2011 ANNUAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

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EDISON

Income Statement

(in millions of euros)	See Note	2011	of which related parties	2010 (*)	of which related parties
Sales revenues	1	11,381	337	9,685	368
Other revenues and income	2	652	13	535	13
Total net revenues		**12,033**	**350**	**10,220**	**381**
Raw materials and services used (-)	3	(10,932)	(196)	(8,745)	(177)
Labor costs (-)	4	(214)	-	(211)	-
EBITDA	5	**887**		**1,264**	
Depreciation, amortization and writedowns (-)	6	(885)	-	(957)	-
EBIT		**2**		**307**	
Net financial income (expense)	7	(160)	-	(117)	-
Income from (Expense on) equity investments	8	(5)	1	(1)	1
Other income (expense), net	9	(14)	-	44	-
Profit (Loss) before taxes		**(177)**		**233**	
Income taxes	10	(96)	-	(110)	-
Profit (Loss) from continuing operations		**(273)**		**123**	
Profit (Loss) from discontinued operations	11	(605)	-	(74)	-
Profit (Loss)		**(878)**		**49**	
Broken down as follows:					
Minority interest in profit (loss)		(7)		28	
Group interest in profit (loss)		**(871)**		**21**	
Earnings (Loss) per share (in euros)	12				
Basic earnings (loss) per common share		(0.1692)		0.0034	
Basic earnings per savings share		0.0500		0.0334	
Diluted earnings (loss) per common share		(0.1692)		0.0034	
Diluted earnings per savings share		0.0500		0.0334	

(*) Pursuant to IFRS 5, 2010 amounts are being reclassified.

Other Components of the Comprehensive Income Statement

(in millions of euros)	See Note	2011	2010
Profit (Loss)		**(878)**	**49**
Other components of comprehensive income:			
A) Change in the Cash Flow Hedge reserve	24	**(83)**	**58**
- Gains (Losses) arising during the year		(132)	93
- Income taxes (-)		49	(35)
B) Change in reserve for available-for-sale investments	24	**4**	**(2)**
- Gains (Losses) arising during the year not realized		-	(2)
- Reclassification to profit or loss		4	-
- Income taxes (-)		-	-
C) Differences on the translation of assets in foreign currencies		**-**	**3**
D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
Total other components of comprehensive income net of taxes (A+B+C+D)		**(79)**	**59**
Total comprehensive profit (loss)		**(957)**	**108**
Broken down as follows:			
Minority interest in comprehensive profit (loss)		(7)	28
Group interest in comprehensive profit (loss)		**(950)**	**80**

Balance Sheet

(in millions of euros)	See Note	12.31.2011	of which related parties	12.31.2010	of which related parties
ASSETS					
Property, plant and equipment	13	5,113	-	7,002	-
Investment property	14	10	-	11	-
Goodwill	15	3,231	-	3,534	-
Hydrocarbon concessions	16	1,040	-	985	-
Other intangible assets	17	95	-	109	-
Investments in associates	18	49	49	48	48
Available-for-sale investments	18	198	-	293	-
Other financial assets	19	82	-	91	-
Deferred-tax assets	20	111	-	182	-
Other assets	21	40	-	112	-
Total non-current assets		**9,969**		**12,367**	
Inventories		252	-	331	-
Trade receivables		3,152	117	2,375	100
Current-tax assets		28	-	35	-
Other receivables		681	113	655	83
Current financial assets		628	-	69	6
Cash and cash equivalents		291	-	472	-
Total current assets	22	**5,032**		**3,937**	
Assets held for sale	23	**1,430**	**-**	**209**	**-**
Eliminations of assets from and to Discontinued Operations	33	**(594)**		**-**	
Total assets		**15,837**		**16,513**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,292	-	5,292	-
Reserves and retained earnings (loss carryforward)		2,568	-	2,548	-
Reserve for other components of comprehensive income		(1)	-	78	-
Group interest in profit (loss)		(871)	-	21	-
Total shareholders' equity attributable to Parent Company shareholders		**6,988**		**7,939**	
Shareholders' equity attributable to minority shareholders		158	-	198	-
Total shareholders' equity	24	**7,146**		**8,137**	
Provision for employee severance indemnities and provisions for pensions	25	36	-	62	-
Provision for deferred taxes	26	215	-	504	-
Provisions for risks and charges	27	828	-	823	-
Bonds	28	1,793	-	1,791	-
Long-term financial debt and other financial liabilities	29	1,334	-	942	-
Other liabilities	30	29	-	34	-
Total non-current liabilities		**4,235**		**4,156**	
Bonds		71	-	528	-
Short-term financial debt		1,167	15	1,073	15
Trade payables		2,357	131	2,153	80
Current taxes payable		23	-	82	-
Other liabilities		603	86	380	19
Total current liabilities	31	**4,221**		**4,216**	
Liabilities held for sale	32	**829**	**-**	**4**	**-**
Eliminations of liabilities from and to Discontinued Operations	33	**(594)**		**-**	
Total liabilities and shareholders' equity		**15,837**		**16,513**	

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 2011. 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.

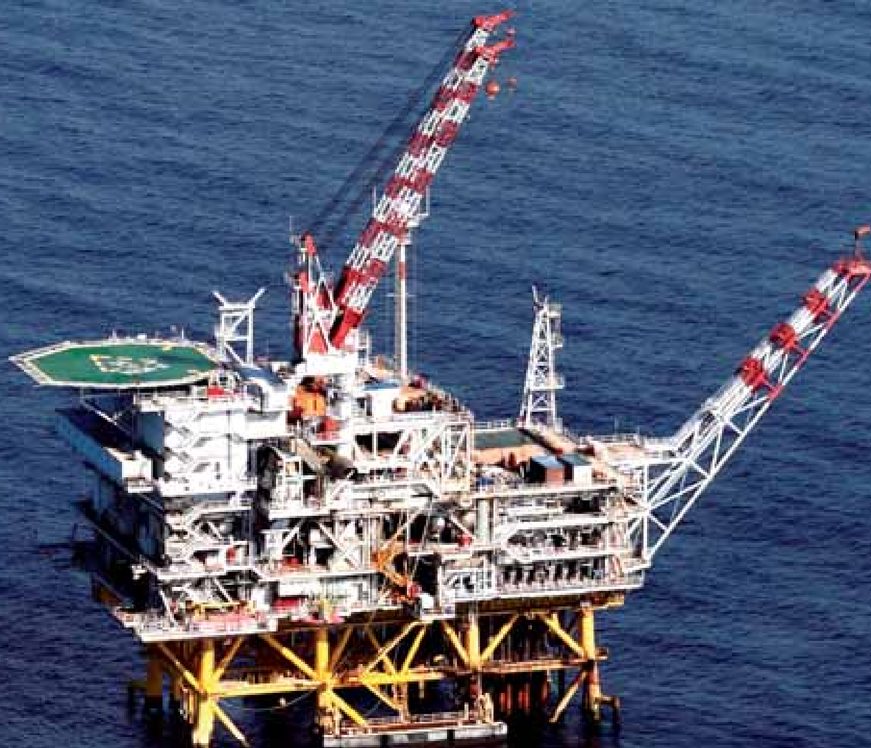
(in millions of euros)		2011		2010 (*)	
	See Note		of which related parties		of which related parties
Group interest in profit (loss) from continuing operations		(266)	-	95	-
Minority interest in profit (loss) from continuing operations		(7)	-	28	-
Profit (Loss) from continuing operations		**(273)**		**123**	
Amortization, depreciation and writedowns	6	885	-	957	-
Interest in the result of companies valued by the equity method (-)		(1)	(1)	(1)	(1)
Dividends received from companies valued by the equity method		1	1	1	1
(Gains) Losses on the sale of non-current assets		(6)	-	5	-
Change in the provision for employee severance indemnities and provisions for pensions	25	(3)	-	(2)	-
Change in fair value recorded in EBITDA		15	-	(16)	-
Change in operating working capital		(494)	34	148	22
Change in other operating assets and liabilities		(63)	37	(370)	(51)
A. Cash flow from continuing operations		**61**		**845**	
Additions to intangibles and property, plant and equipment (-)	13-17	(528)	-	(508)	-
Additions to non-current financial assets (-)		(3)	-	(7)	(5)
Price paid on business combinations (-)		-	-	(42)	-
Proceeds from the sale of intangibles and property, plant and equipment		14	-	8	-
Proceeds from the sale of non-current financial assets		245	-	-	-
Repayment of capital contribution by non-current financial assets		11	-	8	-
Change in other current assets		(559)	6	(39)	(6)
B. Cash used in investing activities from continuing operations		**(820)**		**(580)**	
Receipt of new medium-term and long-term loans	28/29	1,215	-	1,124	-
Redemption of medium-term and long-term loans (-)	28/29	(1,099)	-	(1,345)	-
Change in short-term net financial debt		555	-	(76)	-
Capital contributions provided by controlling companies or minority shareholders		-	-	10	-
Dividends paid to controlling companies or minority shareholders (-)		(22)	-	(259)	(178)
C. Cash used in financing activities from continuing operations		**649**		**(546)**	
D. Liquid assets from changes in the scope of consolidation		**-**		**-**	
E. Net currency translation differences		**-**		**-**	
F. Net cash flow for the year from continuing operations (A+B+C+D+E)		**(110)**		**(281)**	
G. Net cash flow for the year from discontinued operations		**(36)**		**5**	
H. Net cash flow for the year (continuing and discontinued operations) (F+G)		**(146)**		**(276)**	
I. Cash and cash equivalents at the beginning of the year		**472**		**748**	
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (H+I)		**326**		**472**	
M. Cash and cash equivalents at the end of the year of discontinued operations		**35**		**-**	
N. Cash and cash equivalents at the end of the year of continuing operations (L-M)		**291**		**472**	

(*) Pursuant to IFRS 5, 2010 amounts are being reclassified.

Changes in Consolidated Shareholders' Equity

(in millions of euros)			Reserve for other components of comprehensive income							
	Share capital	Reserves and retained earnings (loss carry-forward)	Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Group interest in profit (loss)	**Total shareholders' equity attributable to Parent Company shareholders'**	Shareholders' equity attributable to minority shareholders	**Total shareholders' equity**
Balance at December 31, 2009	**5,292**	**2,526**	**17**	**(2)**	**4**	**-**	**240**	**8,077**	**177**	**8,254**
Appropriation of the previous year's profit	-	240	-	-	-	-	(240)	-	-	-
Dividends distributed	-	(228)	-	-	-	-	-	(228)	(16)	(244)
Share capital increase	-	-	-	-	-	-	-	-	10	10
Other changes	-	10	-	-	-	-	-	10	(1)	9
Total comprehensive profit (loss)	**-**	**-**	**58**	**(2)**	**3**	**-**	**21**	**80**	**28**	**108**
of which:										
- Change in comprehensive income for the year	-	-	58	(2)	3	-	-	59	-	59
- Profit (Loss) for 2010	-	-	-	-	-	-	21	21	28	49
Balance at December 31, 2010	**5,292**	**2,548**	**75**	**(4)**	**7**	**-**	**21**	**7,939**	**198**	**8,137**
Appropriation of the previous year's profit	-	21	-	-	-	-	(21)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(32)	(32)
Change in the scope of consolidation	-	(1)	-	-	-	-	-	(1)	(1)	(2)
Total comprehensive profit (loss)	**-**	**-**	**(83)**	**4**	**-**	**-**	**(871)**	**(950)**	**(7)**	**(957)**
of which:										
- Change in comprehensive income for the year	-	-	(83)	4	-	-	-	(79)	-	(79)
- Profit (Loss) for 2011	-	-	-	-	-	-	(871)	(871)	(7)	(878)
Balance at December 31, 2011	**5,292**	**2,568**	**(8)**	**-**	**7**	**-**	**(871)**	**6,988**	**158**	**7,146**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011



The Vega offshore platform with the FSO Leonis in the Sicily Canal.

ACCOUNTING PRINCIPLES AND CONSOLIDATION CRITERIA

Content and Presentation

The Consolidated Financial Statements of the Edison Group at December 31, 2011 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.).*

Amendments to the international accounting principles and interpretations applicable as of January 1, 2011, which did not have a significant impact on the Consolidated Financial Statements, are reviewed below:

- **IFRS 1**, pursuant to which parties who adopt the IFRS principles for the first time must prepare a First-time Adoption document.
- **IFRS 3**, which concerns the measurement of non-controlling interests in the acquired entity in a business combination.
- **IFRS 7**, which amends the disclosures concerning financial risks.
- **IAS 1**, which requires an analysis of the other components of the comprehensive income statement for each component of shareholders' equity.
- **IAS 24**, which requires additional disclosures concerning related-party commitments.
- **IAS 34**, which deals with the minimum content of interim financial reports.
- **IFRIC 14** "Prepayments of a Minimum Funding Requirement".
- **IFRIC 19** "Extinguishing Financial Liabilities with Equity Instruments".
- Other marginal amendments to other accounting principles and interpretations.

For the sake of full disclosure, it is important to point out that certain marginal amendments to the international accounting principles and interpretations published in the *O.J.E.U.* during 2011 will be applicable starting in 2012. More specifically, the amendments to IFRS 7 require the disclosure of additional quantitative and qualitative information about fully or partly derecognized financial assets, when there is a remaining residual involvement.

The financial statements were prepared treating the sale of the equity interest held in Edipower as a "highly probable" transaction, as allowed by IFRS 5, even though all of the conditions precedent had not yet been met. More specifically, the closing of this transaction, which is predicated on the execution, by February 15, 2012, of the contracts related to the abovementioned agreement, which are currently being finalized, is conditional, inter alia, on the authorization by the relevant antitrust authorities to proceed with the sale of the entire 70% interest (Edison and Alpiq stakes) in Edipower's share capital and the concurrent purchase by EDF of the 50% interest held by Delmi in Transalpina di Energia, which is, in turn, conditional, inter alia, on the CONSOB confirming that, should a tender offer for Edison's shares be required, it would be carried out at a price of not more than 0.84 euros per share.
Because the contribution provided by Edipower to the net integrated Group result of the Edison system qualifies as a "major line of business", the divestment transaction was represented as a discontinued operation. Consequently:

- In the 2011 Income Statement, and in the 2010 to be compared with the current year, the revenues and income, costs and expenses and the adjustment of the carrying amount of the assets that constitute the Discontinued Operations to their fair value, less cost to sell, were reclassified to "Profit (Loss) from discontinued operations".
- In the Balance Sheet, assets and liabilities attributable to Edipower were reclassified to "Assets and liabilities held for sale".
- In the 2011 Cash Flow Statement, and in the 2010 to be compared with the current year, the cash flows generated by assets that constitute the Discontinued Operations were reclassified to "Net cash flow for the year from discontinued operations".

The Board of Directors, meeting on February 13, 2012, authorized the publication of these consolidated financial statements, which were audited by Deloitte & Touche Spa in accordance with an assignment

awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019), pursuant to Legislative Decree No. 39 of January 27, 2010.

Unless otherwise stated, all amounts in these accompanying notes 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 2008". The financial statements have the following characteristics:

- The Consolidated **Income Statement** is a step-by-step income statement, with the different components broken down by nature. It includes a schedule of **Other Components of the Comprehensive Income Statement**, which shows the components of net profit or loss provisionally recognized in equity.
- 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 end of the reporting period, respectively, are shown separately.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.
- The Statement of **Changes in Consolidated Shareholders' Equity** shows separately the flows from component of the reserve for other components of comprehensive income.

Pursuant to IFRS 5 relating to Discontinued Operations, the amounts of the 2010 of Income Statement and Cash Flow Statement are being reclassified to be agreed with the current year, as described later in the Section entitled "Disclosure pursuant to IFRS 5".

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. Companies with respect to which the Group retains the majority of risks and enjoys the majority of benefits (so-called Special Purpose Vehicles) are consolidated line by line even if the interest in their share capital is less than 50%. They also include the financial statements of companies over which Edison exercises joint control, in accordance with the terms of the relevant agreements with other shareholders.

