiation of contracts with the counterparties;
- 6 million of euros for development investments of an Italian concession that failed to produce the expected production results.

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

The total includes 43 million euros in investments in associates and in unconsolidated subsidiaries and affiliated companies and 304 million euros in available-for-sale investments. The latter amount includes an investment in Terminale GNL Adriatico Srl (286 million euros), which owns the offshore regasification terminal near Porto Viro (RO).

The table below shows the main changes that occurred in 2009:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2008 (A)	**51**	**248**	**299**
Changes in 2009:			
- Additions	1	-	1
- Changes in share capital	2	54	56
- Valuations at equity	(7)	-	(7)
- Valuations at fair value	-	1	1
- Reclassifications and other changes (+/-)	(4)	1	(3)
Total changes (B)	**(8)**	**56**	**48**
Balance at 12.31.2009 (A+B)	**43**	**304**	**347**
Breakdown:			
- Historical cost	43	328	371
- Revaluations	8	-	8
- Writedowns (-)	(8)	(24)	(32)
Net carrying amount	**43**	**304**	**347**

An analysis of the changes is as follows:

- **Changes in share capital** totaling 56 million euros refers to capital contributions provided to Terminale GNL Adriatico Srl (54 million euros) and Galsi Spa (2 million euros);
- **Valuations at equity,** with a negative balance of 7 million euros, reflect primarily the effects of a writedown of the investment in GTI Dakar;
- **Valuations at fair value,** with a positive balance of one million euros, include mainly the effects of the mark to market of the investment in RCS, which is offset by a corresponding amount recognized in equity;
- **Reclassifications and other changes** refer to a decrease of 4 million euros in Investments in associates due to the acquisition of control of the Sistemi di Energia Group, which is now consolidated line by line.

7. Other Financial Assets

Other financial assets, which totaled 98 million euros, or 6 million euros more than at December 31, 2008, consist of loans receivable due in more than one year. Other financial assets include the following:

- A loan receivable of 79 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 equity investments, 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 of the various companies, amounted to 103 million euros (84 million euros at December 31, 2008). They reflect differences in the valuation of:

- taxed provisions for risks of 40 million euros;
- differences in the valuation of property, plant and equipment of 38 million euros;

- a tax-loss carryforward of 7 million euros;

with other differences stemming from the adoption of IAS 39 accounting for the balance.

The increase of one percentage point in the corporate income tax surcharge (the so-called Robin Hood Tax) caused deferred-tax assets to grow by 11 million euros. However, the resulting rise in deferred-tax liabilities was larger, for a net negative effect on the income statement of 11 million euros.

9. Other Assets

Other assets totaled 21 million euros (63 million euros at December 31, 2008) due mainly to collections of accrued interest on tax refunds receivable. This account includes:

- 8 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through December 31, 2009;
- 13 million euros in sundry receivables, consisting mainly of security deposits.

10. Current Assets

A breakdown of the components of current assets is provided below:

(in millions of euros)	12.31.2009	12.31.2008	Change
Inventories	308	304	4
Trade receivables	1,862	2,330	(468)
Current-tax assets	33	14	19
Other receivables	545	422	123
Current financial assets	30	26	4
Cash and cash equivalents	748	188	560
Total current assets	**3,526**	**3,284**	**242**

A review of the individual components is provided below:

- The table that follows shows a breakdown of **inventories** by business segment:

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Other	Total at 12.31.2009	Total at 12.31.2008	Change
Electric power operations	41	-	37	2	80	56	24
Hydrocarbons operations	18	201	9	-	228	248	(20)
Total for the Group	**59**	**201**	**46**	**2**	**308**	**304**	**4**

The value of inventories was little changed compared with the end of 2008, as a decrease of 29 million euros in stored natural gas was offset by an increase of about 33 million euros in inventories of fuel and engineering consumables.

Inventories also include about 20 million euros in strategic reserves of natural gas the use of which is restricted.

- A breakdown of **trade receivables** by business segment is provided in the table below:

(in millions of euros)	12.31.2009	12.31.2008	Change
Electric power operations	1,527	1,739	(212)
Hydrocarbons operations	475	834	(359)
Corporate activities and other operations	(140)	(243)	103
Total trade receivables	**1,862**	**2,330**	**(468)**
Allowance for doubtful accounts	**(129)**	**(76)**	**(53)**

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 overall decrease of 468 million euros in trade receivables is due mainly to worldwide scenario of decrease of fuel prices and consequently reduction in revenues.
Consistent with previous year, transactions involving the assignment of receivables without recourse on a revolving and spot basis executed in 2009 totaled 2,828 million euros (1,981 million euros at December 31, 2008). As required by its credit policies, the Group may use also these transactions to control and minimize credit risks. The residual risk of recourse entailed by all these transactions is negligible.
The balance in this account includes 105 million euros representing the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolio.

- **Current-tax assets** of 33 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) 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,** which totaled 545 million euros, is provided in the table below:

(in millions of euros)	12.31.2009	12.31.2008	Change
Receivables arising from the valutation of derivatives	117	85	32
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	70	22	48
Advances to suppliers	67	57	10
Amounts owed by partners and associates in hydrocarbon exploration projects	33	42	(9)
Advances paid for the acquisition of partecipation	30	-	30
Insurance	24	14	10
VAT credit	19	20	(1)
Sundry items	185	182	3
Total Other receivables	**545**	**422**	**123**

- A breakdown of **current financial assets,** which are included in the computation of the Group's net financial debt, is as follows:

(in millions of euros)	12.31.2009	12.31.2008	Change
Equity investments held for trading	9	7	2
Loans receivable	3	8	(5)
Derivatives	18	11	7
Total current financial assets	**30**	**26**	**4**

A comprehensive presentation of the overall effects of financial derivatives (18 million euros) is provided in a separate section of these Notes.

- **Cash and cash equivalents** of 748 million euros consist of short-term deposits in bank and postal accounts and other short-term investments.

Liabilities and Shareholders' Equity

11. Group Interest and Minority Interest in Shareholders' Equity

Group interest in shareholders' equity amounted to 8,077 million euros, for a net increase of 168 million euros compared with December 31, 2008 (7,909 million euros). This gain is the net result of the profit for the year amounting to 240 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 a change of the reserve for cash flow hedge transactions (an increase of 188 million euros).

Minority interest in shareholders' equity totaled 177 million euros, or 13 million euros more than at December 31, 2008 (164 million euros), due mainly to the impact of a change in the scope of consolidation of Elpedison Power Sa (formerly Thisvi and T-Power) and the profit for the year (11 million euros), offset in part by the distribution of dividends attributable to minority shareholders (12 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 table below provides a breakdown of the changes that occurred in the reserve for cash flow hedge transactions, established upon the adoption of IAS 32 and IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Reserve for Cash Flow Hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2008	(270)	99	(171)
Changes in 2009	298	(110)	188
Reserve at December 31, 2009	**28**	**(11)**	**17**

The table below shows the changes that occurred in the reserve for available-for-sale investments, which refers mainly to RCS Mediagroup Spa:

Reserve for available-for-sale Investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2008	(4)	-	(4)
Changes in 2009	2	-	2
Reserve at December 31, 2009	**(2)**	**-**	**(2)**

12. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which amounted to 64 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 Group companies.

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

- Technical annual discount rate	4.60%
- Annual inflation rate	2.00%

The table below shows the changes that occurred in 2009:

(in millions of euros)	Provision for sever. indemn.	Provision for pensions	Total
Balance at 12.31.2008 (A)	**56**	**9**	**65**
Changes in 2009:			
- Financial expense	2	1	3
- Actuarial (gains) losses (+/-)	(1)	-	(1)
- Utilizations (-)/Other changes	(3)	-	(3)
Total changes (B)	**(2)**	**1**	**(1)**
Total at 12.31.2009 (A+B)	**54**	**10**	**64**

13. Provision for Deferred Taxes

The balance of 584 million euros reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment. In 2009, the increase of one percentage point in the corporate income tax surcharge (the so-called Robin Hood Tax) caused deferred taxes to rise by 22 million euros.

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 liabilities against their deferred-tax assets:

(in millions of euros)	12.31.2009	12.31.2008	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	614	609	5
- Adoption of standard on finance leases (IAS 17)	18	49	(31)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	18	8	10
- Other deferred taxes	7	8	(1)
Total deferred-tax liabilities (A)	**657**	**674**	**(17)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	68	50	18
- Tax deferred asset	2	-	2
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	2	(2)
- shareholders' equity	-	101	(101)
- Other prepaid taxes	3	2	1
Total deferred-tax assets (B)	**73**	**155**	**(82)**
Total provision for deferred taxes (A-B)	**584**	**519**	**65**

14. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 837 million euros, an increase of 60 million euros compared with December 31, 2008.

The table below shows the changes that occurred in 2009:

(in millions of euros)	12.31.2008	Additions	Utilizations	Other changes and reclassifications	12.31.2009
- Disputed tax items	71	4	(4)	-	71
- Risks for disputes, litigation and contracts	151	11	(2)	(1)	159
- Charges for contractual guarantees on sale of equity investments	82	-	(3)	-	79
- Provisions for decommissioning and remediation of industrial sites	331	16	(2)	9	354
- Environmental risks	26	5	(4)	-	27
- Other risks and charges	116	24	(40)	47	147
Total for the Group	**777**	**60**	**(55)**	**55**	**837**

The changes that occurred in 2009 are reviewed below:

- **Additions** of 60 million euros included 15 million euros for financial expense on decommissioning provisions, 13 million euros to cover site remediation costs and environmental risks, 16 million euros for legal tax and contractual risks and 4 million euros for costs related to the replacement of components at some thermoelectric power plants.
- **Utilizations,** which totaled 55 million euros, included 29 million euros for the settlement of a dispute with savings shareholders, 6 million euros for charges incurred mainly for the remediation or decommissioning of industrial sites and other environmental remediation projects, 5 million euros for the reversals of portions of the provisions for risks that exceeded the charges actually incurred and settlements of outstanding disputes, mainly involving tax issues, for the balance.
- **Other changes** refer mainly to the recognition of the costs that will arise from the acquisition of the Abu Qir concession (28 million euros), the cost of shutting down mineral facilities in connection with storage activities (6 million euros) and the addition to provisions for the cost of environmental securities purchased to cover the requirements beyond the rights allocated to the Group free of charge and purchased (19 million euros).

15. Bonds

The balance of 1,199 million euros (1,198 million euros at December 31, 2008) represents the non-current portion of the bonds issued by the Group, valued at amortized cost. The following developments occurred in 2009:

- In July, within the framework of a Euro Medium-term Loan Program of up to 2 billion euros, issuance of 700 million euros in five-year bonds, sold exclusively to institutional investors. The bonds, which were offered at a 99.841 issue price, have a minimum denomination of 50,000 euros, mature on July 22, 2014, carry a gross annual coupon of 4.25% and are traded on the Luxembourg Securities Exchange.
- Reclassification among current liabilities of the portion due within one year of a fixed-interest bond issue with a face value of 700 million euros.