Subsidiaries are consolidated from the moment the Group effectively acquires control and cease to be consolidated when control is transferred to another party. In case of loss of control any residual investment in associates is measured at its fair value.

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 financial year, approved by the respective Boards of Directors.

Subsidiaries and companies to which the Group retains the majority of risks and enjoys the majority of benefits 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 measured at their fair value at the date when control of the investee company was established. Any residual value, if positive, is recognized as a non-current asset and posted to "Goodwill". If control is acquired in multiple steps, the entire interest held must be remeasured at fair value; transactions executed with minority shareholders subsequent to the acquisition of control, if control is maintained, are recognized in equity; the acquisition costs incurred are immediately recognized in profit or loss, as is any contingent consideration.

The shareholders' equity and profit or loss amounts attributable to minority shareholders 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 proportionate 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 the shareholders' equity attributable to Parent Company shareholders are eliminated. The effects of fractional sales of investments in consolidated companies, when control is not relinquished, are recognized in shareholders' equity 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.

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 year 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, 2010

The changes in the Group's scope of consolidation that occurred in 2011 are reviewed below:

Electric Power Operations:

- Deconsolidation as of January 1, 2011 of Edison Power Energy Srl, previously consolidated line by line, in liquidation.
- Eneco Energia Spa was merged by absorption into Edison Energia Spa effective vis-à-vis third parties as of January 1, 2011.
- Acquisition by Edison Spa of the remaining 45% interest in Sarmato Energia Spa, which became a wholly owned subsidiary in July 2011; the process of merging by absorption was started.

Hydrocarbon Operations:

- ICGB Ad (Interconnector Greece Bulgaria Ad), a newly established joint venture of IGI Poseidon Sa and Bulgarian Energy Holding Ead, is being consolidated by the proportional method. This new company will be responsible for developing and building the IGB gas pipeline linking Greece and Bulgaria.
- Fayoum Petroleum Co - Petrofayoum, a company whose corporate purpose is the operational management of a concession in Egypt in which Edison International Spa holds a 30% interest, was established. The new company is consolidated by the proportional method.

Corporate Activities and Other Segments:

- Selm Holding International Sa, a company previously consolidated line by line, was liquidated and deconsolidated as of June 28, 2011.

Held for Sale:

- On October 10, 2011, the Group disposed of the business operations comprised of two thermoelectric power plants located in Taranto.
- Edison pursuant to an agreement reached by the shareholders on December 26, 2011, entered into

a preliminary agreement to sell the equity interest it held in Edipower Spa at the price of about 600 million euros. This transaction is part of a more complex restructuring project that concerns Edison's control structure. The implementation of this agreement is dependent to condition precedent. Given to not-yet-final context, the transaction was deemed to be "highly probable" and, consequently the corresponding assets and liabilities were reclassified as "Held for sale". Moreover given the significance provided by the divested assets, it seemed appropriated to treat them as "Discontinued Operations".

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

Assets and liabilities of foreign companies that are denominated in currencies other than the euro are translated at the exchange rates in force at the end of the reporting period. Income and expenses are translated at the average rates for the year. Any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until the corresponding equity investment is sold.

Upon first-time adoption of the IFRS principles, cumulative translation differences generated by the consolidation of foreign companies 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 at the end of the reporting period. Any resulting foreign exchange translation differences and those realized when the positions are closed are recognized as financial income or expense.

2011 Financial Highlights of Companies Consolidated by the Proportional Method

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

	Sel Edison Spa	Ibiritermo Sa	Parco Eolico Castelnuovo Srl	ED-Ina D.O.O.	Elpedison Bv	Elpedison Power Sa	Elpedison Trading Sa	Kinopraxia Thisvi	Abu Qir Petroleum Company	IGI Poseidon Sa	ICGB Ad	Fayoum Petroleum Co
% of proportional consolidation	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**	**25.00%**	**30.00%**
% interest held by the Group	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**37.89%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**	**25.00%**	**30.00%**
INCOME STATEMENT												
Sales revenues	14	-	1	3	-	203	18	1	-	-	-	-
EBITDA	**8**	**-**	**-**	**-**	**-**	**32**	**-**	**-**	**-**	**(1)**	**-**	**-**
as a % of sales revenues	*57.1%*	*n.a.*	*n.m.*	*n.m.*	*n.a.*	*15.8%*	*n.m.*	*n.m.*	*n.a.*	*n.m.*	*n.a.*	*n.a.*
Depreciation, amortization and writedowns (-)	(3)	-	-	-	-	(61)	-	-	-	-	-	-
EBIT	**5**	**-**	**-**	**-**	**-**	**(29)**	**-**	**-**	**-**	**(1)**	**-**	**-**
Profit (Loss)	**3**	**7**	**-**	**-**	**-**	**(33)**	**-**	**-**	**-**	**(1)**	**-**	**-**
of which minority interest in profit (loss)	-	-	-	-	-	(8)	-	-	-	-	-	-
BALANCE SHEET												
Total assets	**48**	**88**	**1**	**1**	**60**	**286**	**7**	**1**	**1**	**12**	**1**	**-**
Shareholders' equity	**37**	**19**	**1**	**-**	**60**	**62**	**-**	**-**	**-**	**8**	**1**	**-**
of which attributable to minority shareholders	-	-	-	-	-	17	-	-	-	-	-	-
Net financial debt (financial assets)	**10**	**(43)**	**-**	**-**	**-**	**168**	**(1)**	**-**	**(1)**	**(3)**	**(1)**	**-**

Edipower Spa, which is 50% owned, has been presented as Discontinued Operations pursuant to IFRS 5.

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 and remediation of industrial sites are recognized as an amortizable asset component. The value at which these costs are recognized is equal to the present value of the costs that the 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 Operation		Hydrocarbons Operations		Corporate Activities and Other Segments	
	min.	max.	min.	max.	min.	max.
Buildings	3.5%	9.1%	2.5%	3.2%	-	2.1%
Plant and machinery	4.0%	20.0%	1.8%	64.4%	7.2%	29.3%
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 drill site and dismantle or remove structures are recognized as assets and depreciated in accordance with the unit of production (UOP) method, which is used to amortize the underlying concessions. The depreciation rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period.

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

The depreciation of assets transferable at no cost is taken on a straight-line basis over the remaining term of the respective contracts or their estimated useful lives, whichever is shorter.

Assets acquired under financial leases are recognized as "Property, plant and equipment", offset by a financial liability of equal amount. The liability is gradually eliminated in accordance with the principal repayment schedule of the respective lease agreement. The value of the asset recognized as "Property,

plant and equipment" is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.

Upon first-time adoption of the IFRS principles, the 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 tested for an impairment in the manner described below under "Impairment of Assets". When the reasons for a writedown no longer apply, the asset's cost can be reinstated.

Beginning on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset with a significant useful life are capitalized, when the investment amount exceeds a predetermined threshold. Until December 31, 2008, financial expense was not capitalized.

Goodwill, 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 assets are recognized at their 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.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can reasonably be allocated. The impairment test is described below under "Impairment of Assets". Concerning the goodwill, writedowns cannot be reversed in subsequent periods.

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets. If an exploration project is later abandoned, the residual cost is immediately recognized in profit and loss.

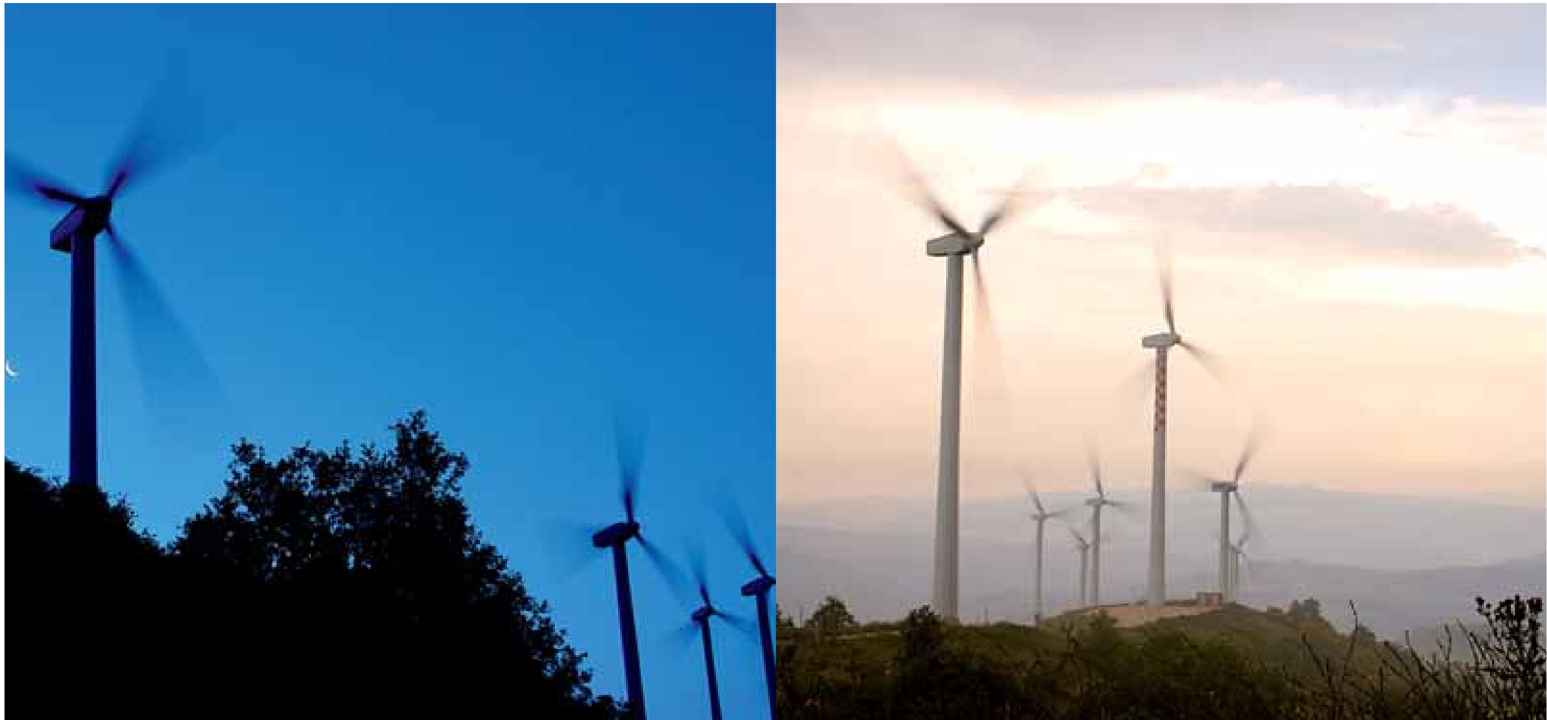
Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as "Intangible assets" but their full amount is amortized in the year they are incurred.

Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment", in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method.

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

Hydrocarbon production concessions are amortized in accordance with the unit of production (UOP) method. The amortization rate is determined as the ratio between the quantities produced during the year and the estimated remaining available reserves at the beginning of the year, taking into account any significant change to reserves that occurred during the year; the value of the initial reserves is based on the best and most recently updated estimates available at the end of each period. 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 or their market values if higher.

Exploration and Production activities in which Edison Group is the operator or the venturer (so-called "Production Sharing Agreement - PSA") are recognized only to the extent of the interest held.



The production of energy from wind farms helps reduce emissions responsible for global warming caused by the use of fossil fuels.

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

The Group secures a supply of environmental securities (primarily 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, provided that the rights or certificates carried by the Group at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each year or the production generated, will be deleted using any reserves for risks set aside the previous year.

Environmental securities 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 an asset's carrying amount is tested by comparing it with the asset's fair value, less cost to sell, and its value in use, whichever is greater, because IAS 36 defines recoverable value as the fair value of an asset or cash generating unit, less cost to sell, or its value in use, whichever is greater.

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

CGUs, which have been identified in a way that is consistent with 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 are held for trading (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. Financial instruments also include loans payable, trade and other payables, other financial liabilities and derivatives.

Financial assets and financial liabilities are recognized at fair value when the Company acquires the rights or assumes obligations conveyed contractually by the financial instrument.

The initial amount at which these items are recognized must include transaction costs directly attributable to the purchase or issue 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, with any resulting gains or losses recognized in the income statement. This class of assets consists mainly of equity investments held for trading 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 are valued at their amortized cost. Any transaction costs incurred in the purchasing/selling phases (e.g., issue premiums or discounts, the costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value may have been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in 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 measured at fair value and any resulting gains or losses are recognized in equity, more specifically in the "Reserve for other components of comprehensive income", until disposal, when they are transferred to the income statement. Losses that result from measurement at fair value are recognized directly in the income statement when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.
- **Derivatives** are measured at fair value and any resulting changes are recognized in the income statement. However, whenever possible, the Group uses hedge accounting and, consequently, derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, more specifically in the "Reserve for other components of comprehensive income", while the ineffective portion is recognized directly in the income statement. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged item.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in the income statement. The carrying amount of the hedged items is adjusted accordingly in the income statement, to reflect changes in fair value associated with the hedged risk.

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

Financial liabilities are derecognized when the corresponding contractual obligations are extinguished. Changes to existing contract terms can qualify as an extinguishing event if the new terms materially alter the original stipulations and, in any case, when the present value of the cash flows that will be generated under the revised agreements differs by more than 10% from the value of the discounted cash flows of the original liability.

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

Trading Activities

Approved activities that are part of the 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, which are measured at fair value, with changes in fair value recognized in the income statement. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in the income statement.

The amounts show in income statement for revenues and raw materials and services used reflect a presentation that recognizes only the resulting "trading margin" (so-called net presentation).

Inventories

Inventories attributable to the Industrial Activities are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realizable value, based

on market conditions, whichever is lower. Inventories attributable to Trading Activities are deemed to be assets held for trading and, consequently, are measured at fair value, with changes in fair value recognized in the income statement.

Valuation of Long-term Take-or-pay Contracts

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

Employee Benefits

The **provision for employee severance indemnities and the provisions for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in the income statement as a "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 "Net financial income (expense)". Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized 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 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 granted. This amount, net of any subscription costs, is allocated over the plan's vesting period. The corresponding cost is recognized in the income statement, with an offsetting entry posted to an equity reserve (so-called "equity settled payments").

Provision for Risks and Charges

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

Recognition of Revenues and Expenses

Revenues and income, costs and expenses are recognized 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 environmental securities attributable to the period and, if applicable, those referred to facilities divested during the period attributable to the seller. Purchases of green certificates, emissions 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

Current income taxes are recognized by each company, based on an estimate of its taxable income, in accordance with the tax rates and laws that have been enacted or substantively enacted in each country at the end of the reporting period and taking into account any applicable exemptions or available tax credits.

Deferred-tax assets and liabilities are computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, using the tax rates that are expected to be in effect when the temporary differences are reversed. Deferred-tax assets are recognized only when their future recovery is probable. 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, more specifically in the "Reserve for other components of comprehensive income", the corresponding current income taxes and deferred-tax assets or liabilities must also be recognized in equity. The deferred-tax liability on retained earnings of Group companies is recognized only if there is truly an intent to distribute those earnings and provided that the tax liability is not cancelled when a consolidated tax return is filed.

Use of Estimated Values

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in the income statement. 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, and in particular for business and scenario assumptions taken into account, is provided later in these Notes, in the paragraph entitled "Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles", which includes a description of the methods and assumptions used.
- Valuation of derivatives and financial instruments in general. Information about valuation criteria and quantitative disclosures are provided, respectively, in the paragraph entitled "Financial instruments" and in the paragraph entitled "Analysis of Forward Transactions and Derivatives", which supplement and complete the financial statements. The methods applied to determine fair value and manage inherent risks in connection with energy commodities traded by the Group, foreign exchange rates and interest rates are described in these Notes, in a section entitled "Group Financial Risk Management".
- Measurement of certain sales revenues, in particular for the CIP 6/92 contracts, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on available information.

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	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Sales Revenues	**7,437**	**6,528**	**5,468**	**5,040**	**50**	**51**	**-**	**-**	**(1,574)**	**(1,934)**	**11,381**	**9,685**
- third parties sales revenues	7,429	6,523	3,944	3,150	8	12	-	-	-	-	11,381	9,685
- intra-Group sales revenues	8	5	1,524	1,890	42	39	-	-	(1,574)	(1,934)	-	-
EBITDA	**509**	**950**	**484**	**413**	**(106)**	**(99)**	**-**	**-**	**-**	**-**	**887**	**1,264**
as a % of sales revenues	*6.8%*	*14.6%*	*8.9%*	*8.2%*	*n.m.*	*n.m.*	-	-	-	-	*7.8%*	*13.1%*
Depreciation, amortization and writedowns	(795)	(524)	(68)	(421)	(22)	(12)	-	-	-	-	(885)	(957)
EBIT	**(286)**	**426**	**416**	**(8)**	**(128)**	**(111)**	**-**	**-**	**-**	**-**	**2**	**307**
as a % of sales revenues	*(3.8%)*	*6.5%*	*7.6%*	*(0.2%)*	*n.m.*	*n.m.*	-	-	-	-	*n.m.*	*3.2%*
Net financial income (expense)											(160)	(117)
Interest in result of companies valued by equity method											1	1
Income taxes											(96)	(110)
Profit (Loss) from continuing operations											**(273)**	**123**
Profit (Loss) from discontinued operations							**(605)**	**(74)**			**(605)**	**(74)**
Minority interest in profit (loss)											**(7)**	**28**
Group interest in profit (loss)											**(871)**	**21**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Held for sale		Adjustments		Edison Group	
(in millions of euros)	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010
Total assets	**9,350**	**11,704**	**5,293**	**4,582**	**5,568**	**5,330**	**1,430**	**209**	**(5,804)**	**(5,312)**	**15,837**	**16,513**
Total liabilities	**3,787**	**4,447**	**3,060**	**2,873**	**5,102**	**4,184**	**829**	**4**	**(4,087)**	**(3,132)**	**8,691**	**8,376**
Net financial debt							**515**	**1**			**3,884**	**3,708**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Discontinued Operations		Adjustments		Edison Group	
(in millions of euros)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Capital expenditures	166	192	301	186	2	66	19	48	-	-	488	492
Investments in exploration	-	-	46	52	-	-	-	-	-	-	46	52
Investments in intangibles	2	1	10	7	1	4	2	1	-	-	15	13
Total capital investments	**168**	**193**	**357**	**245**	**3**	**70**	**21**	**49**	**-**	**-**	**549**	**557**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Held for sale		Adjustments		Edison Group	
	12.31.2011	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010	**12.31.2011**	12.31.2010
Number of employees	**1,275**	**1,830**	**1,319**	**1,357**	**642**	**633**	**528**	**119**	**-**	**-**	**3,764**	**3,939**

Thus far, the Group has not viewed **geographic area** segment information as meaningful, since it is mainly located and active in Italy. However, beginning in 2009, the Group began to expand its international operations essentially through acquisitions and, at the end of the year, net non-current assets held outside Italy totaled 1,608 million euros, including 1,413 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt, and 195 million euros for assets of the Electric Power Operations, mainly in Greece. At December 31, 2011, the contribution of foreign operations accounted for about 22% of EBITDA and about 15% of net invested capital.

As for the disclosure about the so-called "**major costumers**", the Group's sales are generally non concentrated, except for the Electric Power Operations, where one major customer, as defined by IFRS 8, generated sales revenues totaling 1,357 million euros in 2011, equal to about 18% of the total sales revenues of Electric Power Operations and to about 12% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

Overall, 2011 was characterized by a modest upturn in national consumption of electric power (+0.6%) compared with the previous year, even though demand was down in the year's closing quarter (-2.8%). In any case, the level achieved in 2011 was again well below the pre-crisis number of 2008. On the other hand, demand for natural gas was down sharply compared with 2010 (-6.4%), due mainly to the effect of milder weather and lower consumption by thermoelectric users.
The natural gas market continues to experience "supply bubble" conditions, with a resulting contraction of distribution margins, while the electric power market is characterized by persisting excess capacity caused by the commissioning of new power plants. Specifically in this market, an increase in the production of electric power by facilities fueled with coal and renewable sources put additional pressure on margins during peak usage hours.

Against this backdrop, the Group reported **EBITDA** of 887 million euros, for a decrease of 377 million euros (-29.8%) compared with the 1,264 million euros earned in 2010, which, however, included 173 million euros in benefits derived from the early termination of the CIP 6/92 contracts for some thermoelectric power plants.
The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 291 million euros, for a decrease of 13.9% compared with last year (338 million euros), due to the activities that engage in buying and selling natural gas, which experienced negative unit sales margins, and despite the proceeds generated by the successful renegotiations of long-term contracts to import natural gas from Russia and Norway. These negative factors were offset in part by the positive performance of the exploration and production operations.
It is also worth mentioning that the Group is in the process of renegotiating its contracts to import natural gas from Qatar, Libya and Algeria with the aim of restoring adequate operating margins for these contracts as well.
The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 702 million euros in 2011, down 31.5% compared with the previous year (1,025 million euros). This decrease reflects the impact of a reduction in the EBITDA contributed by the CIP 6/92 activities, caused by the early termination of some contracts in December 2010, which, however, generated an upfront benefit of 173 million euros. An additional factor was the contraction in the margins earned by the Edison Group on sales of electric power in the deregulated market due to higher competitive pressure in the Italian electric power market. The negative impact of these factors was offset in part by positive performances by the international operations and the renewable energy activities.

Also due to the results of the impairment test, the **writedowns** recognized in 2011, which totaled 475 million euros, concerned mainly the goodwill of the Electric Power Operations (213 million euros) and some assets of thermoelectric power plants (217 million euros), also due to the impact of a projected reduction in volumes and unit margins, caused by a deterioration of the market scenario, and to the country risks for the Greek operations. In addition, the **Loss from discontinued operations** reflects writedowns of 572 million euros, related to the transaction concerning Edipower and mainly due to align the carrying amounts of the corresponding assets to their presumed realizable value. The impact of these negative factors was offset in part by a partial reinstatement of the value of international hydrocarbon concessions (125 million euros) and a reduction in depreciation and amortization compared with 2010, due mainly to the effect of the early termination of some CIP 6/92 contracts and the writedowns recognized in 2010 and the first half of 2011.

1. Adjusted EBITDA reflects the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. Consistent with the policies to manage business risks, the purpose of these hedges is to mitigate the risk of fluctuations in the cost of natural gas earmarked for the production and sale of electric power and for direct gas sales. The gains and losses generated by these transactions, which are recognized by the Hydrocarbons Operations, were reclassified under the Electric Power Operations for the portion of gains and losses attributable to them (+193 million euros in 2011, +75 million euros in 2010). This reclassification is being made, in view of the impact of fluctuations in commodity prices and foreign exchange parities during the year, to provide an operational presentation of the industrial results.
The Adjusted EBITDA amount was not audited.

The **Group's interest in the net result** was a loss of 871 million euros, as against a net profit of 21 million euros in 2010. In addition to the negative effect of the industrial margins and writedowns mentioned above, the loss for the year reflects the impact of the following contrasting factors:

- an increase of 43 million euros in financial expense, attributable mainly to net foreign exchange losses on fuel procurement transactions;
- a change in the rate of the "Robin Hood Tax" implemented pursuant to Law No. 148 of September 14, 2011 (increase of 4% in the corporate income tax rate for three years, from 2011 to 2013, with applicability expanded to companies in the renewable energy and natural gas distribution sectors). The economic impact was negative by 20 million euros, of which 3 million euros recorded in "Profit (Loss) from discontinued operations".

1. Sales Revenues

Sales revenues totaled 11,381 million euros, or 17.5% more than the 9,685 million euros reported at December 31, 2010, mainly affected by commodity prices trend.

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

(in millions of euros)	2011	2010	Change	% change
Revenues from the sales of:				
- Electric power	6,136	5,425	711	13.1%
- Natural gas	3,572	2,876	696	24.2%
- Steam	126	127	(1)	(0.8%)
- Oil	224	160	64	40.0%
- Green certificates	105	125	(20)	(16.0%)
- CO_2 emissions rights	89	-	89	n.m.
- Other sales revenues	38	35	3	8.6%
Total sales revenues	**10,290**	**8,748**	**1,542**	**17.6%**
Revenues from services provided	23	25	(2)	(8.0%)
Storage services	54	49	5	10.2%
Margin on physical trading activities	40	39	1	2.6%
Transmission revenues	944	801	143	17.9%
Other revenues from sundry services	30	23	7	30.4%
Total for the Group	**11,381**	**9,685**	**1,696**	**17.5%**

Breakdown by Business Segment

(in millions of euros)	2011	2010	Change	% change
Electric Power Operations	7,437	6,528	909	13.9%
Hydrocarbons Operations	5,468	5,040	428	8.5%
Corporate Activities and Other Segments	50	51	(1)	(2.0%)
Eliminations	(1,574)	(1,934)	360	(18.6%)
Total for the Group	**11,381**	**9,685**	**1,696**	**17.5%**

An analysis of sales revenues is provided below:

- The **Electric Power Operations** reported a 13.9% increase in sales revenues, compared with 2010. The gain in sales revenues is the combined result of steady volumes, despite a different sale mix favoring the wholesale market, and higher average sales prices driven by conditions in the benchmark scenario. In addition, the contribution provided by the international operations grew, thanks to the commissioning of a new power plant in Thisvi, Greece, in December 2010, as did that of the renewable energy activities.
- The sales revenues of the **Hydrocarbons Operations** were also up, rising by 8.5% compared with 2010, as the result of higher sales prices, offset in part by lower sales volumes, mainly to thermoelectric users and residential customers. The contribution of the exploration and production activities was up, thanks to an increase in production outside Italy (oil +17.8% and natural gas +18.4%) and higher oil prices.

2. Other Revenues and Income

Other revenues and income totaled 652 million euros (535 million euros in 2010). A breakdown is as follows:

(in millions of euros)	2011	2010	Change	% change
Commodity derivatives	367	180	187	n.m.
Margin on financial trading activities	-	11	(11)	(100.0%)
Out-of-period income	143	65	78	n.m.
Recovery of costs from partners in hydrocarbon exploration projects	25	23	2	8.7%
Net reversals in earnings of provisions for risks on receivables and other risks	24	22	2	9.1%
Income from CIP 6/92 contracts early termination	14	173	(159)	(91.9%)
Gains on the sale of property, plant and equipment	2	2	-	-
Sundry items	77	59	18	30.5%
Total for the Group	**652**	**535**	**117**	**21.9%**

The income from **commodity derivatives**, which should be analyzed together with the same item included in **"Raw materials and services used"** (which increased from 65 million euros to 131 million euros), reflects primarily the results of Brent and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used for the production and sale of electric power and of the gas earmarked for direct sales.
This performance is due to the scenario effect on the hedged physical commodity: in 2011, a spike in the prices of petroleum products drove natural gas costs higher, with a negative scenario effect on the underlying physical commodity, offset by the positive results shown as net income from commodity derivatives.

Out-of-period income includes the effects referred to previous years from the successfully renegotiations of the contracts for the supply of natural gas (66 million euros).

Income from early termination of CIP 6/92 contracts of 14 million euros refers to the early termination of the CIP 6/92 contract for the Taranto thermoelectric power plant pursuant to the Ministry Decree of June 23, 2011. It is worth mentioning that the amount reported in 2010 included income from early termination of CIP 6/92 contracts totaling 173 million euros.

Sundry items include insurance settlements totaling 13 million euros (22 million euros in 2010), referred for the most part to past accidents that occurred at Italian extraction wells (11 million euros) and at thermoelectric power plants (2 million euros).

3. Raw Materials and Services Used

Raw materials and services used totaled 10,932 million euros, or 25% more than in 2010 (8,745 million euros) affected by the price and volume trends already mentioned in the note "Sales revenues". The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	2011	2010	Change	% change
Purchases of:				
- Natural gas	4,391	3,780	611	16.2%
- Electric power	2,460	1,981	479	24.2%
- Dispatching and balancing market	767	284	483	n.m.
- Blast furnace gas, recycled and coke	380	340	40	11.8%
- Oil and fuel	4	10	(6)	(60.0%)
- Demineralized industrial water	32	36	(4)	(11.1%)
- Green certificates	97	117	(20)	(17.1%)
- CO_2 emissions rights	103	62	41	66.1%
- Coal, utilities and other materials	79	71	8	11.3%
Total	**8,313**	**6,681**	**1,632**	**24.4%**
- Facilities maintenance	146	151	(5)	(3.3%)
- Transmission of electric power and natural gas	1,590	1,232	358	29.1%
- Regasification fee	102	108	(6)	(5.6%)
- Professional services	143	121	22	18.2%
- Writedowns of trade and other receivables	39	36	3	8.3%
- Commodity derivatives	131	65	66	n.m.
- Margin on financial trading activities	5	-	5	n.a.
- Additions to provisions for miscellaneous risks	51	30	21	70.0%
- Change in inventories	50	(16)	66	n.m.
- Use of property not owned	91	86	5	5.8%
- Losses on sales of property, plant and equipment	2	7	(5)	(71.4%)
- Sundry items	269	244	25	10.2%
Total for the Group	**10,932**	**8,745**	**2,187**	**25.0%**

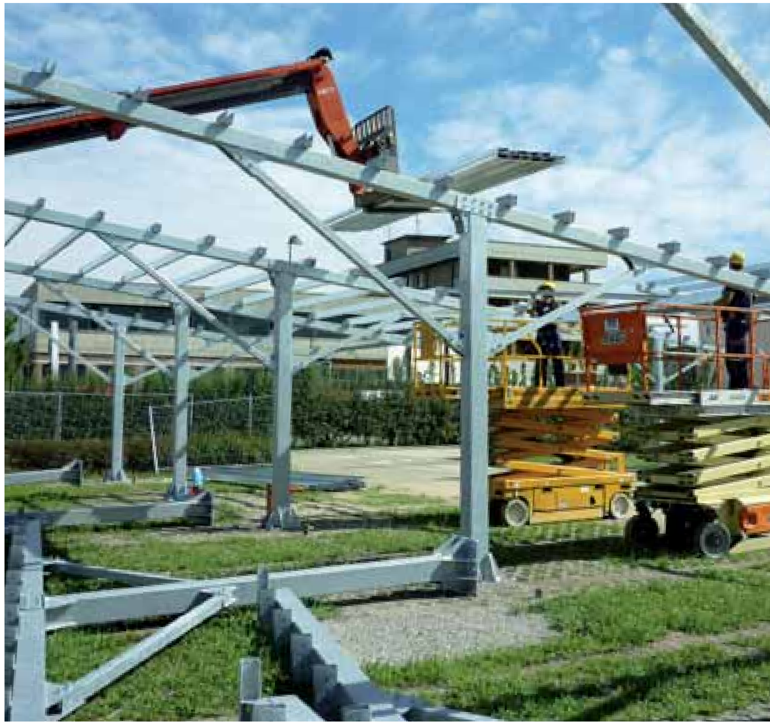
Breakdown by Business Segment

(in millions of euros)	2011	2010	Change	% change
Electric Power Operations	7,006	5,833	1,173	20.1%
Hydrocarbons Operations	5,394	4,746	648	13.7%
Corporate Activities and Other Segments	116	111	5	4.5%
Eliminations	(1,584)	(1,945)	361	(18.6%)
Total for the Group	**10,932**	**8,745**	**2,187**	**25.0%**

The increase in the amount shown for **natural gas** (611 million euros), compared with 2010, is due to the higher prices paid for natural gas (both in the spot market and under long-term procurement contracts), offset only in part by a decrease in consumption, by the adoption of policies to optimize supply sources and by the positive impact of a successful renegotiations of the contracts for the supply of natural gas from Norway and Russia. The amount of natural gas purchases reflects the negative impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (30 million euros).