The table below shows the balance outstanding at December 31, 2009 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value			
							Non-current portion	Current portion	Total	Fair value
Euro Medium Term Notes:										
Edison Spa	Luxembourg Securities Exchange	EUR	700	Annual in arrears	5.125%	12.10.2010	-	702	702	726
Edison Spa	Luxembourg Securities Exchange	EUR	500	Quarterly in arrears	1.340%	07.19.2011	502	1	503	501
Edison Spa	Luxembourg Securities Exchange	EUR	700	Annual in arrears	4.250%	07.22.2014	697	18	715	721
Total for the Group			**1,900**				**1,199**	**721**	**1,920**	**1,948**

With respect to a portion of the bond issue floated in July 2009, derivatives have been executed to hedge the risk of fluctuations in fair value (Fair Value Hedges), so the bond is valued applying the fair value hedge.

16. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in millions of euros)	12.31.2009	12.31.2008	Change
Due to banks	2,138	1,086	1,052
Due to other lenders	42	15	31
Total for the Group	**2,184**	**1,101**	**1,083**

The increase compared with December 31, 2008 refers mainly to the acquisition, in January, of the Abu Qir concession, in Egypt. In addition, a new 600-million-euro facility with a term of three years, provided to Edison in May by a pool of banks on a "club deal" basis, and the new bond issue reviewed in Note 15 above helped the Group lengthen the average remaining life of its financial debt, strengthened its balance sheet and made available a portion of the existing backup credit lines (including a committed, syndicated line of 1,500 million euros).

Significant other changes included the following:

- Early repayment of a portion (150 million euros) of Edipower's financing facility.
- Consolidation of the medium/long-term debt owed by the Sistemi di Energia Group (11 million euros).
- Inclusion in the amount due to other lenders of the long-term portion of the liability under the lease for the new Leonis ship (28 million euros), which was commissioned in the fourth quarter of 2009.

17. Other Liabilities

Other liabilities of 30 million euros represent sundry liabilities, reflect mainly the suspension of the gain on the sale of a 51% interest in Dolomiti Edison Energy Srl in 2008 (the company continues to be consolidated line by line), while agreements providing both parties with put and call options are in effect.

18. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	12.31.2009	12.31.2008	Change
Bonds	721	9	712
Short-term financial debt	611	899	(288)
Trade payables	1,469	1,659	(190)
Current taxes payable	38	54	(16)
Other liabilities	466	709	(243)
Total current liabilities	**3,305**	**3,330**	**(25)**

The main current liability accounts are reviewed below:

- **Bonds,** amounting to 721 million euros, represent the value of the bond issues maturing the December 10, 2010, and the total accrued interest at December 31, 2009.

- **Short-term financial debt,** which totaled 611 million euros, essentially includes:
  - 331 million euros due to banks, 27 million euros of which represent the effect of measuring interest rate derivatives at fair value and 180 million euros (pro rata amount recognized by Edison) of which represent the loans of Elpedison Power Sa.
  - 51 million euros owed to minority shareholders of consolidated companies.

- **Trade payables** totaled 1,469 million euros. A breakdown by business segment is provided below:

(in millions of euros)	12.31.2009	12.31.2008	Change
Electric power operations	1,098	1,081	17
Hydrocarbons operations	492	794	(302)
Corporate activities, other operations and eliminations	(121)	(216)	95
Total trade payables	**1,469**	**1,659**	**(190)**

  Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance.
  This item also includes 90 million euros for the fair value of physical energy commodity contracts included in the Trading Portfolios. The entire amount is attributable to the electric power operations.

- **Current taxes payable** of 38 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 tax liability resulting from the corporate income tax (IRES) surcharge (the so-called Robin Hood Tax), which will be paid separately by the individual companies upon which it is being levied.

- A breakdown of **other liabilities,** which totaled 466 million euros, is as follows:

(in millions of euros)	12.31.2009	12.31.2008	Change
Payables to other consulting	77	63	14
Amount owed to the controlling company in connection with the filing of a consolidated tax return	68	32	36
Liabilities steaming from the measurement at fair value of financial instruments	60	329	(269)
Amounts owed to joint holders of permits and concessions for the production of hydrocarbons	60	133	(73)
Payables owed to Tax Administration (other than current tax payables)	36	14	22
Amount owed to employees	29	30	(1)
Payables owed to social security institutions	27	25	2
Amounts owed to shareholders	18	22	(4)
Sundry items	91	61	30
Total Other liabilities	**466**	**709**	**(243)**

Net Financial Debt

At December 31, 2009, net financial debt totaled 3,858 million euros, or 938 million euros more than the 2,920 million euros owed at the end of 2008.

The change that occurred in 2009 reflects the impact of a positive operating cash flow, which offset in part the year's outlays for:

- investments totaling 1,881 million euros, of which 1,011 million euros for acquisition of Abu Qir concession and 136 million euros for financial assets (including 55 million euros for Elpedison Power Sa, 54 million euros for Terminale GNL Adriatico Srl, 25 million euros for the acquisition of AMG Gas Srl);
- net financial expense of 156 million euros;
- dividend payments of 278 million euros and income tax payments of 401 million euros.

The increase in financial debt also reflects the impact of a change in the scope of consolidation, which added about 54 million euros.

Consistent with the practice followed at the end of 2008, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	Balance sheet note ref.	12.31.2009	12.31.2008	Change
Long-term financial debt				
Bonds - non-current portion	15	1,199	1,198	1
Non-current bank loans	16	2,138	1,086	1,052
Amounts due to other lenders - non-current portion	16	46	15	31
Other non-current financial assets (*)	7	(79)	(73)	(6)
Total net long-term financial debt		**3,304**	**2,226**	**1,078**
Short-term financial debt				
Bonds - current portion	18	721	9	712
Current loans payable	18	611	899	(288)
Current financial assets	10	(30)	(26)	(4)
Cash and cash equivalents	10	(748)	(188)	(560)
Total net short-term financial debt		**554**	**694**	**(140)**
Net financial debt		**3,858**	**2,920**	**938**

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

Net financial debt includes 236 million euros stemming from transactions with "significant parties" (167 million euros owed to Mediobanca, 36 million euros owed to SEL Spa, 18 million euros owed to Banca Popolare di Milano and 15 million euros owed to Dolomiti Energia Spa).

In addition, short-term financial debt includes 15 million euros owed to unconsolidated subsidiaries.

NOTES TO THE INCOME STATEMENT

The 2009 is influenced to the combined effect a sharp reduction in national consumption, driven by negative economic conditions, and a drop in the benchmark prices of electric power and natural gas. Nevertheless, thanks to the strategy it pursued during the year to grow its commercial presence in the end-customer and wholesale segments of the market and to the programs it implemented to reorganize its industrial portfolio and improve production efficiency, the Group succeeded in containing the decline in industrial results.

Specifically, EBITDA totaled 1,471 million euros, for a decrease of 172 million euros compared with the 1,643 million euros earned in 2008 (-10.5%) that had impacted by extraordinary items with a positive effect. The performance of the Group's two business segments is reviewed below:

- The EBITDA reported by the **electric power operations,** which amounted to 1,227 million euros, or 7.5% less than the previous year (1,326 million euros), were penalized by a decrease in demand for electric power (-6.7%), which was particularly noticeable among industrial users, and by the lower contribution generated in the CIP 6/92 area due to the expiration of some contracts and incentivized periods and to changes in the scope of consolidation. The impact of these negative developments was countered by adopting new commercial strategies, which called for responding to a reduction in the volumes and margins available on the Power Exchange by focusing the sales effort on end customers and wholesalers, and by the beneficial effect of an abundant supply of water resources on the hydroelectric business;
- The EBITDA earned by the **hydrocarbons operations** totaled 347 million euros, for a decrease of 14.3% compared with the amount reported in 2008 (405 million euros). EBITDA were adversely affected by sharply lower benchmark prices of oil commodities and by a contraction in national demand for natural gas (-8.1% compared with 2008). These negative factors were offset only in part by the positive contribution provided by the Abu Qir hydrocarbon concession and by holding down the average price paid for natural gas through an increased use of imports under long-term contracts, made possible by the start of deliveries from Algeria and Qatar, and a concurrent reduction in domestic purchases.

The Group's interest in net profit totaled 240 million euros, or 106 million euros less than the 346 million euros earned the previous year. In addition to the decrease in industrial margins, the following factors had an impact on the bottom line:

- An increase of 56 million euros in net financial expense caused mainly by higher net foreign exchange translation losses and the absence of extraordinary items with a positive effect, as was the case in 2008;
- A decrease of fiscal charges due to the abovementioned industrial results; but the tax burden is slightly increased resulting from a raise by one percentage point in the rate of the corporate income tax surcharge (more current and deferred taxes totaling 19 million euros) and the inability to recover foreign taxes in the consolidated tax return.

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 in 2009:

	First quarter			Second quarter			Third quarter			Fourth quarter			Total		
(in millions of euros)	2009	2008	% ch.	2009	2008	% ch.	2009	2008	% ch.	2009	2008	% ch.	2009	2008	% ch.
Sales revenues (*)	2,710	2,449	10.7%	1,879	2,464	(23.7%)	1,912	2,277	(16.0%)	2,366	2,874	(17.7%)	8,867	10,064	(11.9%)
EBITDA	295	307	(3.9%)	437	502	(12.9%)	396	400	(1.0%)	343	434	(21.0%)	1,471	1,643	(10.5%)
as a % of sales revenues	10.9%	12.5%	(13.2%)	23.3%	20.4%	14.2%	20.7%	17.6%	17.9%	14.5%	15.1%	(4.0%)	16.6%	16.3%	1.6%

(*) Sales revenues reflect a new presentation of trading activities that recognized only the "trading margin" (net presentation).

19. Sales Revenues

Sales revenues totaled 8,867 million euros, or 11.9% less than the 10,064 million euros reported at December 31, 2008. Lower average prices for the benchmark energy commodities and a contraction in demand for electric power and natural gas, especially from industrial and thermoelectric users, are the main reasons for this decrease.

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

(in millions of euros)	2009 (*)	2008 (*)	Change	% change
Revenues from the sales of:				
- Electric power	5,586	7,033	(1,447)	(20.6%)
- Natural gas	2,249	2,187	62	2.8%
- Steam	106	155	(49)	(31.6%)
- Oil	81	105	(24)	(22.9%)
- Green certificates	66	2	64	n.m.
- Water and other utilities	7	31	(24)	(77.4%)
- Other sales revenues	14	9	5	55.6%
Total sales revenues	**8,109**	**9,522**	**(1,413)**	**(14.8%)**
Revenues from services provided	21	21	-	n.m.
Storage services	37	27	10	37.0%
Transmission revenues	658	464	194	41.8%
Margin on trading activities	12	4	8	n.m.
Other revenues from sundry services	30	26	4	15.4%
Total for the Group	**8,867**	**10,064**	**(1,197)**	**(11.9%)**

(*) Reflects a new presentation of trading activities that recognizes only the resulting "trading margin" (net presentation).

In April 2009, following the outcome of an action filed before the Regional Administrative Court challenging Resolution No. 154/08, which defined the avoided-fuel-cost rate component, the AEEG issued on a provisional basis Resolution No. 50/09, which determines the estimated rates that should be charged in monthly billing to the Electrical Services Manager. Absent explicit statutory guidance, the Group estimated the avoided-fuel-cost rate component for 2008 and 2009 taking into account the findings of illegality set for in the Regional Administrative Court's decision.

Breakdown of Sales Revenues by Business Segment

(in millions of euros)	2009 (*)	2008 (*)	Change	% change
Electric power operations	6,463	7,687	(1,224)	(15.9%)
Hydrocarbons operations	4,158	5,093	(935)	(18.4%)
Corporate activities and other operations	53	77	(24)	(31.2%)
Eliminations	(1,807)	(2,793)	986	(35.3%)
Total for the Group	**8,867**	**10,064**	**(1,197)**	**(11.9%)**

(*) Reflects a new presentation of trading activities that recognizes only the resulting "trading margin" (net presentation).

More specifically:

- The 15.9% decrease in sales revenues reported by the **electric power operations,** compared with 2008, is the result of a drop in national demand for electric power, which caused a decrease in thermoelectric production (-20%) offset only in part by an increase in hydroelectric output (+8%). In addition, the impact of lower average sales prices and, in the CIP 6/92 segment, the change in the scope of consolidation mentioned earlier in this Report and the expiration of some contracts.
- Despite the increased contribution provided by international production activities, the revenues reported by the **hydrocarbons operations** decreased by 18.4% compared with 2008, due both to a significant decrease in demand for natural gas by thermoelectric and industrial users (down 12.5% and 15.4%, respectively) and to unfavorable changes in unit sales prices, as a sharp drop in the second half of the year caused the average unit price for the year to be substantially lower than in 2008.

20. Other Revenues and Income

Other revenues and income totaled 517 million euros. A breakdown is as follows:

(in millions of euros)	2009 (*)	2008 (*)	Change	% change
Commodity derivatives	147	107	40	37.4%
Margin on trading activities	11	21	(10)	(47.6%)
Recovery of costs from Edipower's Tollers	162	176	(14)	(8.0%)
Recovery of costs from partners in hydrocarbon exploration projects	16	25	(9)	(36.0%)
Out of period income	88	157	(69)	(43.9%)
Utilizations of allowances for doubtful accounts and other provisions	3	21	(18)	(85.7%)
Gains on the sale of property, plant and equipment	26	98	(72)	(73.5%)
Sundry items	64	60	4	6.7%
Total for the Group	**517**	**665**	**(148)**	**(22.3%)**

(*) Reflects a new presentation of trading activities that recognizes only the resulting "trading margin" (net presentation).

Out of period income, which amounted to 88 million euros, reflects contract penalties earned as a result of delays by suppliers in the delivery of thermoelectric facilities and the portion attributable to previous years of the positive impact produced on power plants operating under CIP 6/92 contracts by AEEG Resolution No. 30/09, which changed the criteria for reimbursement of the costs incurred to purchase green certificates. In 2008, this item included the positive impact, reported to previous years, of AEEG Resolutions No. 77/08 and No. 80/08 regarding CO_2 emissions rights and green certificates.

In 2008, **gains on the sale of property, plant and equipment** included 79 million euros generated by the sale of a 60% interest in Hydros Srl.

In **sundry items** are included insurance settlements of 18 million euros, including 10 million euros for accidents that occurred at thermoelectric power plants in previous years.

Margin on trading activities

The table below shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios included in sales revenues and in other revenues and income:

(in millions of euros)	See Note	2009	2008	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		1,170	1,006	164	16%
Raw materials and services used		(1,158)	(1,002)	(156)	16%
Total included in sales revenues	19	**12**	**4**	**8**	**n.m.**
Margin on financial contracts included in trading portfolios					
Other revenues and income		26	40	(14)	(35%)
Raw materials and services used		(15)	(19)	4	(21%)
Total included in other revenues and income	20	**11**	**21**	**(10)**	**(48%)**
Total margin on trading activities		**23**	**25**	**(2)**	**(8%)**

21. Raw Materials and Services Used

Raw materials and services used totaled 7,673 million euros, or 13.4% less than in 2008 (8,863 million euros). To a large extent, the comments provided previously about volumes and prices, when reviewing sales revenue results, also apply to the decrease in raw materials and services used, which were reported both by the electric power operations (-18.6%) and by the hydrocarbons operations (-19%).
The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	2009 (*)	2008 (*)	Change	% change
- Natural gas	3,111	4,324	(1,213)	(28.1%)
- Electric power	1,345	1,415	(70)	(4.9%)
- Dispatching and balancing market	192	132	60	45.5%
- Blast furnace, recycled and coke furnace gas	229	447	(218)	(48.8%)
- Oil and fuel	326	403	(77)	(19.1%)
- Demineralized industrial water	33	38	(5)	(13.2%)
- Green certificates	155	81	74	91.4%
- CO_2 emissions rights	25	162	(137)	(84.6%)
- Coal, utilities and other materials	126	157	(31)	(19.7%)
Total	**5,542**	**7,159**	**(1,617)**	**(22.6%)**
- Facilities maintenance	177	189	(12)	(6.3%)
- Transmission of electric power and natural gas	1,205	956	249	26.0%
- Professional services	121	112	9	8.0%
- Insurance services	27	23	4	17.4%
- Writedowns of trade and other receivables	49	36	13	36.1%
- Commodity derivatives	239	122	117	95.9%
- Additions to provisions for miscellaneous risks	30	15	15	n.m.
- Change in inventories	6	(55)	61	n.m.
- Use of property not owned	84	82	2	2.4%
- Losses on sales of property, plant and equipment	17	14	3	21.4%
- Sundry charges	176	210	(34)	(16.2%)
Total for the Group	**7,673**	**8,863**	**(1,190)**	**(13.4%)**

(*) Excluding raw materials and services used attributable to trading activities, which are presented recognizing only the "trading margin" (net presentation), as shown in Note 19 Sales revenues and Note 20 Other revenues and income.

The decrease in the amount shown for **natural gas**, compared with 2008, is due mainly to a reduction in consumption by thermoelectric power plants, caused by a drop in demand for electric power, and to the lower average cost of the gas supply. It also reflects the negative impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (17 million euros).
The decrease in costs for CO_2 emissions rights, which fell from 162 million euros in 2008 to 25 million euros in 2009, reflects both a drop in the level of emissions generated during the 2009 and a reduction in the unit cost paid to purchase the certificates.

Change in inventories refers mainly to a decrease in natural gas held in storage and to increases in inventories of other fuels.

Sundry charges include:
- sundry services (about 55 million euros);
- advertising expenses incurred mainly for corporate communication campaigns (23 million euros);
- indirect taxes and fees (about 12 million euros);
- corporate services costs (9 million euros).

Breakdown of Raw Materials and Services Used by Business Segment

(in millions of euros)	2009 (*)	2008 (*)	Change	% change
Electric power operations	5,501	6,759	(1,258)	(18.6%)
Hydrocarbons operations	3,877	4,784	(907)	(19.0%)
Corporate activities and other operations	112	124	(12)	(9.7%)
Eliminations	(1,817)	(2,804)	987	(35.2%)
Total for the Group	**7,673**	**8,863**	**(1,190)**	**(13.4%)**

(*) Excluding raw materials and services used attributable to trading activities, which are presented recognizing only the "trading margin" (net presentation), as shown in Note 19 Sales revenues and Note 20 Other revenues and income.

22. Labor Costs

Based on the average payroll for the year, labor costs totaled 240 million euros, or about 7.6% more than in 2008, when they amounted to 223 million euros.

The increase on labor cost reflects the trend of employees 3,923 employees at December 31, 2009, up from 2,961 employees at December 31, 2008, for an overall increase of 962 employees.
The tables that follow provide breakdowns of the Group's staff by business segment and show the changes that occurred in the different employee categories:

Business Segment

(number of employees)	12.31.2009	12.31.2008	Change
Electric power operations	1,946	1,849	97
Hydrocarbons operations	1,357	507	850
Corporate activities and other operations	620	605	15
Total for the Group	**3,923**	**2,961**	**962**

Changes by employee category

(number of employees)	01.01.2009	Added to payroll	Removed from payroll	Change of classification	12.31.2009	Average payroll
Executives	157	3	(7)	11	164	163
Office staff and middle managers	2,182	248	(94)	19	2,355	2,295
Production staff	622	857	(45)	(30)	1,404	1,268
Total for the Group	**2,961**	**1,108**	**(146)**	**-**	**3,923**	**3,726**

The net increase of 962 employees is due mainly to the change in scope of consolidation resulting from the acquisition of the Abu Qir concession in Egypt, the purchase of AMG Gas Srl and the Sistemi di Energia Group.

23. EBITDA

EBITDA totaled 1,471 million euros, or 172 million euros less (-10.5%) than the 1,643 million euros earned in 2008, that had impacted by extraordinary items.
A breakdown by business segment is provided in the table below:

(in millions of euros)	2009	as a % of sales revenues	2008	as a % of sales revenues	Change	EBITDA % change
Electric power operations	1,227	19.0%	1,326	17.2%	(99)	(7.5%)
Hydrocarbons operations	347	8.3%	405	8.0%	(58)	(14.3%)
Corporate activities and other operations	(103)	n.m.	(88)	n.m.	(15)	n.m.
Total for the Group	**1,471**	**16.6%**	**1,643**	**16.3%**	**(172)**	**(10.5%)**

More specifically:

- In 2009, the **electric power operations** reported EBITDA that were 7.5% lower than in the previous year. This decrease reflects the adverse effect of a drop in national demand and, in the CIP 6/92 segment, the expiration of some contracts and incentivized periods and of a change in the scope of consolidation, which were only partially offset by the higher margins earned on sales to end customers as a result of last fall's fixed-price sales campaign. It is also worth mentioning that the 2008 EBITDA amount includes 79 million euros in non-recurring gains on sales of Hydros Srl.
- The performance of the **hydrocarbons operations** was severely penalized by the reduction in unit sales caused by extremely poor economic conditions and by the impact of lower benchmark prices. As a result, reported EBITDA were 14.3% lower than in 2008, despite the increased production provided by the international activities, in particular for Abu Qir, and the success achieved in containing the cost of natural gas through a greater reliance on imports, including both pipeline deliveries and purchases from Qatar and Algeria that replaced the national purchases.

24. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 772 million euros, or 1.3% less than in 2008 (782 million euros), is provided below:

(in millions of euros)	2009	2008	Change	% change
Depreciation of property, plant and equipment	586	614	(28)	(4.6%)
Amortization of hydrocarbon concessions	53	26	27	n.m
Amortization of other intangible assets	77	76	1	1,3%
Writedowns of property, plant and equipment	54	73	(19)	(26.0%)
Writedowns of intangible assets	2	8	(6)	n.m
Reversal of writedown of property, plant and equipment	-	(15)	15	n.m.
Total for the Group	**772**	**782**	**(10)**	**(1.3%)**

Breakdown by Business Segment

(in millions of euros)	2009	2008	Change	% change
Electric power operations	533	582	(49)	(8.4%)
Hydrocarbons operations	229	188	41	21.8%
Corporate activities and other operations	10	12	(2)	n.m.
Total for the Group	**772**	**782**	**(10)**	**(1.3%)**

More specifically:

- The year-over-year reduction of 49 million euros shown for the **electric power operations** is due mainly to lower depreciation expense both in the hydroelectric segment, following a review of certain residual values, and in the thermoelectric segment, resulting from the expiration of some CIP 6/92 contracts (14 million euros) and the writedowns booked in previous year. The change in the scope of consolidation determined a reduction in depreciation due to the sale of some thermoelectric power plants in 2008 (5 million euros), while the new activities in Greece contributed for 8 million of euros.
- The increase of 41 million euros reported by the **hydrocarbons operations** reflects mainly the amortization of the Abu Qir concession acquired at the beginning of 2009 (about 31 million euros) and the writedown of assets related to the concession in Algeria (29 million euros).