The higher amounts paid to purchase **electric power** (479 million euros) and on the **dispatching and balancing market** (483 million euros), compared with 2010, is due to an increase in volumes bought on the Power Exchange, based on the strategies deployed by the Group to optimize the costs of its supply sources.

The increase in **transmission of electric power and natural gas** costs (358 million euros) compared with 2010 is due, for natural gas, to the effect of higher rates paid in 2011, offset in part by a reduction in volumes. In the case of electric power, an increase in rate accounts for most of the increase.



In 2011, Edison signed contracts with the Mapei Group and Roche Italy to implement two energy efficiency projects. The photos show the photovoltaic facility at the Roche parking lot.

The **regasification fee** (102 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (39 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. In addition, allowances for doubtful accounts in excess, totaling 11 million euros, were reversed in earnings in 2011. This item is included in "Net reversals in earnings of provisions for risks on receivables and other risks" listed in Note 2 **Other Revenues and Income**.

A breakdown of **additions to provisions for miscellaneous risks** (51 million euros) is provided in the note to provisions for risks and charges (Note 27).

The **change in inventories** (50 million euros) refers mainly to a decrease in natural gas held in storage (55 million euros).

Margin on Trading Activities

The table below, which is provided for the sake of greater clarity, shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios included in sales revenues and in raw materials and services used. Compared with the previous year, volumes increased, due in part to the growth of natural gas trading activities.

(in millions of euros)	See Note	2011	2010	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		4,273	2,732	1,541	56.4%
Raw materials and services used		(4,233)	(2,693)	(1,540)	57.2%
Total included in sales revenues	1	**40**	**39**	**1**	**2.6%**
Margin on financial contracts included in trading portfolios					
Other revenues and income		118	60	58	96.7%
Raw materials and services used		(123)	(49)	(74)	n.m.
Total included in other revenues and income/ (raw material and services used)	2/3	**(5)**	**11**	**(16)**	**n.m.**
Total margin on trading activities		**35**	**50**	**(15)**	**(30.0%)**

A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled "Group Financial Risk Management".

4. Labor Costs

Labor costs totaled 214 million euros, or about 1.4% more than in 2010, when they amounted to 211 million euros.

This increase is mainly the result of salary increases partially offset by a decrease in yearly average payroll.

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:

Breakdown by Business Segment

(number of employees)	12.31.2011	12.31.2010	Change
Electric Power Operations	1,275	1,830	(555)
Hydrocarbons Operations	1,319	1,357	(38)
Corporate Activities and Other Segments	642	633	9
Total Core Business	**3,236**	**3,820**	**(584)**
Discontinued Operations (*)/Disposal Group	528	119	409
Total for the Group	**3,764**	**3,939**	**(175)**

(*) The amount at December 31, 2011 is referred to Edipower Spa.

Changes by employee category

(number of employees)	01.01.2011	Added to payroll	Removed from payroll	Changes of classification	12.31.2011	Average payroll
Executives	192	-	(17)	21	196	198
Office staff and Middle managers	2,842	76	(209)	23	2,732	2,801
Production staff	905	60	(85)	(44)	836	888
Total for the Group	**3,939**	**136**	**(311)**	**-**	**3,764**	**3,887**

5. EBITDA

EBITDA totaled 887 million euros, or 377 million euros less (-29.8%) than the 1,264 million euros earned in 2010.

The table below provides a breakdown by business segment of the Group's reported and adjusted EBITDA, which include the reclassification of a portion of the result from transactions executed to hedge natural gas importation contracts, since, from an operational standpoint, the margins earned on sales of electric power also benefit from these hedges. Given the magnitude of fluctuations in commodity prices and foreign exchange rates during the year and in order to provide an adequate basis of comparison, it seems appropriate to show the adjusted EBITDA amount, restated to reflect the applicable portion of the result from hedging transactions attributable to the Electric Power Operations.

(in millions of euros)	2011	as a % of sales revenues	2010	as a % of sales revenues	EBITDA % change
Reported EBITDA					
Electric Power Operations	509	6.8%	950	14.6%	(46.4%)
Hydrocarbons Operations	484	8.9%	413	8.2%	17.2%
Corporate Activities and Other Segments	(106)	n.m.	(99)	n.m.	n.m.
Total for the Group	**887**	**7.8%**	**1,264**	**13.1%**	**(29.8%)**
Adjusted EBITDA					
Electric Power Operations	702	9.4%	1,025	15.7%	(31.5%)
Hydrocarbons Operations	291	5.3%	338	6.7%	(13.9%)
Corporate Activities and Other Segments	(106)	n.m.	(99)	n.m.	n.m.
Total for the Group	**887**	**7.8%**	**1,264**	**13.1%**	**(29.8%)**

Regarding the performance:

- The **Hydrocarbons Operations** adjusted EBITDA totaled 291 million euros, down (-13.9%) compared with last year (338 million euros), attributable to the activities that engage in buying and selling natural gas, which experienced negative unit margins on the whole, partially offset by the adoption of policies to optimize supply sources and the positive impact of the successful renegotiations of long-term contracts to import natural gas from Russia and Norway. The exploration and production activities performed particularly well, thanks to a significant rise in crude oil prices and an increase in international productions (oil +17.8%, natural gas +18.4%).
- The adjusted EBITDA of the **Electric Power Operations** was down sharply, falling by 31.5% (from 1,025 million euros in 2010 to 702 million euros in 2011). It is worth mentioning that the 2010 EBITDA were boosted by a gain of 173 million euros from the early termination of some CIP 6/92 contracts, while those for 2011 include a gain of 14 million euros recognized, pursuant to the Ministry Decree of June 23, 2011, for the early termination of the CIP 6/92 contract for the Taranto thermoelectric power plant. However, the main reasons for the decrease in the EBITDA of the Electric Power Operations were the reduction in the contribution provided by the CIP 6/92 activities, that resulted from the abovementioned early termination of some contracts and the schedule expiration of other contracts, and a contraction of the Group's unit sales margins caused by higher competitive pressure in the Italian electric power market. Another negative factor was a decrease in hydroelectric production, caused by a reduced availability of water resources. These unfavorable effects could be offset only in part by the steady volumes. Also worth mentioning is a positive performance by the international activities, due to the commissioning of a new thermoelectric power plant in Thisvi, Greece, in December 2010, and by the renewable energy activities.

6. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 885 million euros, is provided below:

(in millions of euros)	2011	2010	Change	% change
Depreciation and amortization of:	**555**	**598**	**(43)**	**(7.2%)**
- property, plant and equipment	426	456	(30)	(6.6%)
- hydrocarbon concessions	70	72	(2)	(2.8%)
- other intangible assets	59	70	(11)	(15.7%)
Writedowns of:	**475**	**359**	**116**	**32.3%**
- property, plant and equipment	254	152	102	67.1%
- investment property	1	-	1	n.a.
- goodwill	213	4	209	n.m.
- hydrocarbon concessions	-	202	(202)	(100.0%)
- other intangible assets	7	1	6	n.m.
Reversal of writedowns of hydrocarbon concessions	**(125)**	**-**	**(125)**	**n.a.**
Utilization of the provisions for risks and charges	**(20)**	**-**	**(20)**	**n.a.**
Total for the Group	**885**	**957**	**(72)**	**(7.5%)**

Breakdown by Business Segment

(in millions of euros)	2011	2010	Change	% change
Electric Power Operations:	**795**	**524**	**271**	**51.7%**
- depreciation and amortization	335	379	(44)	(11.6%)
- writedowns of property, plant and equipment	240	141	99	70.2%
- writedowns of goodwill	213	3	210	n.m.
- writedowns of other intangible assets	7	1	6	n.m.
Hydrocarbons Operations:	**68**	**421**	**(353)**	**(83.8%)**
- depreciation and amortization	208	207	1	0.5%
- utilization of the provisions for risks and charges	(20)	-	(20)	n.a.
- writedowns of property, plant and equipment	5	11	(6)	(54.5%)
- writedowns of goodwill	-	1	(1)	(100.0%)
- writedowns of hydrocarbon concessions	-	202	(202)	(100.0%)
- reversal of writedowns of hydrocarbon concessions	(125)	-	(125)	n.a.
Corporate Activities and Other Segments:	**22**	**12**	**10**	**83.3%**
- depreciation and amortization	12	12	-	-
- writedowns of property, plant and equipment	9	-	9	n.a.
- writedowns of investment property	1	-	1	n.a.
Total for the Group	**885**	**957**	**(72)**	**(7.5%)**

The increase of 271 million euros for the **Electric Power Operations** is the combined result of:

- higher writedowns of property, plant and equipment by 99 million euros; please note that the writedowns recognized in 2011, which totaled 240 million euros, include, among others, 171 million euros attributable to thermoelectric power plants, due to the impact of a projected reduction in volumes and unit margins caused by the scenario effect and the termination of some CIP 6/92 contracts, and 46 million euros attributable to the Greek production activities due to the assessment of the country risk component in the performance of the impairment test;
- a 213-million-euro writedown of goodwill, due to the results of the impairment test, which showed that the recoverable value was lower than the carrying amount, mainly due to a decrease in profitability also from a prospective standpoint;
- lower depreciation for 44 million euros compared with 2010, mainly due to the expiration of some CIP 6/92 contracts for thermoelectric power plants and to the writedowns recognized in 2010 and the first half of 2011.

The decrease of 353 million euros for the **Hydrocarbons Operations** is essentially due to:

- lower in writedowns than in 2010, when they totaled 214 million euros and were attributable mainly to the Egyptian concessions, due to a downward revision of hydrocarbon reserves and the profitability risk related to the political, economic and financial tensions that developed in that country; in 2011, on the other hand, the recognition of a partial reinstatement of value had a positive impact of 125 million euros;
- a 20-million-euro utilization of a provision for risks and charges, recognized as part of the Purchase Price Allocation process, for exploration costs incurred during the year in the Deep Horizon area of the Abu Qir concession in Egypt;
- a slight reduction in exploration costs, down from 52 million euros in 2010 to 46 million euros in 2011.

The increase (10 million euros) in **Corporate Activities and Other Segments** is due mainly to the alignment of the carrying amount of some plots of land to their estimated realizable value.

A detailed analysis of the impact of the impairment test of the Edison Group is provided later in these Notes in the disclosure about the “Impairment Test in accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles” (Note 17).

7. Net Financial Income (Expense)

Net financial expense totaled 160 million euros, or 43 million euros more than in 2010 (117 million euros). A breakdown of net financial expense is as follows:

(in millions of euros)	2011	2010	Change
Financial income			
Financial income from financial derivatives	87	53	34
Interest earned on finance leases	14	14	-
Interest earned on bank and postal accounts	3	3	-
Interest earned on trade receivables	2	13	(11)
Other financial income	12	12	-
Total financial income	**118**	**95**	**23**
Financial expense			
Interest paid on bond issues	(74)	(89)	15
Fair Value Hedge adjustment on bonds	(47)	9	(56)
Financial expense on financial derivatives	(35)	(52)	17
Interest paid to banks	(41)	(30)	(11)
Bank fees	(19)	(17)	(2)
Financial expense on decommissioning projects and provisions for risks	(25)	(24)	(1)
Financial expense in connection with employee severance benefits	(2)	(2)	-
Interest paid to other lenders	(14)	(11)	(3)
Other financial expense	(2)	(4)	2
Total financial expense	**(259)**	**(220)**	**(39)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	105	112	(7)
Foreign exchange translation losses	(124)	(104)	(20)
Net foreign exchange translation gains (losses)	**(19)**	**8**	**(27)**
Net financial income (expense) for the Group	**(160)**	**(117)**	**(43)**

The net increase in financial expense in 2011 is due mainly to higher net translation losses (net losses of 19 million euros, as against net gains of 8 million euros in 2010) caused primarily by negative results from derivative transactions executed to hedge natural gas purchase in foreign currencies that exceeded net foreign exchange gains on commercial transactions. On the other hand, thanks also to the hedging policies implemented, borrowing costs are nearly stable compared with the previous year.

8. Income from (Expense on) Equity Investments

A breakdown of the negative balance of 5 million euros is shown below:

(in millions of euros)	2011	2010	Change
Income from equity investments			
Dividends	5	1	4
Revaluations and valuations of investments by the equity method	2	2	-
Gains on the sale of equity investments	6	-	6
Total income from equity investments	**13**	**3**	**10**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(1)	(3)	2
Writedowns of investments available for sales	(13)	-	(13)
Writedowns of trading securities	(4)	(1)	(3)
Total expenses on equity investments	**(18)**	**(4)**	**(14)**
Total Group income from (expense on) equity investments	**(5)**	**(1)**	**(4)**

Gains on the sale of equity investments refers to the sale of the 2.703% interest held in Terminale GNL Adriatico Srl (5 million euros) and of the equity investment held by Edison Spa (1.055%) in CESI Spa (1 million euros).

Writedowns of investments available for sale (13 million euros) reflects mainly an adjustment to fair value of the carrying amount of the investment in Terminale GNL Adriatico Srl (6 million euros) and of the investment in RCS Mediagroup Spa (7 million euros).

9. Other Income (Expense), Net

Net other expense of 14 million euros includes expenses for settlements and additions to provisions for legal and tax-related risks. Net other income of 44 million euros reported in 2010 reflected mainly the outcome of some arbitration proceedings that generated a benefit.

10. Income Taxes

The income tax expense decrease to 96 million euros, or 14 million euros less than the amount owed in 2010 (110 million euros). A breakdown of income taxes is provided below:

(in millions of euros)	2011	2010	Change
Current taxes	213	321	(108)
Net deferred-tax liabilities (assets)	(108)	(199)	91
Income taxes attributable to previous years	(9)	(12)	3
Total for the Group	**96**	**110**	**(14)**

Current taxes include 196 million euros for corporate income taxes (IRES), 26 million euros for regional taxes (IRAP) and 19 million euros for foreign taxes, offset only in part by a tax benefit of 28 million euros generated by filing a consolidated income tax return.

The tax burden for the year reflects the IRES increase resulting from the enactment of Law No. 148 of September 14, 2011, which converted Law Decree No. 138/11 into law, introducing the following changes:

- an IRES rate increase of 4 percentage points for companies already subject to the “Robin Hood Tax”, applicable for three years, from 2011 to 2013;
- extension of the “Robin Hood Tax” to Group companies that operate in the renewable energy and natural gas distribution sectors, which will be required to apply for the first time the full IRES surcharge of 10.5%.

The full effect of the tax increase amounted to 17 million euros in current taxes, while the deferred-tax liability was fully offset by deferred-tax assets. Furthermore, 3 million euros of tax charges have been recorded in “Profit (Loss) from discontinued operations”.

In relative terms the tax rate is shown in the following table:

(in millions of euros)	2011		2010		Change
Profit before taxes	**(177)**		**233**		
Tax calculated at domestic tax rate	(60)	34.0%	79	34.0%	(139)
Permanent differences	29	(16.4%)	1	0.4%	28
Non-deductible writedowns of goodwill	72	(40.7%)	-	-	72
Foreign taxes and tax assets not recognized	17	(9.6%)	5	2.1%	12
Changes to tax rates/Income tax surcharge	17	(9.6%)	(8)	(3.4%)	25
"Tremonti - ter"	-	-	(5)	(2.1%)	5
IRAP - regional taxes	26	(14.7%)	41	17.6%	(15)
Income taxes attributable to previous years and other differences	(5)	2.8%	(3)	(1.3%)	(2)
Income taxes	**96**	**(54.2%)**	**110**	**47.2%**	**(14)**

The table below provides a breakdown of **deferred-tax liabilities and deferred-tax assets** and shows the changes that occurred in 2011:

(in millions of euros)	12.31.2010	Additions	Utilizations	Restat. for new rates	IAS 39 to sharehold. equity	Reclassification to "Assets/Liab. held for sale"	Other changes/ Reclassif./ Offsets	12.31.2011
Provision for deferred taxes:								
Valuation differences of property, plant and equipment and intangibles	487	2	(124)	5	-	(112)	5	263
Adoption of IAS 17 to value finance leases	23	6	-	-	-	-	(5)	24
Adoption of IAS 39 to value financial instruments with impact on shareholders' equity	49	-	-	-	(49)	-	-	-
Other deferred-tax liabilities	10	2	(1)	1	-	-	(3)	9
	569	**10**	**(125)**	**6**	**(49)**	**(112)**	**(3)**	**296**
Offsets	(65)	-	-	-	-	-	(16)	(81)
Provision for deferred taxes net of offsets	**504**	**10**	**(125)**	**6**	**(49)**	**(112)**	**(19)**	**215**
Deferred-tax assets:								
Tax loss carryforward	10	9	(5)	-	-	-	-	14
Taxed provisions for risks	107	26	(12)	5	-	(10)	(2)	114
Adoption of IAS 39 to value financial instruments with impact:								
- on the income statement	2	-	(2)	-	-	-	-	-
- on shareholders' equity	3	-	-	-	-	-	-	3
Valuation differences of property, plant and equipment and intangibles	109	20	(43)	1	-	(33)	-	54
Other deferred-tax assets	16	2	(2)	-	-	(8)	(1)	7
	247	**57**	**(64)**	**6**	**-**	**(51)**	**(3)**	**192**
Offsets	(65)	-	-	-	-	-	(16)	(81)
Deferred-tax assets net of offsets	**182**	**57**	**(64)**	**6**	**-**	**(51)**	**(19)**	**111**

11. Profit (Loss) from Discontinued Operations

The loss of 605 million euros (loss of 74 million euros in 2010) stems from:

- 591 million euros for the effects of the transaction concerning Edipower Spa. This amount includes Edipower's contribution to the Group's result (negative by 20 million euros) and the writedown recognized to align the carrying amount with the estimated realizable value;
- due to the agreement signed, the carrying amount of the thermoelectric power plants for disposal was written down by 6 million euros in order to reflect the disposal value;
- a decision handed down by the Council of State on May 31, 2011, pursuant to which Edison Spa was denied certain rate benefits for a thermoelectric power plant divested in 2008, formerly classified as a Disposal Group.

For further information, please see the section entitled "Disclosure pursuant to IFRS 5".

12. Earnings (Loss) per Share

A breakdown of earnings (loss) per share is as follows:

(in millions of euros)	2011		2010	
	Common shares	Savings shares (1)	Common shares	Savings shares (1)
Group interest in profit (loss)	(871)	(871)	21	21
Profit (Loss) attributable to the different classes of shares (A)	(877)	6	17	4
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
- diluted (C) (2)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
Earnings (Loss) per share (in euros)				
- basic (A/B)	(0.1692)	0.0500	0.0034	0.0334
- diluted (A/C) (2)	(0.1692)	0.0500	0.0034	0.0334

(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 profit (loss).

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

The tables below show earnings (loss) per share for Continuing and Discontinued Operations:

(in millions of euros)	2011		2010	
	Common shares	Savings shares	Common shares	Savings shares
Group interest in profit (loss) from continuing operations	(266)	(266)	61	61
Profit (Loss) attributable to the different classes of shares (A)	(272)	6	57	4
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
- diluted (C)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
Earnings (Loss) per share from continuing operations (in euros)				
- basic (A/B)	(0.0524)	0.0500	0.0110	0.0334
- diluted (A/C)	(0.0524)	0.0500	0.0110	0.0334

(in millions of euros)	2011		2010	
	Common shares	Savings shares	Common shares	Savings shares
Group interest in profit (loss) from discontinued operations	(605)	(605)	(40)	(40)
Profit (Loss) attributable to the different classes of shares (A)	(605)	-	(40)	-
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
- basic (B)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
- diluted (C)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
Earnings (Loss) per share from discontinued operations (in euros)				
- basic (A/B)	(0.1168)	-	(0.0076)	-
- diluted (A/C)	(0.1168)	-	(0.0076)	-

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred in 2011:

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2010 (A)	**813**	**5.279**	**429**	**38**	**8**	**7**	**428**	**7,002**
Changes in 2011:								
- Additions Continuing Operations	4	320	2	-	1	2	140	469
- Disposals (-)	(2)	(12)	-	-	-	-	-	(14)
- Depreciation (-)	(21)	(364)	(35)	(2)	(2)	(2)	-	(426)
- Writedowns (-)	(26)	(206)	-	-	-	-	-	(232)
- Reclassification of "Assets held for sale"	(277)	(1,136)	(239)	-	(1)	(1)	(44)	(1,698)
- Decommissioning costs	-	16	-	-	-	-	-	16
- Other changes	7	125	11	-	(1)	2	(148)	(4)
Total changes (B)	**(315)**	**(1,257)**	**(261)**	**(2)**	**(3)**	**1**	**(52)**	**(1,889)**
Balance at 12.31.2011 (A+B)	**498**	**4,022**	**168**	**36**	**5**	**8**	**376**	**5,113**
Breakdown:								
- Historical cost	659	6.816	548	41	16	19	405	8,504
- Accumulated depreciation (-)	(130)	(2,289)	(380)	(5)	(11)	(11)	-	(2,826)
- Writedowns (-)	(31)	(505)	-	-	-	-	(29)	(565)
Net carrying amount	**498**	**4,022**	**168**	**36**	**5**	**8**	**376**	**5,113**

A breakdown by business segment of **additions** totaling 488 million euros, including Discontinued Operations, is as follows:

(in millions of euros)	2011	2010
Electric Power Operations	**166**	**192**
broken down as follows:		
- Thermoelectric area	46	110
- Hydroelectric area	25	43
- Renewable sources area (wind power, photovoltaic, etc.)	95	39
Hydrocarbons Operations	**301**	**186**
broken down as follows:		
- Hydrocarbon fields in Italy	112	23
- Hydrocarbon fields outside Italy	131	136
- Transmission and storage infrastructures	58	27
Corporate Activities and Other Segments	**2**	**66**
Total for Continuing Operations	**469**	**444**
Discontinued Operations	**19**	**48**
Total for the Group	**488**	**492**

Projects carried out during the year included the following:

- for the **Electric Power Operations**: completion of the revamping of a thermoelectric power plant (Bussi), the repowering and the development of some wind farms and commissioning of photovoltaic

facilities (for a total of about 9 MW) in Oviglio, Piedimonte, Cascine Bianche and Termoli and of systems built at factories operated by the Mapei Group in Latina and Mediglia and by the Roche Group in Monza;
- for the **Hydrocarbons Operations**: in the exploration and production area, putting into service new production wells in Italy, to optimize the output of hydrocarbon fields, and at the Abu Qir field in Egypt. In the gas storage area, commissioning of the compressor and treatment station at Collalto, in Italy.

Capitalized borrowing costs recognized in the year as part of property, plant and equipment, as required by IAS 23 Revised, amounted to about 4 million euros.

A more detailed analysis of **depreciation**, which amounted to 426 million euros (456 million euros in 2010), is provided in Note "Depreciation, amortization and writedowns" to the Income Statement.

Writedowns of 232 million euros (152 million euros in 2010) reflect mainly the effects of the impairment test. Detailed information about the impairment test is provided in the "Depreciation, amortization and writedowns" Note to the Income Statement and in the section of these Notes entitled "Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).

The **reclassification to "Asset held for sale"** refers mainly to the planned sale of items of property, plant and equipment held by Edipower Spa (1,734 million euro applicable to Edison).

The change in **decommissioning costs** (16 million euros) mainly refers to the Electric Power Operations and reflects a revision of projected costs for some thermoelectric power plants.

Assets transferable at no cost are attributable to the concessions held by the Edison Group.

For the **assets acquired under finance leases**, recognized in accordance with the IAS 17 Revised method, the balance of the remaining financial liability, 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).

The biggest energy is us.
This was the slogan chosen for the Christmas party to emphasize the importance that our company attributes to its human capital.

14. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes and has a total carrying amount of 10 million euros, decreased in value by 1 million euros compared with December 31, 2010, due to the writedown of a plot of land during the year. A breakdown of the change that occurred in 2011 is provided below:

(in millions of euros)	
Balance at 12.31.2010 (A)	**11**
Changes in 2011:	
- Writedowns (-)	(1)
Total changes (B)	**(1)**
Balance at 12.31.2011 (A+B)	**10**
Breakdown:	
- Historical cost	13
- Accumulated depreciation (-)	(1)
- Writedowns (-)	(2)
Net carrying amount	**10**

15. Goodwill

Goodwill totaled 3,231 million euros, for a decrease of 303 million euros compared with December 31, 2010, concerning the Electric Power Operations. A detailed analysis is provided later in these Notes, in the disclosure entitled "Impairment Test in Accordance with IAS 36 applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 17).
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.

16. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which consist of 86 mineral leases in Italy and abroad (including 3 storage concessions) for the extraction of hydrocarbon deposits, were valued at 1,040 million euros. The successful outcome of exploration projects in 2011 and the resulting upward revision of hydrocarbon reserve estimates made it possible to recognize a partial value reinstatement

(125 million euros) for the Abu Qir concession in Egypt. In 2011, the Group was awarded five new hydrocarbon exploration concessions in Norway but two exploration permits expired: one in Egypt and another one in Ivory Coast. The table below shows the changes that occurred in this account in 2011:

(in millions of euros)	
Balance at 12.31.2010 (A)	**985**
Changes in 2011:	
- Reversal of writedowns (+)	125
- Amortization (-)	(70)
Total changes (B)	**55**
Balance at 12.31.2011 (A+B)	**1,040**
Breakdown:	
- Historical cost	1,458
- Accumulated amortization (-)	(337)
- Writedowns (-)	(81)
Net carrying amount	**1,040**

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 "Property, plant and equipment", "Hydrocarbon concessions" and "Other Intangible Assets".

	Number	Remaining life (years) from	to
Storage concessions	3	4	18
Hydroelectric concessions	71	1	24
Distribution concessions	62	1	12
Hydrocarbon concessions	83	(*) "unit of production"	

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

Please note that hydroelectric concessions include 33 concessions held by Edipower Spa.

17. Other Intangible Assets

The table below shows the main changes that occurred in 2011:

(in millions of euros)	Concessions, licenses, patents and similar rights	CO_2 emissions rights	Green Certificates	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2010 (A)	**86**	**6**	**5**	**-**	**6**	**6**	**109**
Changes in 2011:							
- Additions Continuing Operations	11	-	-	46	2	-	59
- Amortization (-)	(13)	-	-	(46)	-	-	(59)
- Reclassification to "Assets held for sale"	(5)	-	-	-	-	-	(5)
- Writedowns (-)	-	(7)	-	-	-	-	(7)
- Other changes	5	5	(5)	-	(1)	(6)	(2)
Total changes (B)	**(2)**	**(2)**	**(5)**	**-**	**1**	**(6)**	**(14)**
Balance at 12.31.2011 (A+B)	**84**	**4**	**-**	**-**	**7**	**-**	**95**
Breakdown:							
- Historical cost	195	11	-	355	14	-	575
- Writedowns (-)	(1)	(7)	-	-	(2)	-	(10)
- Accumulated amortization (-)	(110)	-	-	(355)	(5)	-	(470)
Net carrying amount	**84**	**4**	**-**	**-**	**7**	**-**	**95**

Concessions, licenses, patents and similar rights includes the infrastructures used by the Group to distribute natural gas, under the 62 concessions it holds in this area of business, as required by IFRIC 12.
Reclassification to "Assets held for sale" includes Edison's pro rata share of the value of Edipower Spa's intangible assets and the residual value of a natural gas distribution concession that expired in 2011.
CO_2 emissions rights (4 million euros) include the rights exceeding the Group's requirements. This amount reflects a valuation at market prices, which required a writedown of 7 million euros.
The **exploration costs** incurred in 2011 totaled 46 million euros, down from 52 million euros in 2010. The entire amount was amortized during the year and no exploration costs were capitalized in connection with successful exploration project subsequently leading to production.

Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles
In 2011, the impairment test performed in accordance with IAS 36 required the recognition of writedowns totaling 473 million euros, broken down as follows:
- 213 million euros for the goodwill of the Electric Power Operations;
- 232 million euros for other assets, including 217 million euros for the Electric Power Operations, 5 million euros for the Hydrocarbons Operations and 10 million euros for the Corporate Activities and Other Segments;
- 28 million euros for thermoelectric facilities written down and later divested during the year.

This process also made it possible to recognize a partial reinstatement of the carrying amount of the concessions held in Egypt by the Hydrocarbons Operations, with a positive effect of 125 million euros.

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

Keeping in mind the strategic and organizational decisions of the Edison Group, goodwill was tested by making reference to the two different CGUs to which goodwill was allocated. These CGUs were identified as the "Electric Power Operations" and the "Hydrocarbons Operations." The Group as a whole was then tested (so-called, second-level impairment test) due to the presence of general expenses not allocated to the abovementioned CGUs.

Consistent with past practice, the test was carried out by an independent appraiser based on the cash flows used in the 2012 Budget approved by the Board of Directors on December 2, 2011 and on medium/long-term projections developed by management contained in the document entitled "2012-2019 Company Plan" presented to the Board of Directors, which takes into account the new scope of the Group's activities, following the future divestment of Edipower. These documents reflect the best estimates of top management with regard to the main assumptions concerning the Company's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors.
With regard to this, please note that IAS 36 defines the recoverable value of an asset or a cash-generating unit as the higher of its fair value, less costs to sell, and its value in use.
In 2011, consistent with past practice, the recoverable value pursuant to IAS 36 was estimated based on value in use, which is the present value of the future cash flows that the Company expects to

receive from a given asset, determined in the manner specified below. For Edipower, its presumed disposal value was used.
It is important to note that the market price of the Edison shares was found be an unreliable reference parameter of recoverable value, due to the reduced share float and market conditions characterized by a prolonged bearish phase and a significant liquidity crisis, and because IAS 36 defines recoverable value as the higher of an asset's fair value and its value in use. In the same fashion, Edison's per share value attributed in connection with the Group's corporate and industrial restructuring transactions, was not deemed to be significant.

For the purpose of estimating value in use, the independent appraiser verified the assumptions contained in the abovementioned documents and in analyses and simulations developed in support of the "2012-2019 Company Plan," which he verified against various external sources.
In addition, the independent appraiser reviewed previous plans prepared by the Company's management and analyzed variances shown by actual data.
The recoverable value (understood as value in use) of each of the two abovementioned operations was determined based on a plan's explicit projection horizon of five years, which is shorter than the time horizon projected in the plan, considering cash flows net of future developments (so-called inertial plan), due to the unpredictability of the scenario in general and the change in governance in particular.
The terminal value of both operations was estimated based on 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 were estimated taking into account the impact of the expiration of the CIP 6/92 contracts.

Consistent with the cash flows described above, the discount rates applied were estimated by determining the weighted average cost of capital. Specifically, an estimated median pretax rate was determined as follows:

	2012-2013 period	From 2014
Electric Power Operations	10.7%	10.3%
Hydrocarbons Operations	11.9%	11.3%

Starting in 2014, consistent with current legislation concerning the Robin Hood Tax, the abovementioned rates were restated without the impact of the corporate income tax surcharge, amounting to 4% in 2012 and 2013, it is also considered to end the effects of this additional tax from 2020.
In constructing the discount rate, the effect of an increased country risk was partially mitigated by the different structure of borrowing costs resulting from the corporate restructuring process.
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 appreciably different from that of Italy: specifically, operations located in Greece, Egypt and Croatia.