The net writedowns, for 56 million euros, or 10 million euros less than in the previous year (66 million euros) are substantially due to impairment test; additional information is provided in the section of these Notes entitled "Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 5).

25. Net Financial Income (Expense)

The increase of 56 million euros in net financial expense, which grew from 100 million euros in 2008 to 156 million euros in 2009, is the combined result of the following factors:

- higher net foreign exchange translation losses due to commercial transactions and to hedging financial derivatives;
- an increase in net financial debt related mainly to the acquisition of the Abu Qir business operations in the hydrocarbon and production area;
- the absence of the extraordinary items that had a positive impact on the previous year;
- the impact of a significant reduction in benchmark interest rates on the Group's financial debt, about 76% of which is indexed to market interest rates.

A breakdown of net financial expense is as follows:

(in millions of euros)	2009	2008	Change
Financial income			
Financial income from financial derivatives	37	60	(23)
Interest earned on finance leases	13	23	(10)
Interest earned on bank and postal accounts	3	7	(4)
Other financial income	14	22	(8)
Total financial income	**67**	**112**	**(45)**
Financial expense			
Interest paid on bond issues	(68)	(61)	(7)
Financial expense from financial derivatives	(36)	(40)	4
Interest paid to banks	(68)	(86)	18
Bank fees	(12)	(6)	(6)
Financial expense on decommissioning projects	(15)	(14)	(1)
Interest paid on finance leases	-	(1)	1
Financial expense in connection with employee severance benefits	(3)	(3)	-
Interest paid to other lenders	(5)	(9)	4
Other financial expense	(3)	(4)	1
Total financial expense	**(210)**	**(224)**	**14**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	73	56	17
Foreign exchange translation losses	(86)	(44)	(42)
Net foreign exchange translation gain (loss)	**(13)**	**12**	**(25)**
Net financial income (expense) for the Group	**(156)**	**(100)**	**(56)**

More specifically:

- **Interest earned on finance leases** of 13 million euros reflects the adoption of IFRIC 4;
- **Other financial income** of 14 million euros consists mainly of interest earned on trade receivables;
- **Interest paid on bond issues**, which totaled 68 million euros, includes about 6 million euros for the effects of the Fair Value Hedge applied to the bonds issued in July 2009, while the fair value of the corresponding hedging derivatives (about 7 million euros) is included in **financial income from financial derivatives**;
- **Financial expense on decomissioning projects**, which amounted to 15 million euros, is offset by provisions for decommissioning and remediation of industrial sites attributable to the hydrocarbons operations for about 6 million euros and to the electric power operations for the balance.

26. Income from (Expense on) Equity Investments

The negative balance of 3 million euros, is show below:

(in millions of euros)	2009	2008	Change
Income from equity investments			
Dividends	1	2	(1)
Revaluations and valuations of investments by the equity method	1	1	-
Revaluations of trading securities	3	-	3
Gain on the sale of equity investments	-	14	(14)
Total income from equity investments	**5**	**17**	**(12)**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(7)	(5)	(2)
Writedowns of trading securities	(1)	-	(1)
Loss on the sale of equity investments	-	(12)	12
Total expenses on equity investments	**(8)**	**(17)**	**9**
Total Group income from (expenses on) equity investments	**(3)**	**-**	**(3)**

The writedowns and valutations of investments by the equity method are mainly due to the writedown of the investment in GTI Dakar.

27. Other Income (Expense), Net

Net other expense of 11 million euros reported at December 31, 2009 is the result of nonrecurring items that are not directly related to the Group's industrial or financial operations. The main items included in this account are:

- **Income** of 17 million euros, mainly from the settlement of claims with various insurance companies (8 million euros), the reversal into earnings of some provisions for risks and charges recognized in previous years (5 million euros) and compensation for contractual guarantees in connection with the acquisition of EDF Energia Italia (3 million euros);
- **Expense** of 28 million euros including: 16 million euros in connection with legal, contractual and tax disputes, a provision of 8 million euros for some legal and tax risks and provision to cover environmental costs.

28. Income Taxes

The tax burden recognized in the financial statements amounted to 278 million euros in 2009, down 101 million euros compared with previous year (379 million euros). Both periods were affected by nonrecurring tax items:

- In 2008, an additional burden of 135 million euros resulting from a 5.5% corporate income tax surcharge for the "Robin Hood Tax", which added 45 million euros to current taxes and 70 million euros to deferred taxes, and from the enactment of the "Anti-crisis Decree" (Law No. 185/08), which added 20 million euros.
- In 2009, an additional burden of 19 million euros, including 8 million euros for current taxes and 11 million euros for deferred taxes, resulting from the enactment of Law No. 99/2009, which increased from 5.5% to 6.5% the corporate income tax surcharge (the so-called "Robin Hood Tax").

A breakdown of income taxes is provided below:

(in millions of euros)	2009	2008	Change
Current taxes	357	329	28
Net deferred-tax liabilities (assets)	(77)	53	(130)
Income taxes attributable to previous years	(2)	(3)	1
Total for the Group	**278**	**379**	**(101)**

Current taxes include 302 million euros for corporate income taxes (IRES), 52 million euros for regional taxes (IRAP) and 24 million euros for foreign taxes, offset only in part by a tax benefit of 21 million euros generated by filing a consolidated income tax return.

The tax rate, restated for both periods to eliminate the effect of the extraordinary items described above, increased from 42% in 2008 to 49% in 2009, due mainly to higher non-recoverable foreign taxes.

The table below provides a breakdown of deferred-tax liabilities and deferred-tax assets and shows the changes that occurred in 2009:

(in millions of euros)	12.31.2008	Additions	Utilizations	Restat. for new rates	IAS 32/39 to sharehold. equity	Change in the scope of consolidat.	Other changes/ Reclassif./ Offsets	12.31.2009
Provision for deferred taxes:								
Valuation differences of property, plant and equipment	609	-	(96)	22	-	21	58	614
Adoption of IAS 17 to value finance leases	49	3	-	-	-	-	(34)	18
Adoption of IAS 39 to value financial instruments:								
- impact on the income statement	-	-	-	-	-	-	-	-
- impact on shareholders' equity	8	-	-	-	10	-	-	18
Other deferred-tax liabilities	8	5	(6)	-	-	-	-	7
	674	**8**	**(102)**	**22**	**10**	**21**	**24**	**657**
Offsets	(155)	-	-	-	-	-	82	(73)
Provision for deferred taxes net of offsets	**519**	**8**	**(102)**	**22**	**10**	**21**	**106**	**584**
Deferred-tax assets:								
Tax loss carryforward	24	3	(18)	-	-	-	-	9
Taxed provisions for risks	70	16	(5)	11	-	11	5	108
Adoption of IAS 39 to value financial instruments:								
- impact on the income statement	2	1	(2)	-	-	-	-	1
- impact on shareholders' equity	107	-	-	-	(100)	-	-	7
Valuation differences of property, plant and equipment	26	21	(23)	-	-	-	14	38
Other deferred-tax assets	10	1		-	-	-	2	13
	239	**42**	**(48)**	**11**	**(100)**	**11**	**21**	**176**
Offsets	(155)	-	-	-	-	-	82	(73)
Deferred-tax assets net of offsets	**84**	**42**	**(48)**	**11**	**(100)**	**11**	**103**	**103**

29. Earnings per Share

Insofar as the computation of diluted earnings per share is concerned, differently from the previous year, there were no shares reserved for the exercise of stock options in 2009.

(in millions of euros)	2009		2008	
	Common shares	Savings shares (1)	Common shares	Savings shares (1)
Group interest in profit	240	240	346	346
Profit attributable to the different classes of shares (A)	232	8	336	10
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings per share:				
- basic (B)	5,181,108,251	110,592,420	5,181,093,229	110,592,420
- diluted (C) (2)	5,181,108,251	110,592,420	5,181,090,583	110,592,420
Earnings per share (in euros)				
- basic (A/B)	0.0448	0.0748	0.0647	0.0947
- diluted (A/C) (2)	0.0448	0.0748	0.0647	0.0947

(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.

30. Analysis of Changes in Other Components of the Comprehensive Income Statement

In accordance with IAS 1, the table below shows the detail of the changes of the items recognized in equity, that are included in the "Other Components of the Comprehensive Income Statements".

Other Components of the Comprehensive Income Statement

(in millions of euros)	2009	2008
Cash Flow Hedge reserve:		
- Gains (Losses) arising during the year	306	(268)
- Reclassification adjustments for gains (losses) included in profit (loss) (-)	-	-
- Adjustments for amounts transferred to initial carrying amount of hedged items (-)	(8)	-
- Income taxes (-)	(110)	98
Sub-total	**188**	**(170)**
Available-for-sale financial assets:		
- Gains (Losses) arising during the year	2	(16)
- Reclassification adjustments for gains (losses) included in profit (loss) (-)	-	-
- Income taxes (-)	-	1
Sub-total	**2**	**(15)**
Differences on the translation of assets in foreign currencies	**7**	**-**
- Income taxes (-)	-	-
Sub-total	**7**	**-**
Pro rata interest in other components of comprehensive income of investee companies	**-**	**2**
- Income taxes (-)	-	-
Sub-total	**-**	**2**
Total comprehensive profit (loss) net of taxes	**197**	**(183)**
of which:		
- Minority interest in profit (loss)	**-**	**-**
- Group interest in profit (loss)	**197**	**(183)**

OTHER INFORMATION

Disclosure About Business Combinations (IFRS 3)

In 2009, the Group executed some transactions that were accounted for as business combinations in connection with:

- the acquisition of the Abu Qir hydrocarbon concession, in Egypt;
- the purchase of an 80% interest in AMG Gas Srl;
- the establishment of the Elpedison joint venture;
- the acquisition of control of the Sistemi di Energia Group.

These transactions are reflected in the financial statements in accordance with IFRS 3 "Business Combinations," recognizing the acquired assets, liabilities and contingent liabilities at fair value at the acquisition date. The table below provides an overview of the impact on the Group's balance sheet of the business combinations executed in 2009:

(in millions of euros)	Abu Qir acquisition	AMG Gas Srl	Elpedison JV	Sistemi di Energia Group	Total Edison Group
Fair value of net acquired assets	**1,011**	**11**	**116**	**10**	**1,148**
% acquired	*100%*	*80%*	*50%*	*86.12%*	*n.a.*
Pro rata amount acquired by Edison	**1,011**	**9**	**58**	**8**	**1,086**
Cash outlay	1,011	25	55	-	1,091
Conveyance of a 32.5% of interest in Thisvi Sa	-	-	3	-	3
Total acquisition cost	**1,011**	**25**	**58**	**-**	**1,094**
Effects of the acquisition:					
- recognition of goodwill	-	16	-	-	16
- equity changes (1)	-	-	-	2	2
- recognition of a gain (1)	-	-	-	2	2
Effect on net financial debt:					
Price paid	1,011	25	55	-	1,091
Change in the scope of consolidation (2)	-	(7)	47	14	54
Total effect on net financial debt	**1,011**	**18**	**102**	**14**	**1,145**

(1) The effect is determined taking into account the acquisition of an additional 45.5% interest in the Sistemi di Energia Group, compared against the investment's carrying amount of 4 million euros.
(2) The effect is determined net of the change resulting from the deconsolidation of 50% of Thisvi Sa's net financial debt.