The recoverable value was estimated using the financial method. It was obtained using simulations for different variables (the most significant and sensitive to the value being the margins generated by the activities of the Electric Power Operations that engage in production and market sales, discount rates, discount rates parameters, the margins for the long-term contracts for natural gas, growth rates and non-discretional investments required to keep the Company operating at a normal level) and applying statistical simulation techniques (Montecarlo method). Specifically with regard to the Hydrocarbons Operations, the effects of different timing for the negotiation processes currently under way in the oil and gas area were also taken into account.

In accordance with the process described above, the independent appraiser determined an interval of recoverable values that were lower than the corresponding carrying amounts, particularly for the Electric Power Operations (ranging between -0.4% and -5%). This reduction in value was due to

excess market capacity and the resulting decrease in profit margins caused by competitive pressure. Consequently, the goodwill allocated to the Electric Power Operations had to be written down by 213 million euros (average value of the interval).

The table below shows the allocation of goodwill by business segment. Moreover, the decrease in Electric Power Operations amount compared with the previous year is due, in addition to the abovementioned writedown, to the allocation of 90 million euros to Discontinued Operations.

Allocation of goodwill

(in millions of euros)	12.31.2011	12.31.2010
Electric Power Operations	2,528	2,835
Hydrocarbons Operations	703	699
Total	**3,231**	**3,534**

Lastly, it is worth mentioning that, as already stated above, the impairment test was based on management's best estimates and taking into account different key assumptions (WACC, margins, hydrocarbon reserves, etc.) and market scenarios. Those assumptions and scenarios could change in the future, particularly in a context that, as is currently the case, is characterized by high volatility, with a resulting impact on the recoverable value of the CGUs. These considerations are particularly relevant with regard to the Electric Power Operations.

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 and intangibles are 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 and intangibles 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, Photovoltaic, 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-pronged 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 economic-financial plans for each CGU and on a time horizon equal to the useful lives of its assets: the cash flows used until 2019 were those obtained from the abovementioned planning documents.
The financial flows used in connection with the abovementioned economic-financial 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 (specifically for the purpose of determining the recoverable value interval).

The pretax cash flows used for each CGU were discounted using rates that were consistent with those applied when testing goodwill for impairment, except for Natural Gas Distribution, Natural Gas Transmission and Natural Gas Storage CGUs, for which the regulated rates typical of these businesses were used. These rates were increased further to take into account country risk and for CGUs located in foreign countries exposed to a country risk at a level appreciable different than that of Italy.
The impairment test carried out with the process described above showed reduction in recoverable value compared with the carrying amount for some thermoelectric CGUs, for the Greece CGU and for a foreign hydrocarbon CGU. The total resulting asset writedown required by the impairment test amounted to 222 million euros, including 217 million euros for electric power CGUs and 5 million euros for a hydrocarbons CGU.

Specifically:

- Regarding the **thermoelectric CGUs**, which included three merchant thermoelectric CGUs, two CIP 6/92 thermoelectric CGUs and a captive thermoelectric CGU, writedowns of 171 million euros were required primarily by the presence of the following impairment indicators:
  a) a projected reduction in volumes and unit margins, due in part to the scenario effect;
  b) the early termination of CIP 6/92 contracts.
- In the case of the **Greece CGU**, an assessment of the country risk and the resulting impact on the discount rate required a writedown of 46 million euros.
- Lastly, the **Croatia hydrocarbon CGU** was written down by 5 million euros, due to startup delays caused by the activation of arbitration proceedings.

It is also worth mentioning that, as result of impairment test of property, plant and equipment and intangibles, a partial value reinstatement was recognized for the **Egypt CGU**, related specifically to the Abu Qir field, which was written down in 2010 due to a downward revision of hydrocarbon reserves and the profitability risk related to the political, economic and financial tensions that developed in that country.

The partial value reinstatement, amounting to 125 million euros, was made with a conservative approach, i.e., considering only the operational effects of a more accurate estimate of reserves and the upward revision of the production profiles, but without changing the discount rate.

Other writedowns of property, plant and equipment recognized in addition to those listed above, included:

- 10 million euros for **Corporate Activities and other Segments**, recognized to align the carrying amount of some plots of land to their estimated realizable value;
- 28 million euros for thermoelectric power plants located in Taranto sold in 2011.

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

The total includes 49 million euros in investments in associates and unconsolidated subsidiaries and affiliated companies and 198 million euros in available-for-sale investments. The latter amount includes investments in RCS Mediagroup Spa (5 million euros) and Terminale GNL Adriatico Srl (188 million euros). The table below shows the main changes that occurred in 2011:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2010 (A)	**48**	**293**	**341**
Changes in 2011:			
- Disposals (-)	(1)	(73)	(74)
- Changes in shareholders' equity reserves	-	(11)	(11)
- Valuations at equity	1	-	1
- Valuations at fair value	-	(13)	(13)
- Other changes	1	2	3
Total changes (B)	**1**	**(95)**	**(94)**
Balance at 12.31.2011 (A+B)	**49**	**198**	**247**
Breakdown:			
- Historical cost	47	233	280
- Revaluations (+)	11	-	11
- Writedowns (-)	(9)	(35)	(44)
Net carrying amount	**49**	**198**	**247**

Disposals (74 million euros) refer for the most part to the sale of a 2.703% interest in Terminale GNL Adriatico Srl (73 million euros).

Changes in shareholders' equity reserves in 2011, negative by 11 million euros, refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

Valuations at fair value, negative by 13 million euros, refer to Terminale GNL Adriatico Srl and RCS Mediagroup Spa. In particular, the factors taken into account to value the investment held in Terminale GNL Adriatico Srl, which is the company that operates an offshore regasification terminal near Porto Viro (RO), include both the duration of the current regasification contract with Edison and the gradual decrease over time of Edison's pro rata share of the company's shareholders' equity caused by any distributions of share capital and/or reserve received. The result of this approach is thought to approximate fair value, given that a valuation based on market criteria is not practicable, due to the unique nature of the regasification terminal and the contractual terms of the regasification service provided to Edison.

19. Other Financial Assets

Other financial assets consist of loans receivable due in more than one year. Other financial assets include the following:

(in millions of euros)	12.31.2011	12.31.2010	Change
Loan receivables from Ibiritermo (IFRIC 4) (*)	77	86	(9)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	1	1	-
Total other financial assets	**82**	**91**	**(9)**

(*) Referred to a fully captive thermoelectric power plant in Brazil and acting as a financial lease.

20. Deferred-tax Assets

Deferred-tax assets, which were valued based on assumptions that they would be probable realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 111 million euros (182 million euros at December 31, 2010). They reflect differences in the valuation of:

- property, plant and equipment and intangibles of 53 million euros;
- taxed provisions for risks of 49 million euros;
- a tax-loss carryforward of 7 million euros;

with differences stemming from the adoption of IAS 39 on financial instruments and sundry reversals accounting for the balance.

For an analysis of the effects of the change in the rate of the "Robin Hood Tax", see the Note "Income Taxes" to the Income Statement.

Please note that the reclassification to "Assets held for sale" of amounts attributable to Edipower Spa accounts in part for the decrease in deferred-tax assets compared with December 31, 2010.

21. Other Assets

Other assets totaled 40 million euros, or 72 million euros less than December 31, 2010. This account includes:

- 25 million euros for the non-current portion of advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses. The current portion of these advances (42 million euros) is included in "Other receivables" (Note 22). The Group expects to make up these volumes over the remaining lives of the contracts. Please note that in 2011 the Group activated the make-up capacity clause with regard to the long-term contracts to import natural gas from Russia and Libya. This option makes it possible to take delivery in subsequent years of volumes that could not be delivered in previous years, even though they were included in minimum contractual commitments. A trade receivable was recognized as a result of the exercise of this option.
- 6 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through December 31, 2011.
- 9 million euros in sundry receivables, consisting mainly of security deposits. The reduction compared with December 31, 2010 is due to the reclassification to "Assets held for sale" of Edison's pro rata share of amounts attributable to Edipower Spa.

22. Current Assets

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

(in millions of euros)	12.31.2011	12.31.2010	Change
Inventories	252	331	(79)
Trade receivables	3,152	2,375	777
Current-tax assets	28	35	(7)
Other receivables	681	655	26
Current financial assets	628	69	559
Cash and cash equivalents	291	472	(181)
Total current assets	**5,032**	**3,937**	**1,095**

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	CO_2 emission rights	Other	Total at 12.31.2011	Total at 12.31.2010	Change
Electric Power Operations	12	-	4	1	28	45	74	(29)
Hydrocarbons Operations	37	157	13	-	-	207	257	(50)
Total for the Group	**49**	**157**	**17**	**1**	**28**	**252**	**331**	**(79)**

The decrease that occurred in 2011 refers mainly to stored natural gas (55 million euros) and to the reclassification to "Assets held for sale" of Edison's pro rata share of the inventories held by Edipower Spa. Inventories also include 24 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)	12.31.2011	12.31.2010	Change
Electric Power Operations	1,959	1,910	49
Hydrocarbons Operations	1,273	760	513
Corporate Activities and Other Segments and Eliminations	(80)	(295)	215
Total trade receivables	**3,152**	**2,375**	**777**
Of which Allowance for doubtful accounts	**(141)**	**(133)**	**(8)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 159 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios, essentially attributable to the Electric Power Operations.
The higher amount shown for trade receivables compared with December 31, 2010 (777 million euros) reflects the impact of the price and volume trends discussed in the note to "Sales revenues", as well as a lengthening of the time to collection resulting from a change in the customer mix, the expansion of the Group's international operations, sales to the public administration and an increase in the fair value of the trading portfolios (42 million euros). The effect of these factors was offset in part by the reclassification to "Assets held for sale" of Edison's pro rata share of the receivables held by Edipower Spa.
Please note that trade receivables include the receivable resulting from the exercise of the make-up capacity clause available under long-term contracts to import natural gas.
Lastly, transactions involving the irrevocable assignment of receivables without recourse on a revolving (monthly and quarterly) and spot basis, totaled 5,257 million euros (4,335 million euros at December 31, 2010). As required by its credit policies, the Group uses these transactions on a regular basis to control and minimize credit risks. The residual risk of recourse associated to trade receivables is about 8 million euros.

- **Current-tax assets** of 28 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.

- A breakdown of **other receivables**, which totaled 681 million euros, is provided in the table below:

(in millions of euros)	12.31.2011	12.31.2010	Change
- Receivables arising from the valuation of derivatives	175	218	(43)
- Amounts owed by partners and associates in hydrocarbon exploration projects	85	77	8
- Advances to suppliers	10	63	(53)
- Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	100	59	41
- Advances paid under take-or-pay contracts	42	-	42
- VAT credit	64	13	51
- Sundry items	205	225	(20)
Total other receivables	**681**	**655**	**26**

The decrease shown for **receivables arising from the valuation of derivatives**, which should be analyzed in conjunction with the corresponding liability included in **Current liabilities** (up from 73

million euros to 179 million euros), primarily reflects changes in the market price scenario compared with December 31, 2010, specifically regarding Brent crude and the EUR/USD exchange rate. A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled "Group Financial Risk Management".

- 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)	12.31.2011	12.31.2010	Change
Loans receivable	571	35	536
Derivatives	53	26	27
Equity investments held for trading	4	8	(4)
Total current financial assets	**628**	**69**	**559**

Most of the increase in loans receivable reflects the amount owed by Edipower Spa (550 million euros) for a shareholder loan provided by Edison Spa in December 2011.

- **Cash and cash equivalents** of 291 million euros (472 million euros at December 31, 2010) consist of short-term deposits in bank and postal accounts and other short-term investments.

23. Assets held for sale

The main components of assets held for sale, which amounted to 1,430 million euros, include:

- the assets of Edipower Spa (1,429 million euros, for Edison's pro rata share) which earmarked for disposal pursuant to agreements signed in December 2011;
- the residual value of a natural gas distribution concession that expired in 2011.

For further information, see the Section entitled "Disclosure pursuant to IFRS 5", provided later in these Notes.

Liabilities and Shareholders' Equity

24. Shareholders' Equity Attributable to Parent Company Shareholders and Shareholders' Equity Attributable to Minority Shareholders

Shareholders' equity attributable to Parent Company shareholders amounted to 6,988 million euros, for a decrease of 951 million euros compared with December 31, 2010 (7,939 million euros). This reduction is mainly due to the net result of the loss for the year, for 871 million euros, and to the negative change in the reserve for Cash Flow Hedge (83 million euros).

Shareholders' equity attributable to minority shareholders totaled 158 million euros, or 40 million euros less than at December 31, 2010 (198 million euros) mainly due to the impact of the distribution of dividends attributable to minority shareholders (32 million euros) and to the net result of the loss for the year (7 million euros).

A breakdown of the shareholders' equity attributable to Parent Company shareholders and to minority shareholders is provided in the schedule entitled "Changes in Consolidated Shareholders' Equity".

In July, Edison Spa acquired for 3 million euros the remaining 45% interest in Sarmato Energia Spa, formerly a 55% subsidiary consolidated line by line. This transaction produced a reduction of 1 million euros both in the shareholders' equity attributable to the shareholders of the controlling company and in the minority interest in shareholders' equity.

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 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.

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	121	(46)	75
Changes in 2011	(132)	49	(83)
Reserve at December 31, 2011	**(11)**	**3**	**(8)**

The table below shows the changes that occurred in the reserve for available-for-sale investments:

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	(4)	-	(4)
Changes in 2011	4	-	4
Reserve at December 31, 2011	**-**	**-**	**-**

25. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 36 million euros, reflect 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 at the Company.

The economic and financial parameters used for valuation purposes are listed below:
- Technical annual discount rate 4.35%;
- Annual inflation rate 2.00%.

The table below shows the changes that occurred in 2011:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2010 (A)	**51**	**11**	**62**
Changes in 2011:			
- Financial expense	2	-	2
- Reclassification to "Liabilities held for sale"	(13)	(11)	(24)
- Utilizations (-)/Other changes	(4)	-	(4)
Total changes (B)	**(15)**	**(11)**	**(26)**
Total at 12.31.2011 (A+B)	**36**	**-**	**36**

Reclassification to "Liabilities held for sale" refers to Edison's pro rata share of Edipower Spa's provision for employee severance indemnities and provisions for pensions.

26. Provision for Deferred Taxes

The balance of 215 million euros (504 million euros at December 31, 2010) 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.
The following table shows a breakdown of this provision by type of underlying temporary difference, keeping in mind that certain Group companies that meet the requirements of IAS 12 offset their deferred-tax liabilities against their deferred-tax assets:

(in millions of euros)	12.31.2011	12.31.2010	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment and intangibles	263	487	(224)
- Adoption of standard on finance leases (IAS 17)	24	23	1
- Adoption of standard on financial instruments (IAS 39) with impact on shareholders' equity	-	49	(49)
- Other deferred taxes	9	10	(1)
Total deferred-tax liabilities (A)	**296**	**569**	**(273)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	65	52	13
- Tax loss carryforward	7	2	5
- Adoption of standard on financial instruments (IAS 39) with impact on shareholders' equity	3	-	3
- Differences in the valuation of property, plant and equipment and intangibles	1	5	(4)
- Other prepaid taxes	5	6	(1)
Total deferred-tax assets (B)	**81**	**65**	**16**
Total provision for deferred taxes (A-B)	**215**	**504**	**(289)**

For an analysis of the effects of the change in the rate of the “Robin Hood Tax”, see the Note “Income Taxes” to the Income Statement.
Please note that in 2011 Edison’s pro rata share of the amounts attributable to Edipower Spa were reclassified to “Liabilities held for sale”.

27. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 828 million euros, for an increase of 5 million euros compared with December 31, 2010.
The table below shows the changes that occurred in 2011:

(in millions of euros)	12.31.2010	Additions	Utilizations	Reclass. to "Liabilities held for sale"	Other changes	12.31.2011
Disputed tax items	72	9	(4)	(8)	-	69
Risks for disputes, litigation and contracts	155	9	(9)	(17)	-	138
Charges for contractual guarantees on sale of equity investments	59	22	-	-	(1)	80
Provisions for decommissioning and remediation of industrial sites	369	21	(4)	(18)	17	385
Environmental risks	49	1	(10)	(2)	1	39
Other risks and charges	119	38	(36)	(5)	1	117
Total for the Group	**823**	**100**	**(63)**	**(50)**	**18**	**828**

The changes that occurred in 2011 are reviewed below:

- The main components of **additions** of 100 million euros reflect additions to decommissioning provisions (21 million euros, including 16 million euros in financial expense), guarantees provided in connection with the sale of thermoelectric power plants (22 million euros), the risk that a thermoelectric power plant may be denied cogenerating status for previous years (12 million euros), statutory and tax interest accrued on existing provisions (9 million euros) and legal and tax related risks for the balance.
- **Utilizations** of 63 million euros refer to the reversal linked to hydrocarbon exploration costs incurred for the Abu Qir concession, in Egypt, and already recognized as part of the Purchase Price Allocation process (20 million euros), the settlement of legal disputes and tax disputes (12 million euros), the coverage of costs incurred for the remediation and decommissioning of some industrial sites (8 million euros) and the reversals of the portions of provisions for risks that exceeded the actual charges (13 million euros).
- **Reclassifications to “Liabilities held for sale”** (50 million euros) refers to Edison’s pro rata share of Edipower Spa’s provisions for risks and charges.
- **Other changes** of 18 million euros, refer mainly to a revision of the amounts of some projected decommissioning and site remediation costs (16 million euros) referable essentially to Electric Power Operations.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the paragraph of these Notes entitled “Status of the Main Legal and Tax Disputes Pending at December 31, 2011”.

Edison completed the fourth well of the PII platform, at the Abu Qir field, in Egypt. This offshore concession is located about 20 kilometers east of Alexandria.

28. Bonds

The balance of 1,793 million euros (1,791 million euros at December 31, 2010) represents the noncurrent portion of the bonds valued at amortized cost.

The table below shows the balance outstanding at December 31, 2011 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			Fair value
							Non-current portion	Current portion	Total	
Edison Spa	Luxembourg Stock Exch.	Eur	700	Annual in arrears	4.250%	07.22.2014	698	33	731	684
Edison Spa	Luxembourg Stock Exch.	Eur	500	Annual in arrears	3.250%	03.17.2015	498	19	517	482
Edison Spa	Luxembourg Stock Exch.	Eur	600	Annual in arrears	3.875%	11.10.2017	597	19	616	540
Total for the Group			**1,800**				**1,793**	**71**	**1,864**	**1,706**

The valuation at amortized cost of the bond issues, a portion of which was hedged with derivatives against the risk of changes in fair value caused by the interest rate fluctuation, was adjusted in accordance with hedge accounting rules to reflect the change in hedged risk.

29. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in milions of euros)	12.31.2011	12.31.2010	Change
Due to banks	1,290	891	399
Due to other lenders	44	51	(7)
Total for the Group	**1,334**	**942**	**392**

Please note that in 2011 Edison drew an additional 400 million euros from the syndicated credit line of 1,500 million euros in face value, which was used in part to refinance the portion attributable to the Edison Group (550 million euros) of a loan owed by Edipower Spa that matured on December 30, 2011.

In addition, an initial tranche of 37 million euros was disbursed during the year against a long-term credit facility of 250 million euros provided by the European Investment Bank (EIB). In addition, in September 2011, Elpedison Power Sa received a new long-term financing facility, due on 2013, and concurrently repaid an existing short-term facility that was expired.

A detailed analysis of these changes is provided in the "Liquidity Risk" paragraph of the Section entitled "Group Financial Risk Management".

30. Other Liabilities

Other liabilities of 29 million euros represent sundry liabilities, including the suspension of a gain on the 2008 sale of a 51% interest in Dolomiti Edison Energy Srl (which continues to be consolidated line by line) while agreements providing both parties with put and call options are in effect.

31. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	12.31.2011	12.31.2010	Change
Bonds	71	528	(457)
Short-term financial debt	1,167	1,073	94
Trade payables	2,357	2,153	204
Current taxes payable	23	82	(59)
Other liabilities	603	380	223
Total current liabilities	**4,221**	**4,216**	**5**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 71 million euros, including the total accrued interest at December 31, 2011. On July 19, 2011 was repaid a bond issue (face value for 500 million euro) using a drawn from the new credit line provided to Edison Spa in June 2011 on a club deal basis.

- **Short-term financial debt**, which totaled 1,167 million euros, essentially includes:
  - 851 million euros due to banks, 13 million euros of which represent the effect of measuring interest rate derivatives at fair value;
  - 292 million euros due to other lenders;
  - 21 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,357 million euros. A breakdown by business segment is provided below:

(in millions of euros)	12.31.2011	12.31.2010	Change
Electric Power Operations	1,652	1,583	69
Hydrocarbons Operations	763	839	(76)
Corporate Activities and Other Segments and Eliminations	(58)	(269)	211
Total trade payables	**2,357**	**2,153**	**204**

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 145 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios, essentially attributable to the Electric Power Operations.
The increase in trade payables compared with December 31, 2010 (204 million euros) is mainly attributable to the price and volume dynamics commented earlier in these notes and to an increase in the fair value of the trading portfolios (49 million euros). The effect of these factors was offset in part by the end of extended payment terms for some natural gas supply contracts and the reclassification to "Liabilities held for sale" of Edison's pro rata share of Edipower Spa's trade payables.

- **Current taxes payable** of 23 million euros represent the income taxes liability of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Srl). These taxes are paid directly by the companies upon which they are levied. A portion of the decrease compared with December 31, 2010 is due to the reclassification to "Liabilities held for sale" of amounts attributable to Edipower Spa.

- A breakdown of **other liabilities**, which totaled 603 million euros, is as follows:

(in millions of euros)	12.31.2011	12.31.2010	Change
- Amounts owed to shareholders	10	3	7
- Amount owed to the controlling company in connection with the filing of a consolidated tax return	85	17	68
- Amounts owed to joint holders of permits for hydrocarbon exploration	160	126	34
- Payables for consulting and other services	32	32	-
- Payables owed to Tax Administration (other than current tax payables)	11	24	(13)
- Amount owed to employees	26	32	(6)
- Liabilities stemming from the measurement at fair value of derivatives	179	73	106
- Payables owed to social security institutions	21	26	(5)
- Sundry items	79	47	32
Total other liabilities	**603**	**380**	**223**

The increase in the amount owed to joint holders of permits for hydrocarbon exploration specifically refers to sidetrack drilling activities at Italian hydrocarbon concessions.
Please note that the balances at December 31, 2011 reflect the reclassification to "Liabilities held for sale" of Edison's pro rata share of Edipower Spa's liabilities.

32. Liabilities Held for Sale

Liabilities held for sale, which amounted to 829 million euros, include mainly the liabilities of Edipower Spa (for Edison's pro rata share) which earmarked for disposal pursuant to agreements signed in December 2011.

For further information, see the Section entitled "Disclosure pursuant to IFRS 5", provided later in these Notes.

33. Eliminations of Assets and Liabilities from and to Discontinued Operations

The table below shows a breakdown of balance sheet transactions outstanding with the Discontinued Operations:

(in millions of euros)	12.31.2011
Eliminations of assets	
Trade receivables	(15)
Other receivables	(1)
Current financial assets	(550)
Assets held for sale	(28)
Total eliminations of assets	**(594)**
Eliminations of liabilities	
Trade payables	(16)
Liabilities held for sale	(578)
Total eliminations of liabilities	**(594)**

The item **Current financial assets** includes a receivable owed to Edison Spa by Edipower Spa (550 million euros included in **Liabilities held for sale**) for a shareholder loan provided in December 2011.

An analysis of these transactions is provided in the section of these notes entitled “Disclosure pursuant to IFRS 5”.

NET FINANCIAL DEBT

At December 31, 2011, net financial debt totaled 3,884 million euros, or 176 million euros more than the 3,708 million euros owed at the end of 2010.

Consistent with the practice followed at the end of 2010, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	See note	12.31.2011	12.31.2010	Change
Bonds - non-current portion	28	1,793	1,791	2
Non-current bank loans	29	1,290	891	399
Amounts due to other lenders - non-current portion	29	44	51	(7)
Other non-current financial assets (*)	19	(77)	(86)	9
Medium/long-term net financial debt		**3,050**	**2,647**	**403**
Bonds - current portion	31	71	528	(457)
Short-term financial debt	31	1,167	1,073	94
Current financial assets (**)	22	(628)	(69)	(559)
Cash and cash equivalents	22	(291)	(472)	181
Short-term net financial debt		**319**	**1,060**	**(741)**
Financial debt held for sale	32	550	1	549
Financial asset held for sale	23	(35)	-	(35)
Net financial debt		**3,884**	**3,708**	**176**

(*) Includes the long-term portion of financial receivables, as required by the adoption of IFRIC 4.
(**) Includes a loan of 550 million euros owed to Edison Spa by Edipower Spa.

Most of the increase in net financial debt (176 million euros) is due to the combined effect of the following factors:

- outlays for the year's capital expenditures (549 million euros, of which 21 million euros in Discontinued Operations);
- net advances paid due to the activation of take-or-pay clauses in natural gas procurement contracts (133 million euros);
- tax payments (212 million euros, of which 28 million euros in Discontinued Operations);
- collection of the proceeds from the sale of 100% of Taranto Energia Srl (164 million euros).

These factors, in addition to an increase in operating working capital (494 million euros) due partially to seasonal factors and partially to a lengthening of the time to collection, resulting from a change in the customer mix and the expansion of the Group's international operations, could be offset only in part by the year's cash flow from operating activities.

Net financial debt includes 164 million euros stemming from transactions with significant parties (143 million euros owed to Mediobanca and 21 million euros owed to SEL Spa).
In addition, "Short-term financial debt" includes 15 million euros owed to unconsolidated Group subsidiaries.

DISCLOSURE PURSUANT TO IFRS 5

Edipower Spa

Further to an agreement of principles for the Edison and Edipower reorganization reached by A2A, EDF, Delmi and Edison on December 26, 2011, Edison entered into a preliminary agreement to sell the 50% equity interest it held in Edipower at a price of about 600 million euros.
This sale transaction, which takes the form of a highly material transaction with related-party, is part of a more complex restructuring project that concerns Edison's control structure, the purpose of which is, inter alia, the acquisition of control by EDF through the sale of Transalpina di Energia. Basically, this transaction calls for:

- purchase by EDF of 50% of Transalpina di Energia from Delmi Spa;
- purchase by Delmi Spa of 70% of Edipower, which will be sold (i) 50% by Edison at a price of about 600 million euros; and (ii) 20% by Alpiq Energia Italia at a price of 200 million euros;
- the execution by Edison (supplier) and Edipower (customer) of a contract to supply natural gas at market prices for a period of six years, in a quantity equal to 50% of Edipower's needs.

The implementation of this agreement, which is scheduled to close until June 30, 2012, after Edison's Boards of Directors, at its meetings of January 24, 2012 and February 13, 2012, taking into account the favorable opinion of the Independent Directors, on the basis of the fairness opinion provided by external advisors, approved the sale of Edipower, is conditional on, in addition to approval by the relevant antitrust authorities, the concurrent purchase by EDF of the 50% interest held by Delmi in Transalpina di Energia, which is, in turn, conditional, inter alia, on the CONSOB confirming that, should a tender offer for Edison's shares be required, it would be carried out at a price of not more than 0.84 euros per share.

Given this context, in particular that Edison's Board of Directors approved this transaction and the related contract, to be executed by February 15, 2012, the operation was deemed to be "highly probable" and, consequently, the corresponding assets and liabilities were classified as "Held for sale". Moreover, given the significance of the divested assets, which represent about one-third of the Group's electric power generating capacity, it seemed appropriate to treat them as "Discontinued operations". More specifically:

- In the Balance Sheet, assets and liabilities, but not shareholders' equity, were reclassified to "Assets and liabilities held for sale".
- A single figure is shown in the Income Statement, representing the sum of (i) the profits and losses for the year from operating assets held for sale that are integrated into the Edison system, net of tax effect, and (ii) the writedown recognized upon the measurement of these assets at fair value, less cost to sell.
- The Cash Flow Statement shows the net cash flows for the year from operating activities, investing activities and financing activities.
- These amounts are shown including the intercompany transactions.

The tables below show the contribution provided by the CGUs related to Edipower equity stake to the net integrated Group result of the Edison system. The net result is negative for 591 million euros, of which 571 million euros related to the alignment of the carrying amount with the estimated realizable value. In particular, this result included the goodwill allocation for 90 million euros in accordance to IAS 36 (paragraph 86).

2011 Income Statement

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	2011	of which related and significant parties (*)
Sales revenues	724	(7)	717	1
Other revenues and income	32	(1)	31	-
Total net revenues	**756**	**(8)**	**748**	**1**
Raw materials and services used (-)	(598)	8	(590)	(14)
Labor costs (-)	(42)	-	(42)	-
EBITDA	**116**	**-**	**116**	
Depreciation and amortization (-)	(128)	-	(128)	-
Writedowns (-)	(572)	-	(572)	-
EBIT	**(584)**	**-**	**(584)**	
Net financial income (expense)	(17)	-	(17)	(1)
Income from (Expense on) equity investments	3	-	3	-
Other income (expense), net	-	-	-	-
Profit (Loss) before taxes	**(598)**	**-**	**(598)**	
Income taxes	7	-	7	
Profit (Loss) from discontinued operations	**(591)**	**-**	**(591)**	
of which:				
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**(591)**	**-**	**(591)**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

2010 Income Statement

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	2010	of which related and significant parties (*)
Sales revenues	768	(7)	761	-
Other revenues and income	104	(1)	103	57
Total net revenues	**872**	**(8)**	**864**	**57**
Raw materials and services used (-)	(725)	8	(717)	-
Labor costs (-)	(42)	-	(42)	-
EBITDA	**105**	**-**	**105**	
Depreciation and amortization (-)	(130)	-	(130)	-
Writedowns (-)	(9)	-	(9)	-
EBIT	**(34)**	**-**	**(34)**	
Net financial income (expense)	(27)	-	(27)	(2)
Income from (Expense on) equity investments	-	-	-	-
Other income (expense), net	-	-	-	-
Profit (Loss) before taxes	**(61)**	**-**	**(61)**	
Income taxes	27	-	27	
Profit (Loss) from discontinued operations	**(34)**	**-**	**(34)**	
of which:				
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**(34)**	**-**	**(34)**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

2011 Balance Sheet

(in millions of euros)	12.31.2011	of which from/to Continuing Operations	of which related and significant parties (*)
Non current not financial assets	1,213	-	-
Current financial assets	35	-	-
Current not financial assets	181	28	-
Assets held for sale	**1,429**	**28**	
Non current not financial liabilities	198	-	-
Current financial liabilities	550	550	1
Current not financial liabilities	81	28	-
Liabilities held for sale	**829**	**578**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

2011 Cash Flow Statement

(in millions of euros)	2011	of which related and significant parties (*)
Profit (Loss) from discontinued operations	43	
A. Cash flow from discontinued operations	91	
B. Cash used in investing activities from discontinued operations	(15)	
C. Cash used in financing activities from discontinued operations	(112)	(69)
D. Net cash flow for the year from discontinued operations (A+B+C)	**(36)**	
E. Cash and cash equivalents at the beginning of the year from discontinued operations	71	
F. Cash and cash equivalents at the end of the year from discontinued operations (D+E)	35	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

2010 Cash Flow Statement

(in millions of euros)	2010	of which related and significant parties (*)
Profit (Loss) from discontinued operations	34	
A. Cash flow from discontinued operations	137	
B. Cash used in investing activities from discontinued operations	(49)	
C. Cash used in financing activities from discontinued operations	(83)	(8)
D. Net cash flow for the year from discontinued operations (A+B+C)	**5**	

(*) Included commercial transactions with A2A and IREN Group and financial transactions with Mediobanca and Banca Popolare di Milano.