The resulting allocation should be considered finalized.
A brief description of the abovementioned transactions is provided below.

1) Abu Qir Acquisition

On January 15, 2009, Edison International Spa ("Edison"), the Oil Minister of the Arab Republic of Egypt and the Egyptian General Petroleum Corporation ("EGPC"), Egypt's national oil company, signed a contract awarding to Edison the Abu Qir offshore concession, in Egypt, and granting Edison the concession's exploration, production and development rights for an initial period of 20 years, extendable for an additional 10 years at Edison's request.

The total value of the transaction was 1,405 million U.S. dollars (about 1,011 million euros), which Edison paid to EGPC as a signing bonus. Concurrently with the signing of the contract, Edison agreed to invest, within three years from the closing, a minimum of 50 million U.S. dollars in exploration activities. If after three years Edison has invested less than the abovementioned amount, it will be required to pay to EGPC the difference, up to the stipulated amount.

Pursuant to contractual stipulations, Abu Qir Petroleum Company was established as an operating company to guarantee the continuity of exploration and production activities. The new company took over the service contracts and employees of the previous EGPC operating company. According to the contract, Abu Qir Petroleum Company will be allowed to use free of charge certain assets consisting of onshore and offshore infrastructures currently used to produce natural gas and condensate.

Because the value in use attributable to these infrastructures in accordance with the purchase method was not significant, the entire purchase price was allocated to the hydrocarbon concession.

In addition, Edison reflected in its financial statements, also as part of the value of the hydrocarbon concessions, the net present value of the abovementioned exploration investment commitment (about 28 million euros), offset by a special provision for risk.

The impact of this transaction on the Group's balance sheet and financial position, computed in the absence of original carrying amounts, is shown below:

(in millions of euros)	Fair value of acquired assets and liabilities
Non-current assets	
Hydrocarbon concessions	1,039
Deferred-tax assets	11
Current assets	-
Total assets	**1,050**
Non-current liabilities	
Provision for deferred taxes	11
Provisions for risks and charges	28
Current liabilities	-
Total liabilities	**39**
Fai value of net acquired assets	**1,011**
Total acquisition cost	**1,011**
Goodwill from acquisition	-

2) AMG Gas Srl Acquisition

On March 10, 2009, Edison closed the purchase of an 80% interest in AMG Gas Srl from AMG Energia Spa. AMG Gas Srl is a natural gas distributor in the Palermo area.
The total price paid to purchase the abovementioned 80% equity interest was 25 million euros and, taking into account the value allocated to the customer portfolio (determined based on the value of the cash flows that the acquired company is expected to generate over a long-term horizon), Edison recognized unallocated goodwill based on a growth plan that includes the benefit of electric power cross selling opportunities.

The impact of this transaction on the Group's balance sheet and financial position is shown below:

(in millions of euros)	Original amounts	Fair value of acquired assets and liabilities
Non-current assets		
Other intangibles asses	-	6
Deferred-tax assets	1	1
Current assets		
Trade receivables	30	30
Other receivables	1	1
Cash and cash and equivalents	7	7
Total assets	**39**	**45**
Non-current liabilities		
Provision for employee severance indemnities and provision for pensions	1	1
Provision for deferred taxes	-	2
Current liabilities		
Trade payables	23	23
Current taxes payables	2	2
Other payables	6	6
Total liabilities	**32**	**34**
Fai value of net acquired assets	**7**	**11**
- Edison's % interest (80%)		***9***
Total acquisition cost		**25**
Goodwill from acquisition		**16**

3) Establishment of the Elpedison Joint Venture

In March 2009, Edison and Hellenic Petroleum, a Greek group, entered into a joint venture agreement, establishing a company called Elpedison Bv. Pursuant to the agreements between the parties, Helpe conveyed to Elpedison Bv a 50% interest in Energiaki Thessalonikis Sa (T-Power), while the Edison Group conveyed 55 million euros and a 65% interest in Thisvi Sa. The effects of these transactions are described in the section of these Notes entitled “Changes in the Scope of Consolidation Compared with December 31, 2008,” which should be consulted for additional information.

The acquisition of Energiaki Thessalonikis Sa (T-Power), now Elpedison Power Sa, resulted in the recognition of the Group’s pro rata interest in the corresponding assets and liabilities at current values, with the following effects:

(in millions of euros)	Original amounts	Fair value of acquired assets and liabilities
Energiaki Thessalonikis Sa (T-Power) now Elpedison Power Sa		
Non-current assets		
Property, plant and equipment	194	258
Current assets		
Trade receivables	18	18
Inventories	4	4
Cash and cash and equivalents	3	3
Total assets	**219**	**283**
Non-current liabilities		
Long-term financial debt and other financial liabilities	81	81
Provision for deferred taxes	-	14
Other liabilities	2	2
Current liabilities		
Short-term financial debt	55	55
Trade payables	5	5
Current taxes payable	10	10
Total liabilities	**153**	**167**
Fai value of net acquired assets	**66**	**116**
-Edison's % interest (50%)		***58***
Acquisition cost:		
Price paid		55
Conveyance of 32.5% of Thisvi's shareholders's equity		3
Total acquisition cost		**58**
Goodwill from acquisition		**-**

4) Acquisition of Control of the Sistemi di Energia Group

On July 1, 2009, in accordance with earlier agreements, the two majority shareholders executed an agreement for the exchange of equity investments, pursuant to which Gemina Spa transferred to Edison Spa its entire equity interest in Sistemi di Energia Spa, equal to 45.55%, in exchange for which Edison Spa concurrently transferred to Gemina Spa its entire equity interest in Fiumicino Energia Srl, equal to 40.57%. The shareholders having agreed that the exchanged assets were of identical value, no adjustment payment in cash was required.

Therefore, as a result of this exchange of equity interests, Edison Spa acquired control of the Sistemi di Energia Group, in which it holds an equity interest of 86.12%.

Because the transaction described above constitutes a step-up acquisition, the positive difference resulting from the higher value of the net assets measured at fair value compared with the carrying value of the corresponding equity investment had the following accounting effects:

- the portion corresponding to the additional equity interest acquired in Sistemi di Energia Spa (45.55%), equal to 2 million euros, is offset in the income statement by a gain on the sale of property, plant and equipment;
- the portion corresponding to the revaluation of the assets and liabilities attributable to the equity interest in Sistemi di Energia Spa already owned by Edison Spa, equal to 2 million euros, is offset by a shareholders' equity reserve.

A breakdown of the effects of this transaction is provided below:

(in millions of euros)	Original amounts	Fair value of acquired assets and liabilities
Sistemi di Energia Group		
Non-current assets		
Property, plant and equipment	23	28
Goodwill	1	-
Deferred-tax assets	1	1
Current assets		
Trade receivables	2	2
Other receivables	2	2
Total assets	**29**	**33**
Non-current liabilities		
Long-term financial debt	11	11
Provision for deferred taxes	-	1
Provisions for risks and charges	-	1
Current liabilities		
Short-term financial debt	5	5
Trade payables	3	3
Other payables	2	2
Total liabilities	**21**	**23**
Fai value of net acquired assets	**8**	**10**
- Edison's % interest (86.12%)		***8***
Carrying value of the investment		4
Positive value difference		**4**
- of which equity effect		2
- of which income effect		2

Commitments and Contingent Risks

(in millions of euros)	12.31.2009	12.31.2008	Change
Guarantees provided	1,527	1,238	289
Collateral provided	1,391	1,459	(68)
Other commitments and risks	530	1,617	(1,087)
Total for the Group	**3,448**	**4,314**	**(866)**

Guarantees Provided

Guarantees provided increased by 289 million euros compared with December 31, 2008, to a total of 1,527 million euros, equal to the undiscounted amount of potential commitments on the balance sheet date.
The main guarantees provided include the following:

- 404 million euros in guarantees provided 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 1,391 million euros, or 68 million euros less than at December 31, 2008, 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 (1,061 million euros) pledged to a pool of banks to secure a financing facility following the exercise of a put option.
Collateral provided includes additional collateral for liabilities listed on the balance sheet (330 million euros), which generally consist of mortgages and encumbrances granted on facilities of the electric power operations to secure financing. Mortgages totaling 84 million euros were cancelled in 2009, following the repayment of loans used to build wind farms.

Other Commitments and Risks

This item, which totaled 530 million euros, reflects primarily commitments undertaken to complete investment projects under construction in Italy and abroad.
The main reasons for the decrease of 1,087 million euros compared with December 31, 2008 are the performance by Edison International Spa of its obligations with regard to the Abu Qir acquisition in Egypt and a change in the percentage of consolidation concerning a thermoelectric power plant under construction in Thisvi, Greece.
Other commitments are the following:

- Edison Spa, the Group's Parent Company, for the procurement of CO_2 certificates entered into the following contracts with a commitment up to 97 millions of euros:
  - Emission Reductions Purchase Agreements (ERPAs) for the purchase of Certified Emission Reduction certificates (CERs) in China within 2012.
  - A Management Agreement with EDF Trading (EDF Carbon Fund) involving the purchase for a fixed price of Certified Emission Reduction/Emission Reduction Units within 2013.
  - An agreement with Natsource to join the Natsource Carbon Asset Pool, a fund established to purchase CO_2 emissions reduction credits generated by Clean Development Mechanism/Joint Implementation projects within 2013.
- The Group have entered into the contracts for the importation of natural gas, which contain the 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. At the end of year, a balance of 29 million euros is

included in advances to suppliers and 53 million euros not yet paid are recognized as a commitment. Moreover, gas delivery profiles and the economic recoverability are periodically updated during the year.
- In December 2009, the Group entered into an agreement with Gamesa Energia to buy Parco Eolico San Francesco Srl, a company currently building facilities with a total capacity of 26 MW. The implementation of this transaction, which required the payment of a 30-million-euro advance, is subject to the fulfillment of several conditions precedent, including the approval of the antitrust authorities. This transaction, which is secured by a surety for the benefit of Edison Energie Speciali Spa, is expected to close in June 2010 with the payment of an additional 11 million euros. This amount has been recognized as a commitment.

Unrecognized Commitments and Risks

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

1) The **Hydrocarbons operations** have entered into long term contracts for the importation of natural gas with Russia, Libya, Norway, Algeria and Qatar (which supply contract went into effect in 2009), that provide total supplies, at full capacity, of 15.8 billion cubic meters of natural gas a year. The duration of these contracts ranges between 2 and 25 years.

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

   The contract concerning Terminale GNL Adriatico Srl went into effect in the second half of 2009 and for which Edison, while owning just 10% of the infrastructure, will have access to about 80% of the terminal's gasification capacity, 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 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 option). The price for the sale of shares, if the call option is exercised, will be determined based on the sum of the capital contributions provided until the options are exercised.

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 granted to Petrobras an option to buy its interest in Ibiritermo, exercisable in 2022 when the lease expires.
   - Edison Spa and Akarport Sa extended to June 30, 2010 the 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, 2010 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, 2010 Edison communicates in a Confirmation Letter its unchallengeable decision to build the facility and subsequently decides to abandon the project, the Agreement will be cancelled and Edison will incur penalties of up to 20 million euros.

3) **Corporate activities and other operations.** 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, 2009

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 those that could give rise to a probable liability, 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 those that could give rise to a contingent liability, which is 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 that could give rise to 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 amount of 45.4 million euros, which is equal to the sum of the entire fine levied on it and one-half of the fine levied jointly on Edison and Solvay Solexis.

Stava Dam Disaster

There were no new developments concerning the ongoing negotiations to settle the remaining claim of a party injured by the collapse of the Prestavel Dams in 1985.

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

Cesano Maderno Plant - Civil Lawsuits against the Other Parties to the Proceedings

There were no significant developments in the dispute pending before the Court of Milan between Bracco Imaging (formerly Dibra), Syndial (formerly EniChem) and Edison (formerly Montecatini) for damages stemming from the sale by Montecatini of a portion of the Cesano Maderno factory. Earlier, these proceedings had been put on hold pending a decision in another dispute, the resolution of which would affect the outcome of this lawsuit.

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

The preliminary phases of the lawsuits filed against Edison before the Venice Tribunal and Court of Appeals by some of the parties who had joined the criminal proceedings for injuries caused by exposure to monovinyl chloride and for damages to the environment at the Porto Marghera petrochemical facility as plaintiffs seeking damages continued without noteworthy developments. These plaintiffs, who include the Municipality and Province of Venice, the Veneto Region and some associations, are seeking compensation for damages and the reimbursement of the legal costs incurred with the abovementioned criminal proceedings.

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

In the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989, a preliminary hearing has been scheduled for the first months of 2010, following the indictment of the parties under investigation by the Public Prosecutor of Court Mantua.

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 Spa (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: Challenge of the Resolution Approving the Merger of Edison into Italenergia and Claim of Compensation for Damages

On June 23-25, 2009, in the lawsuit filed by UBS AG and Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of the abovementioned companies, in which the Court of Milan handed down a decision on July 16, 2008, ordering the defendants jointly to pay to UBS 22.5 million euros, plus interest, inflation adjustment and legal costs, UBS and Edison reached a settlement, pursuant to which Edison paid to UBS the amount of 29 million euros in payment and satisfaction of any and all claims that UBS may have against Edison, with UBS and Edison relinquishing the right to appeal the abovementioned court decision.

Sesto Siderservizi - Environmental Remediation of Concordia South Properties

There have been no significant developments in the 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

Following the denial by the Council of State of the motions 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 assign) from migrating from the higher to the deeper levels of the aquifer, the Regional Administrative Court of Lombardy also denied the challenges filed by the Company on the merit. In the meantime, Edison and the relevant municipal administrations continue to be engaged in negotiations to define the activities needed to ensure the safety of the aquifer used for human consumption, which the Council of State urged the parties to define with its protective order of March 2008.

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, having denied the motions filed by the plaintiffs asking that the Court request the opinion of a technical expert, is expected to hand down a decision in this lawsuit.

Spinetta Marengo Industrial Site

The Public Prosecutor at the Court of Alessandria, having completed the preliminary investigation targeting certain former Directors (former employees of Montedison Spa), executives and former executives of Ausimont Spa (now Solvay Solexis Spa), a company that Montedison sold to the Solvay Group in 2002, as required by Article 415 *bis* of the Italian Penal Code, informed the abovementioned parties that they could potentially be charged with poisoning the aquifer underneath the Spinetta Marengo factory and the surrounding areas and failing to carry out site remediation activities.

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 judicial system.

Multiutility vs Edison Energia Spa

In the proceedings pending before the Court of Milan, in which 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 involving the wholesale supply of electric power, the investigating judge, denied all discovery motions and counterparty objections and scheduled for March 2010 the hearing for closing arguments.

Montedison Srl - Property in Bussi sul Tirino (PE)

Within the framework of the administrative proceedings currently pending in connection with the contamination of a plot of land owned by Montedison Srl, which is adjacent to an industrial facility located in Bussi sul Tirino, operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, the Company has began negotiations with the Special Commissioner appointed by the Prime Minister's Office with the aim of reaching an agreement as to how to proceed with the implementation of emergency safety assurance measures at the site. The appeal filed by Montedison Srl, which never carried out any activity at the affected location, against the actions taken by the Delegates Commissioner is still pending before the Regional Administrative Court.

In the meantime, in the criminal proceedings pending in connection with the issue of the contamination of the property owned by Montedison Srl and, more in general, the environmental conditions of the Bussi plant and the resulting impact on the aquifers, including those used to supply drinking water, the Judge for Preliminary Investigations, by an order dated December 15, 2009, dismissed the charge of fraud against companies of the Solvay Group, as prosecution of this crime was barred under the statute of limitations. However, the preliminary hearing concerning the indictment filed by the Public Prosecutor of the Court of Pescara against several defendants, including some former Directors and executives of Ausimont and Montedison (now Edison), for the crimes of water poisoning and disaster is continuing.

* * * * *

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

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

In the proceedings filed before the Court of Cassation challenging the decision of the Turin Court of Appeals, in which all of the defendants, former Directors and executives of Montefibre Spa, some of whom were also Directors and executives of Montedison (now Edison), in the trial in connection with events at a Verbania plant formerly owned by Montefibre Spa were convicted of involuntary manslaughter, the Court has scheduled a hearing for oral arguments for the first months of 2010.

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

In the criminal proceedings that followed the filing of a motion by the Public Prosecutor of the Court of Verbania seeking an indictment against the same defendants as in the action referred to in the preceding paragraph in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory, a preliminary hearing, in which civil plaintiffs seeking damages joined the proceedings, is in progress.

ACEA Unfair Competition

The discovery phase in the lawsuit filed by ACEA Spa before the Court of Rome 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 and AEM constitutes a violation of the 30% ceiling in the ownership of Edipower 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 and EdF 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 in excess of the quantity allowable accordingly).

Montedison (now Edison) - Finanziaria Agroindustriale Merger

The action filed before the Court of Appeals seeking 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 against Edison ended with a decision that granted only in part the requests put forth by the plaintiffs, who had refused to join the settlement reached by Edison and Mittel Investimenti Finanziari. The Company is waiting for the Court to publish the details of its decision before deciding on the best course of action.

Sale of Tecnimont: Edison/Falck Arbitration

There have been no significant new developments in the Edison/Falck arbitration proceedings since the technical consultant retained by the Board of Arbitrators filed his report concurring 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.

Pagnan vs Edison

There have been no significant new developments in the proceedings in which 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, acting by means of a third-party summons, is suing Edison before the Court of Venice.

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

In the two criminal proceedings established, among other reasons, to determine if there was a danger that the Vega Oil vessel might sink and if the Vega Oil vessel was in compliance with the applicable safety regulations, the Public Prosecutor of Modica requested, and the Judge for Preliminary Investigations ordered, that the proceedings concerning the danger that the vessel may sink be closed, with the Company paying the fines assessed for the alleged violation of the provisions of the Navigation Code. In the other proceedings concerning an alleged contamination event, following the entry of the investigative findings into the record and the indictment of the parties targeted by the investigation, some of whom are Edison executives and Directors, a preliminary hearing was scheduled for the first months of 2010.

Meraklon/Edison-Edison Energia Spa Dispute

The lawsuit filed by Meraklon against Edison Energia Spa and Edison Spa in relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon's challenge of an injunction issued by the Court of Milan in favor of Edison Energia Spa for the purpose of collecting receivables owed pursuant to the abovementioned contract, is continuing in the discovery phase. In the course of the abovementioned proceedings, Meraklon sued Edison Energia Spa and Edison Spa (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.

Angelo Rizzoli/Edison et al.

By a summons served on September 25, 2009, Angelo Rizzoli sued before the Court of Milan Edison (as assign for Iniziativa Meta Spa), RCS Media Group, Mittel and Giovanni Arvedi in connection with the purchase in 1984 by the abovementioned parties of a controlling interest in Rizzoli Editore (owner of the *Corriere della Sera* newspaper). Intesa San Paolo is also being sued. The plaintiff alleging that the prohibition against covenants of forfeiture had been violated with regard to a highly complex series of instruments spanning a considerable length of time, demands that the contracts that resulted in the abovementioned purchase be found to be and declared null and void and that the defendants be ordered to make restitution by paying the financial equivalent of the rights and equity interests subject of the abovementioned contracts, quantified in an amount between 650 and 724 million euros, or the amount that will be determined in the proceedings, based on expert appraisals, if required. In addition, the plaintiff is demanding compensation for damages or compensation for unjustified enrichment. The first hearing in this case has been scheduled for March 2010.

The complexity of the legal arguments and the antiquity of the facts put forth to support Mr. Rizzoli's allegations require further study. However, at first glance, the reasonableness of the plaintiff's claims appears to be highly questionable, particularly with regard to the alleged existence of covenants of forfeiture in the contracts for the sale of a controlling equity interest in Rizzoli Editore. Consequently, no provision has been set aside at this point.

Torviscosa Power Plant - Cooperativa Fabbri Meccanici a r.l vs Edison

With an application for arbitration notified in September 2009, Cooperativa Fabbri Meccanici a r.l., in composition with creditors proceedings, appointed its arbitrator and asked that Edison be ordered to pay about 950,000 euros for alleged receivables arising from a contract for the construction of a building at the Torviscosa power plant. Edison appointed its arbitrator, contesting the plaintiff's claims, and countersued asking that the plaintiff be ordered to pay about 560,000 euros. The parties are now waiting for a third arbitrator to be appointed so that a Board of Arbitrators may be officially empaneled.

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, all of the charges have been dropped.

Edison Stoccaggio - Cavarzere-Minerbio Natural Gas Pipeline (Dedicated to the Offshore Regasification Terminal Built by Terminale GNL Adriatico Srl Near Rovigo)

There has been no further activity in these proceedings following a decision by the Court of Cassation voiding the seizure as evidence of certain sections of the Cavarzere-Minerbio natural gas pipeline and of the pipes used to build them, which had been ordered by the Public Prosecutor of Rovigo (July 2008), and the subsequent transfer to the Office of the Public Prosecutor at the Court of Venice of the record of the investigation carried out in Rovigo.

Edison Energie Speciali Spa (Edens) - VSV Srl Arbitration

In July 2009, the sellers of an equity interest in VSV Srl, a company that owned wind power projects in Calabria, which Edison Energie Speciali (Edens) purchased in November 2008, served on Edens a notice by which it appointed its arbitrator and complained that Edens had failed to pay the second installment of the equity interest's purchase price, amounting to 1.5 million euros, the payment of which, pursuant to the terms of the sales contract, was subject to the condition precedent of ascertaining that the VSV wind farm projects would not suffer any harmful consequences as a result of the implementation of Law No. 15/2008 by which the Regional Administration of Calabria established a moratorium on the construction of new wind farms. Edens appointed its arbitrator and contested its alleged non-performance, due to the fact that the abovementioned condition precedent has not been satisfied, and asked to be held harmless from any damages that it may incur because of the violation of certain representations and warranties set forth in the sales contract. A Board of Arbitrators should be empaneled in the coming weeks.

* * * * *

The developments that affected the status of the main **tax disputes** in 2009 are reviewed below:

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

The disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 fiscal years of the old Edison Spa are currently pending before the Court of Cassation pursuant to an appeal filed by the Solicitor General on behalf of the revenue administration. A provision for risks has been recognized in connection with these disputes.

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

The Regional Tax Commission of Lombardy upheld the decision of the Provincial Commission, thereby substantively voiding the tax assessment issued by the revenue administration. However, the deadline by which the revenue administration must file an appeal has not yet expired.
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 Spa, as the assign for EDF Energia Italia Srl, filed an appeal before the Milan Provincial Tax Commission challenging a notice of assessment for VAT owed for 2001, 2002 and 2003, asking that it be totally voided. The Milan Provincial Tax Commission, by a decision filed almost two years after oral arguments, denied the motion to void. The Company will appeal this decision within the statutory deadline.
The dispute concerning the penalties, which was the subject of different and separate proceedings from the tax issue, ended with a decisions in the Company's favor that has become final.
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 and 1992 Fiscal Years

In 2009, following a ruling handed down by the Court of Cassation in 2008 that overturned decisions favorable to the Company issued in past years by the Regional Tax Commission of Emilia Romagna and returned the proceeding to the lower jurisdiction, the Company filed new challenges in the reinstated proceedings concerning the disputed notices of IRPEG and ILOR tax assessments for the 1991 and 1992 fiscal years owed by Calcestruzzi, of which Edison is the assign.
A hearing for a new review of the dispute before the Regional Commission has not yet been scheduled. 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 and taking into account the decision by the Court of Cassation 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.

Edipower - VAT Audit for 2004 and 2007

In 2008, Edipower was the subject of a tax audit by the Messina Customs Office. The audit found alleged irregularities regarding the VAT levied on excise taxes, in the years from 2004 to 2007, in connection with purchases of energy products made by the Tollers, for a total amount of about 6 million euros, plus penalties of equal amount.

After the Tax Audit Report, on December 29, 2009, the Milan Internal Revenue Agency served a notice of assessment on Edipower seeking to collect the VAT due on excise taxes for 2004. The assessed amount is about 2 million euros for VAT and accrued interest plus about 3 million euros in penalties. Edipower will challenge this assessment in the appropriate venue. The Group believes that these charges are baseless both from a subjective and merit standpoint. Accordingly, non provision for risks was recognized.

Edipower - VAT on Green Certificate Audit for 2004

On December 29, 2009, the Milan Internal Revenue Agency served a notice of assessment on Edipower seeking to recover VAT for 2004 and assessing penalties of about 7 million euros.

Specifically, by this assessment, the Milan Internal Revenue Agency fined Edipower for failing to correct the Tollers' failure to issue invoices for alleged sales of green certificates executed in 2005 to comply with "green" requirements for 2004.

After a careful review of this issue, carried out together with the Tollers, the company believes that the conclusions of the Milan Internal Revenue Agency are unacceptable. Specifically, under the Tolling Agreement, the Tollers are both the owners of the raw materials, including fuel, that they provide to Edipower to generate electric power and the owners "at inception" of the electric power thus generated. The delivery of green certificates by the Tollers to Edipower cannot be construed in any way as a transfer of ownership of the certificates.

Edipower cannot be charged with any violation and, consequently, no amount was added to the provisions for risks. Edipower will challenge in the appropriate venues the notice of assessment it received, asking that the full amount of the fine levied against it be voided.

Intercompany and Related-party Transactions

As required by Consob Resolution No. 15519 of July 27, 2006 and consistent with policies adopted by the Group, the table below provides an overview of transactions with related and significant parties. The disclosure moreover complies with IAS 24.

In 2009, Edison Spa and some of its subsidiaries executed 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									
			related		significant							
	With unconsolidated Group companies	With the controlling company	EdF Group	A2A Group	ENIA Group	SEL Group	Dolomiti Energia Group	Banca Popolare di Milano	Mediobanca	**Total related and significant parties**	**Total for financial statem. line item**	**Impact %**
Balance sheet transactions												
Trade receivables	5	-	36	42	6	1	-	-	-	90	1,862	4.8%
Other receivables	3	70	11	-	-	-	-	-	-	84	545	15.4%
Trade payables	2	-	19	20	3	6	-	-	-	50	1,469	3.4%
Other payables	-	68	-	3	-	-	-	-	-	71	466	15.2%
Short-term financial debt	15	-	-	-	-	36	15	-	11	77	611	12.6%
Long-term financial debt and other financial liabilities	-	-	-	-	-	-	-	18	156	174	2,184	8.0%
Income statement transactions												
Sales revenues	49	-	242	164	6	29	7	-	-	497	8,867	5.6%
Other revenues and income	-	-	7	70	-	-	1	-	-	78	517	15.1%
Raw material and services used	10	-	143	73	2	55	-	-	-	283	7,673	3.7%
Financial expense	-	-	-	-	-	-	-	1	6	7	210	3.3%
Other income	-	-	3	-	-	-	-	-	-	3	17	17.6%
Transactions with impact on cash flow												
Dividends paid	-	158	50	-	-	-	5	-	-	213	278	76.6%
Commitments and contingent risks												
Guarantees provided	-	-	-	-	-	-	-	37	-	37	1,527	2.4%
Collateral provided	-	-	-	-	-	-	-	-	43	43	1,391	3.1%
Other commitments and risks	-	-	30	-	-	-	-	-	-	30	530	5.7%

A) Intercompany Transactions

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

- Commercial transactions involving the buying and selling of electric power, natural gas, green certificates and CO_2 certificates;
- 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 VAT Group return for December 2009 showed an overpayment of about 16 million euros.

Consolidated IRES Return

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

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:

- Revenues from the sale of electric power and transmission service costs totaling about 19 million euros and electric power and transmission costs for 23 million euros under contracts for the supply of electric power, mainly with ENBW;
- With Fenice Spa, sales revenues of about 59 million euros, mainly from sales of natural gas and electric power and recovery of maintenance costs;
- With EDF Trading, sales revenues of 164 million euros and costs of 116 million euros stemming from purchases and sales of commodities by the trading operations;
- Other income of 3 million euros from EDF International from the settlement of contractual guarantee obligations related to the sale of an interest in EDF Italia to Edison Spa. Of the total transaction amount of 4 million euros, 1 million euros was applied to a restatement of the amount of goodwill recognized upon initial consolidation.
- A Management Agreement with EDF Trading (EDF Carbon Fund) for the purchase of Certified Emission Reduction/Emission Reduction Units that generates commitments for an amount up to 30 million euros.

A2A Group

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

- Sales revenues of 164 million euros from contracts to supply electric power and natural gas;
- Other revenues and income of 70 million euros from A2A Trading Srl for managing fuel procurement for some production sites, pursuant to the Tolling Agreement;
- Materials and services used totaling 73 million euros, broken down as follows: 33 million euros for dispatching services, 16 million euros for purchases of electric power and 24 million euros for electric power and natural gas transmission services.

ENIA Group

Transactions with Enìa Energia Spa resulted in revenues of 6 million euros from sales of natural gas, electric power and transmission services and costs of 2 million euros for purchases of natural gas.

SEL Group

Transactions with the SEL Group resulted in revenues of about 29 million euros from the sale of electric power and costs of about 55 million euros for purchases of electric power.

Dolomiti Energia Group

Transactions executed pursuant to contracts for the supply of electric power resulted in revenues of 7 million euros.

2) Financial Transactions

The main financial transactions executed by the Group in which some other significant parties played a remarkable role are reviewed below:

- Banca Popolare di Milano was one of the lenders in a syndicated financing facility, originally totaling 2 billion euros, provided to Edipower in January 2007. At December 31, 2009, the portion of the facility underwritten by Banca Popolare di Milano was 40 million euros (20 million euros attributable to Edison) that had been drawn for 35 million euros (17.5 million euros attributable to Edison). Banca Popolare di Milano also provided Edison Spa with a 70-million-euro revocable line of credit. At December 31, 2009, this credit line was being used only in sureties for about 37.4 million euros, this amount is booked in guarantees provided.
- 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 104 million euros was outstanding at December 31, 2009. Mediobanca was also one of the banks that provided Edipower with the abovementioned syndicated loan originally amounting to 2 billion euros. At December 31, 2009, Mediobanca's share of the loan was 135 million euros (67.5 million euros attributable to Edison), drawn, by Edipower, for 118 million euros (59 million euros attributable to Edison). Furthermore, Gever, an Edison Group company, holds lines of credit in a financing pool totaling about 6 million euros, of which about 4.2 million euros have been drawn down. Lastly, Mediobanca is a party to interest risk hedging transactions executed by Group companies.

At December 31, 2009, other minority shareholders provided the following financing facilities to Group companies:

- 36 million euros, from SEL Spa to Hydros Srl;
- 15 million euros, from Dolomiti Energia Spa to Dolomiti Edison Energy Srl.

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 transactions that Edison Group executed in 2009:

- Establishment of a joint venture with Hellenic Petroleum, using as a vehicle Elpedison Bv;
- Acquisition by Edison International Spa of the Abu Qir concession, located north of Alexandria, in Egypt, at a price of 1,011 million euros;
- Purchase for 25 million euros of an 80% interest in AMG Gas Srl, a company that distributes natural gas to customers in the Palermo metropolitan area.

Information about these transactions are provided in the section of this Report entitled "Changes in the Scope of Consolidation Compared with December 31, 2008."

Lastly, in the year has been booked nonrecurring income for 27 million euros related to contract penalties by suppliers.

Transactions Resulting from Atypical and/or Unusual Activities

Edison Group declares that in 2009 it did not execute any atypical and/or unusual transactions, as defined in the abovementioned Communication.

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2009

Antitrust Investigation Concerning Edipower Spa and the Tollers

On February 2, 2010, the Italian Antitrust Authority notified Edison Spa, Edison Trading Spa and Edipower Spa that it had launched an investigation targeting them, A2A Spa, A2A Trading Srl, Iride Mercato Spa, Alpiq Energia Italia Spa and Alpiq Holding Sa. The purpose of this investigation is to determine whether there exists an agreement executed in restraint of competition by the abovementioned parties in their capacity as tollers, under a tolling contract with Edipower Spa, and/or as shareholders of Edipower Spa. Concurrently with the start of the investigation, representatives of the Italian Antitrust Authority gained access to the offices of all the abovementioned companies, which were given 60 days to file requests for a hearing. The Group is currently reviewing the abovementioned notice before deciding on a course of action.

Milan, February 8, 2010

The Board of Directors
by Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION

at December 31, 2009

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2009

LIST OF EQUITY INVESTMENTS (pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	Consolidated Group interest % (a) 12/31/08	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)	Notes
A) Investments in companies included in the scope of consolidation											
A.1) Companies consolidated line by line											
Group Parent Company											
Edison Spa	Milan	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese Ceb Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.120	-	100.000	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.000	49.000	49.000	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison Energia Spa (single sharehold.) - Attività Energia Elettrica	Milan (IT)	EUR	22,000,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.000	-	100.000	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.000	100.000	100.000	Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Eneco Energia Spa	Merano (BZ) (IT)	EUR	222,000	100.000	100.000	90.000	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.000	51.000	51.000	Edison Spa	-	-	S	-
Hydro Power Energy Srl - Hpe Srl (single shareholder)	Bolzano (IT)	EUR	50,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.000	40.000	40.000	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.000	70.000	70.000	Edison Spa	-	-	S	(i)
Presenzano Energia Srl (single sharehold.)	Milan (IT)	EUR	120,000	100.000	-	100.000	Edison Spa			S	(v)
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	55.000	55.000	55.000	Edison Spa	-	-	S	-
Sistemi di Energia Spa	Milan (IT)	EUR	10,082,205	86.120	-	86.120	Edison Spa	-	-	S	(i)(iv)
Sondel Dakar Bv	Rotterdam (NL)	EUR	18,200	100.000	100.000	100.000	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.000	65.000	65.000	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	22,241,000	60.000	60.000	60.000	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.000	-	80.000	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Attività Idrocarburi	Milan (IT)	EUR	22,000,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	10,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Edison International Spa	Milan (IT)	EUR	17,850,000	100.000	100.000	70.000	Edison Spa	-	-	S	(i)
						30.000	Selm Holding International Sa	-	-		
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	81,497,301	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.000	100.000	0.000	Edison Spa	-	-	S	-
						100.000	Selm Holding International Sa	-	-		

List of Equity Investments (continued)

(pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	12/31/08	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Corporate Activities and Other Operations											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.000	100.000	100.000	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	262,700	100.000	100.000	100.000	Edison Spa	-	-	S	-
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.000	100.000	100.000	Edison International Holding Nv	-	-	S	-
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.000	100.000	100.000	Edison International Holding Nv	-	-	S	-
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.000	100.000	100.000	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	4,582,803	100.000	100.000	100.000	Edison Spa	-	-	S	-
Montedison Srl (single shareholder)	Milan (IT)	EUR	2,582,000	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.000	100.000	100.000	Edison Spa	-	-	S	(i)
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.000	100.000	99.950 0.050	Edison Spa Montedison Srl (single shareholder)	- -	- -	S	-

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	12/31/08	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Ascot Srl	Bressanone (BZ) (IT)	EUR	10,330	50.000	50.000	50.000	Eneco Energia Spa	-	-	JV	-
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.000	50.000	50.000	Edison Spa	-	-	JV	-
Elpedison Power Sa	Thesssaloniki (GR)	EUR	58,248,000	37.500	-	75.000	Elpedison Bv	-	-	JV	-
Elpedison Trading Sa	Maroussi (GR)	EUR	60,000	50.000	-	100.000	Elpedison Bv	-	-	JV	(vii)
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.000	50.000	50.000	Edison Spa	-	-	JV	-
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.000	65.000	65.000	Edison Engineering Sa	-	-	JV	(viii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.000	50.000	50.000	Edison Energie Speciali Spa (single shareholder)	-	-	JV	-
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.000	42.000	42.000	Edison Spa	-	-	JV	-
Hydrocarbons Operations											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.000	-	50.000	Edison International Spa	-	-	JV	-
Ed-Ina D.o.o.	Zagabria (Hr)	HRK	20,000	50.000	50.000	50.000	Edison International Spa	-	-	JV	-
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Posei	Herakleio Attiki (GR)	EUR	2,500,000	50.000	50.000	50.000	Edison International Holding Nv	-	-	JV	-
Corporate Activities and Other Operations											
Elpedison Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000	50.000	Edison International Holding Nv	-	-	JV	-
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.000	50.000	50.000	Edison Spa	-	-	JV	-

List of Equity Investments (continued)

(pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/08	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
B) Investments in companies valued by the equity method											
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.000	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.000	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.000	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	2,888,500		48.450	Edison Spa	-	-	1.9	AC	-
Energia Senales Srl - Es Srl	Senales (BZ) (IT)	EUR	100,000		40.000	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.010	Edison Spa	-	-	2.2	AC	-
GTI Dakar Ltd	George Town Gran Caiman (KY)	EUR	14,686,479		30.000	Sondel Dakar Bv	-	-	-	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.260	Montedison Srl (single shareholder)	-	-	4.4	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.000	Edison Spa	-	-	16.8	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-Itav. Sardeg. Galsi Spa	Milan (IT)	EUR	34,838,000		20.810	Edison Spa	-	-	13.6	AC	-
Utilità Spa	Milan (IT)	EUR	2,307,692		35.000	Edison Spa	-	-	1.3	AC	-
Total investments in companies valued by the equity method									**40.2**		

List of Equity Investments (continued)

(pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999

C) Investments in companies in liquidation or subject to permanent restrictions

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/08	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Auto Gas Company S.A.E. (in liquid.)	Il Cairo (Et)	EGP	1,700,000		30.000	Edison Internat. Spa	-	-	0.2	AC	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.330	Nuova C.I.S.A. Spa (in liquid) (single shareholder)	-	-	-	AC	-
C.I.FAR. Scarl (in bankruptcy)	Udine (IT)	LIT	20,000,000		60.000	Nuova C.I.S.A. Spa (in liquid.) (single shareholder)	-	-	-	S	(ii)
Compagnia Elettrica Lombarda Spa in liquidation	Milan (IT)	EUR	408,000		60.000	Sistemi di Energia Spa	-	-	-	S	-
Coniel Spa (in liquidation)	Rome (IT)	EUR	1,020		35.250	Edison Spa	-	-	-	AC	-
Finsavi Srl	Palermo (IT)	EUR	18,698		50.000	Edison Spa	-	-	-	AC	-
Gasco Spa (in liquidation)	Bressanone (BZ) (IT)	EUR	350,000		40.000	Edison Spa	-	-	0.2	AC	-
Groupement Gambogi-Cisa (in liquid.)	Dakar (SN)	XAF	1,000,000		50.000	Nuova C.I.S.A. Spa (in liquid) (single shareholder)	-	-	-	AC	-
Inica Sarl (in liquidation)	Lisbon (PT)	PTE	1,000,000		20.000	Edison Spa	-	-	-	AC	-
International Water (UK) Limited (n liquidation)	London (GB)	GBP	2,601,001	50.000	100.000	International Water Holdings Bv	-	-	-	JV	-
International Water Services Ltd n liquidation)	Zug (CH)	CHF	100,000	50.000	100.000	International Water Holdings Bv	-	-	-	JV	-
Nuova C.I.S.A. Spa (n liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.000	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT	150,000,000		33.330	Montedison Srl (single shareholder)	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.000	Nuova C.I.S.A. Spa (in liquid) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.600	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT	300,000,000		59.330	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.000	Nuova C.I.S.A. Spa (in liquid) (single shareholder)	-	-	-	AC	-
Volta Spa in liquidation	Milan (IT)	EUR	130.000	51.000	51.000	Edison Spa	-	-	-	S	(vi)
Total investments in companies in liquidation or subject to permanent restrictions									**2.8**		

List of Equity Investments (continued)

(pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/08	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)	Notes
D) Investments in other companies valued at fair value											
D.1) Investments held for trading											
Acegas-Aps Spa	Trieste (IT)	EUR	283,690,763		1.300	Edison Spa	-	-	2.9	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.940	Edison Spa	-	-	1.6	NG	-
Amsc-American Superconductor	Devens (US)	USD	44,789,359		0.357	Edison Spa	-	-	4.5	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.890	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Leipzig (DE)	EUR	40,050,000		0.760	Edison Spa	-	-	0.9	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.280	Edison Spa	-	-	3.5	NG	-
MB Venture Capital Fund I Participating Comp. e Nv	Amsterdam (NL)	EUR	50,000		7.000	Edison Spa	-	-	1.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.760	Edison Spa	-	-	0.5	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.020	Edison Spa	1.060	1.060	9.9	NG	-
Syremont Spa	Messina (IT)	EUR	750,000		40.000	Edison Spa	-	-	-	AC	(iii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		10.000	Edison Spa	-	-	286.5	NG	-
Sundry investments									0.8		
Total investments in other companies valued at fair value									**312.8**		
Total equity investments									**355.8**		

List of Equity Investments (continued)

(pursuant to Article 126 of Consob Resolution No. 11971 of May 14, 1999

Companies added to the scope of consolidation in the year ended 12/31/09

Company name	Head office	Currency	Share capital at 12/31/09	Consolidated Group interest	Notes
Acquired companies					
AMG Gas Srl	Palermo (IT)	EUR	100,000	80.00	-
Compagnia Elettrica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	-
Elpedison Power Sa	Thessaloniki (GR)	EUR	58,248,000	50,00	-
Newly established companies					
Abu Qir Petroleum Company	Alexandria (EG)	EGP	20,000	50.00	-
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	-
Elpedison Trading Sa	Maroussi (GR)	EUR	60,000	50.00	(vii)
Presenzano Energia Srl (single shareholder)	Milan (IT)	EUR	120,000	100.000	(v)
Companies previously valued by the equity method					
Sistemi di Energia Spa	Milan (IT)	EUR	10,082,205	86.12	-

Companies removed from the scope of consolidation in the year ended 12/31/09

Company name	Head office	Currency	Share capital at 12/31/08	Consolidated Group interest in 2009	Consolidated Group interest at 12/31/08
Companies sold					
Seledison Net Srl (single shareholder)	Castelbello - Ciardes (BZ) (IT)	EUR	200,000	42.00	42.00
Merged companies					
Thisvi Power Generation Plant Sa	Athens (GR)	EUR	8,448,000	32.50	65.00
Companies placed in liquidation					
International Water (UK) Limited	London (GB)	GBP	2,601,001	50.00	50.00
International Water Services Ltd	Zug (CH)	CHF	100,000	50.00	50.00
Volta Spa	Milan (IT)	EUR	130,000	51.00	51.00

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) S = subsidiary JV = joint venture AC = affiliated company NG = non-Group 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, it is shown only if it is equal to or greater than one million euros.

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

(ii) Company for which deletion is pending, after the Court of Udine closed the bankruptcy proceedings on April 20, 2007 following distribution of all assets. The Udine Company Register recorded the Court decision on May 2, 2007, but is still showing the company as being active.

(iii) On 1/30/07 Edison exercised the option to sell its equity investment, with respect to which the counterparty is now in default.

(iv) The interest held in this company at December 31, 2008 was 40.57%. Consequently, the company was valued by the equity method.

(v) Company established in December 2009. Its first reporting year ends on December 31, 2010.

(vi) Company deleted from the Milan Company Register on January 14, 2010.

(vii) Company established in July 2009. Its first reporting year ends on December 31, 2010.

(viii) This company is a contractual joint venture.

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

BRL Brazilian real	HRK Croatian kuna
CHF Swiss franc	LIT Italian lira
EGP Egyptian pound	PTE Portuguese escudo
EUR euro	U.S. dollar
GBP British pound	XAF central African franc

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

1. We, the undersigned Umberto Quadrino, in my capacity as "Chief Executive Officer," and Marco Andreasi, in my capacity as "Dirigente Preposto alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements for the period from January 1, 2009 to December 31, 2009:

   - 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 the 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 Group performance and results from operations and of the position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, February 8, 2010

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

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 2009, comprising the consolidated balance sheet, income statement and other components of the comprehensive income statement, cash flow statement, statement of changes in consolidated shareholders' equity and related notes. The preparation of these consolidated 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, reference is made to our report dated 20 February 2009.

3. In our opinion, the consolidated financial statements of Edison SpA as of 31 December 2009 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 and other components of the comprehensive income statement, cash flows and changes in shareholders' equity of Edison Group for the year then ended.

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PRICEWATERHOUSECOOPERS

4. The preparation of a report on operations and a corporate governance report in compliance with the applicable laws and regulations is the responsibility of the directors of Edison SpA. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98, presented in the corporate governance report, with the financial statements, as required by article 156, paragraph 4-bis, letter d), of Legislative Decree No.58/98. To this end, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98 presented in the corporate governance report are consistent with the consolidated financial statements of EDISON SPA as of 31 December 2009.

Milan, 18 February 2010

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

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

(2)

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