Other Disposal Groups

With regard to the Taranto thermoelectric power plants, the Company discloses that the sale of these facilities closed on October 10, 2011, after being approved by the relevant antitrust authorities. In the financial statements at December 31, 2011, the amount shown as "Profit (Loss) from discontinued operations" reflect a net writedown of 6 million euros.

The table below summarizes the main effects on the income statement resulting from this transaction, which generated proceeds of 164 million euros:

(in millions of euros)	of which in EBIT	of which in "Profit (Loss) from discontinued operations"	Total in 2011 Income Statement
Net writedowns of property, plant and equipment	(22)	(6)	(28)
Additions to provisions for risks and charges	-	(22)	(22)
Gain on the sale of equity investments	-	22	22
Total	**(22)**	**(6)**	**(28)**

The Disposal Group amount also includes:

- the residual charges resulting from a decision handed down on May 31, 2011 by the Council of State, which disallowed certain rate benefits enjoyed by Edison Spa in previous years;
- the residual value of a natural gas distribution concession that expired during the year.

Comparability

The following tables show the effects of the IFRS 5 Discontinued Operations on 2010 Edison Group Income Statement and Cash Flow Statement.

Income Statement

(in millions of euros)	2010 Published	IFRS 5	2010 Reclassified (*)
Sales revenues	10,446	(761)	9,685
Other revenues and income	638	(103)	535
Total net revenues	**11,084**	**(864)**	**10,220**
Raw materials and services used (-)	(9,462)	717	(8,745)
Labor costs (-)	(253)	42	(211)
EBITDA	**1,369**	**(105)**	**1,264**
Depreciation, amortization and writedowns (-)	(1,096)	139	(957)
EBIT	**273**	**34**	**307**
Net financial income (expense)	(144)	27	(117)
Income from (Expense on) equity investments	(1)	-	(1)
Other income (expense), net	44	-	44
Profit (Loss) before taxes	**172**	**61**	**233**
Income taxes	(83)	(27)	(110)
Profit (Loss) from continuing operations	**89**	**34**	**123**
Profit (Loss) from discontinued operations	(40)	(34)	(74)
Profit (Loss)	**49**	**-**	**49**
Broken down as follows:			
Minority interest in profit (loss)	28	-	28
Group interest in profit (loss)	**21**	**-**	**21**

(*) Pursuant to IFRS 5, 2010 amounts are being reclassified.

Cash Flow Statement

(in millions of euros)	2010 Published	IFRS 5	2010 Reclassified (*)
Group interest in profit (loss) from continuing operations	61	34	95
Group interest in profit (loss) from discontinued operations	(40)	40	-
Minority interest in profit (loss) from continuing operations	28	-	28
Profit (loss)	**49**	**74**	**123**
A. Cash flow from continuing operations	**982**	**(137)**	**845**
B. Cash used in investing activities	**(629)**	**49**	**(580)**
C. Cash used in financing activities	**(629)**	**83**	**(546)**
D. Liquid assets from changes in the scope of consolidation	**-**	**-**	**-**
E. Net currency translation differences	**-**	**-**	**-**
F. Net cash flow for the year (A+B+C+D+E)	**(276)**	**(5)**	**(281)**
G. Net cash flow for the year from discontinued operations	**-**	**5**	**5**
H. Net cash flow for the year (continuing and discontinued operations) (F+G)	**(276)**	**-**	**(276)**
I. Cash and cash equivalents at the beginning of the year	**748**		**748**
L. Cash and cash equivalents at the end of the year (continuing and discontinued operations) (H+I)	**472**	**-**	**472**
M. Cash and cash equivalents at the end of the year of discontinued operations	**-**		**-**
N. Cash and cash equivalents at the end of the year of continuing operations (L-M)	**472**	**-**	**472**

(*) Pursuant to IFRS 5, 2010 amounts are being reclassified.

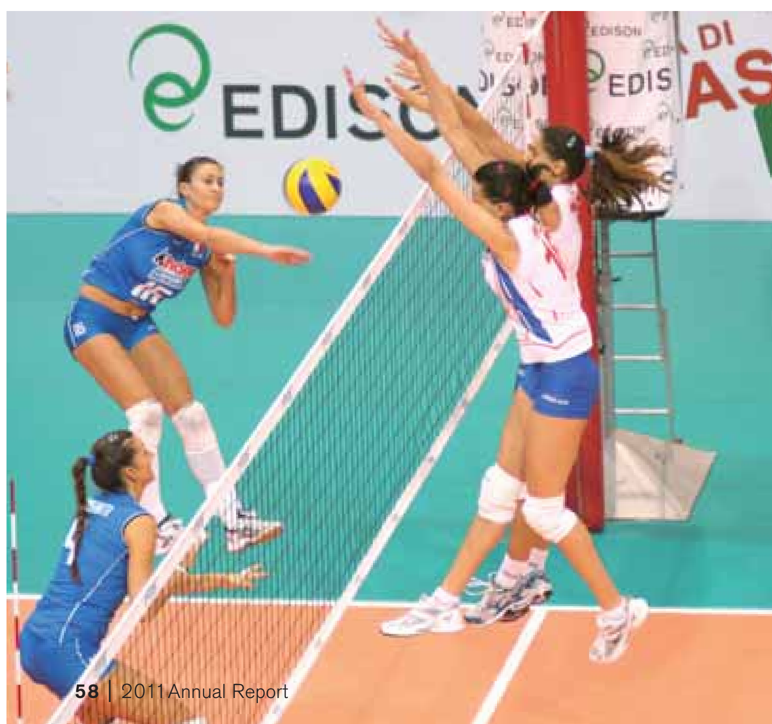
COMMITMENTS AND CONTINGENT RISKS

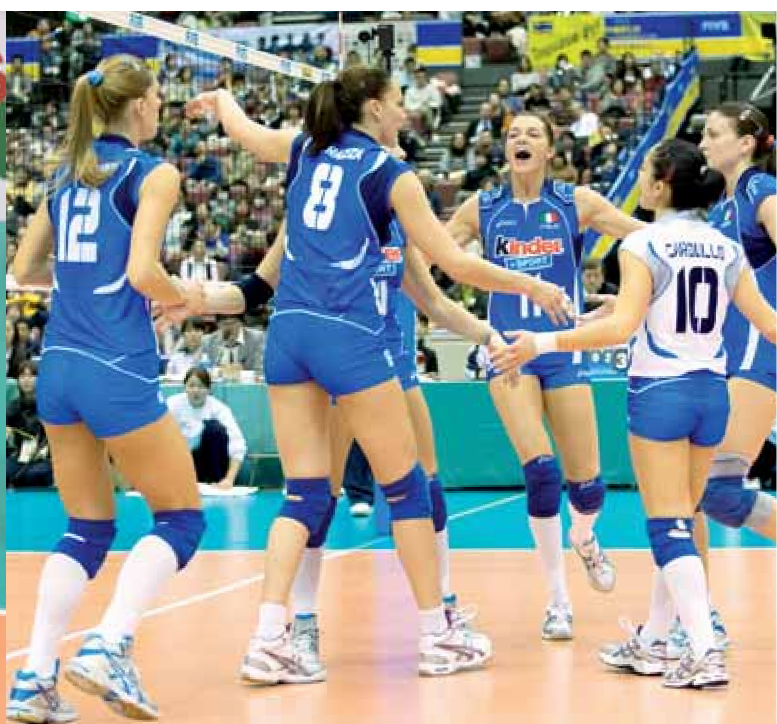
(in millions of euros)	12.31.2011	12.31.2010	Change
Guarantees provided	1,312	1,379	(67)
Collateral provided	231	1,390	(1,159)
Other commitments and risks	473	580	(107)
Total for the Group	**2,016**	**3,349**	**(1,333)**

Guarantees provided totaled 1,312 million euros at December 31, 2011. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes 113 million euros, or 37 million euros less than December 31, 2010, in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided 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. The decrease for the year is due in part to the cancellation of some guarantees provided on behalf of the Greek subsidiary, following the startup of the Thisvi power plant.

Collateral provided, which amounted to 231 million euros 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 consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing.
Most of the decrease compared with the previous year is due to the cancellation of a pledge on the shares of Edipower Spa (1,078 million euros at December 31, 2010) provided to a pool of banks to secure a loan that was repaid in full on December 30, 2011 and replaced, on a pro rated basis, with a shareholder loan.

Edison provides strong and consistent support to Italy's volleyball, basketball and rugby national teams. In 2011, the Women National Volleyball Team won the gold medal at the World Cup in Japan.





Other commitments and risks, which totaled 473 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad.
The main commitments are reviewed below:

- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/Emission Reduction Units (ERUs), for the 2008-2012 period, Edison Spa, the Group's Parent Company, signed the following contracts, for a commitment of up to 43 million euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013, a 15-million-euro commitment;
  - Management Agreement with EDF Trading Ltd (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013, a 25-million-euro commitment;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013, a 3-million-euro commitment.
- With regard to long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated minimum quantities and the quantity actually used, at December 31, 2011, the Company carried advances to suppliers included in "Other assets" (Note 21) for 25 million and in "Other receivables" (Note 22) for 42 million euros. Commitments include 79 million euros for accrued amounts owed to but not yet paid to counterparties stemming from the activation of the clauses in 2011. Risk profiles and the economic recoverability of these receivables are periodically updated during the year.
- Edison Spa granted to:
  - Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity (14 million euros);
  - Petrobras an option to buy its interest in Ibiritermo Sa, exercisable in 2022.
- For 16 million euros, a commitment undertaken by Edison Spa in connection with companies sold in previous years.

Unrecognized Commitments and Risks

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

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Norway, Algeria and Qatar, for a total supply of 15.8 billion cubic meters of natural gas a year. The duration of these contracts ranges between 1 and 23 years. With regard to the contract to import natural gas from Libya via the Green Stream pipeline, it is worth mentioning that deliveries were interrupted from February 2011 until December 2011, due to the well-known international events.
The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	13.6	53.9	163.8	**231.3**

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

2) With regard to the investment in Terminale GNL Adriatico Srl, a natural gas regasification company in which Edison Spa holds an interest of about 7.3% interest, the agreement between shareholders include the following conditions:
- for Edison, the obligation not to transfer its equity interest, which ended on July 1, 2011;
- for the other shareholders, the right to buy the 7.3% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised.

Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for remaining 23 years for an annual regasification fee estimated at about 100 million euros. With regard to the regasification fee payable, Edison's risk is limited to the following situations:
- Edison has the right to cancel the regasification contract for force majeure events affecting the chain (upstream and midstream) of Terminale GNL Adriatico by paying an amount that may not be greater than the regasification fee payable for three years;
- if a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount;
- in the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

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

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

Status of the Main Legal and Tax Disputes Pending at December 31, 2011

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

By a motion filed on September 1, 2011 and received by the Company on September 8, the European Commission appealed before the Court of Justice of the European Union a decision published on June 16, 2011, by which the European Union Court upheld the challenge filed by Edison and, consequently, set aside the decision by which the European Commission, alleging 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, ordered Edison to pay a fine of 58.1 million euros, including 25.6 million euros payable jointly with Solvay Solexis. In the interim, Edison having paid on a provisional basis in 2006 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, obtained from the Commission, by virtue of the abovementioned Court decision, the repayment of 32.5 million euros, which is the portion of the fine attributable to Edison exclusively.

The appellate proceedings are still pending before the Court of Justice of the European Union, which has yet to schedule a hearing for oral arguments. In case, it seems likely that the final decision will be published later in 2012.

The status of these proceedings confirms that, due to the effects of the abovementioned Court decision, they qualify as a contingent asset pursuant to IAS 37.

Stava Dam Disaster

By a decision published on May 2, 2011, the Court of Milan decided the remaining action filed by a party injured by the collapse of the Prestavel Dams in 1985, dismissing this party's claims against Montedison (now Edison) and allocating court costs to both parties.

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

By a decision published on June 6, 2011, the Court of Milan decided a lawsuit between Bracco Imaging (formerly Dibra), Syndial (formerly EniChem) and Edison (formerly Montecatini) concerning damages stemming from the sale by Montecatini of a portion of the Cesano Maderno factory, ordering Edison to pay to Bracco Imaging the amount of 7.6 million euros, plus accrued interest. Edison believes that this decision is unfair and is challenging it before the Milan Court of Appeals, which has not yet scheduled the initial hearing.

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

By a decision published on December 27, 2010, the Court of Venice decided the lawsuit filed 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. 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 in connection with the abovementioned criminal proceedings. In its decision, the Court denied all of the claims put forth by the plaintiffs, ordering that they pay all court costs. The plaintiffs have filed an appeal. A similar lawsuit pending before the Venice Court of Appeals, in which the hearing for filing final motions has been held, continued without noteworthy developments.

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

The oral argument phase started 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.

Crotone Factory - Criminal Proceedings for Personal Injuries Caused by Exposure to Asbestos

In the proceedings stemming from investigations occurred in the relatively distant past launched by the Public Prosecutor of the Court of Crotone targeting eight former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with involuntary manslaughter and personal injuries caused by exposure to asbestos. The oral argument phase got under way in January 2012 and is still continuing.

Crotone Factory - Criminal Proceedings for Environmental Damages

The Public Prosecutor of the Court of Crotone launched an investigation targeting 35 individuals, including five former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with environmental crimes (unauthorized waste management, disaster and poisoning of the aquifer) for activities carried out from 1986 to 1990, while operating a local plant formerly owned by Montedison. In connection with these proceedings, the Public Prosecutor filed a motion asking to be allowed to introduce evidence developed during the discovery phase at a hearing that the Preliminary Investigation Judge scheduled for March 2012.

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

In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of Edison and Italenergia Spa, in which the Court of Milan handed down a decision on July 16, 2008 that led to a settlement with UBS AG in June 2009, the settlement offer made by the Company to some savings shareholders who, even though they failed to take legal action or take any other action that may have legal consequences, are nevertheless claiming compensation was accepted by parties holding about 65% of the shares. However, other claimants filed a legal action with the Lower Court of Milan, which ruled upholding the plaintiffs' complaints. The Company is appealing this decision before the Milan Court of Appeals, which has not yet scheduled the initial hearing.

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

The Company filed appeals before the Council of State against the decisions handed down on July 16, 2009, by which the Regional Administrative Court of Lombardy dismissed the appeals filed by Edison challenging two feasible and urgent orders issued by the municipal administrations of Cerro and Melegnano, ordering the Company to implement the activities needed to prevent the contamination deriving from a facility decommissioned in the 1960s, formerly owned by Industria Chimica Saronio Spa (of which Edison is the assign), from migrating from the upper aquifer to the deeper aquifer. Edison and the municipal administrations continue to be engaged in negotiations to implement the abovementioned emergency activities.

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they filed a series of administrative complaints with the Regional Administrative Court of Latium - Rome seeking, among other remedies, a stay and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. In March 2011, the Regional Administrative Court of Latium handed down a decision ruling that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints. In June 2011, Solvay Chimica Bussi and Solvay Solexis appealed this decision to the Council of State and Edison joined these proceedings putting forth the objections it already raised before the lower court. In the meantime, in the criminal proceedings filed by the Public Prosecutor of the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer, which is also used as a supply of drinking water, the Preliminary Hearing Judge, by a decision dated May 10, 2011, revised some the charges against the defendants (specifically, stating that they should be charged with polluting the aquifer and not with poisoning it) and ordered that they stand for trial before the Court of Pescara (instead of the Court of Chieti). The initial hearing in the oral arguments phase has been scheduled for March 16, 2012.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger by absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as a liable (or jointly liable) party in the abovementioned proceedings. Further to understandings reached earlier, Edison participates in the Service Conferences, as they are convened from time to time.
Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.
With regard to these proceedings, the Preliminary Hearing Judge, by a Decree dated January 16, 2012, indicted before the Alessandria Superior Court several individuals, including three former

Montedison (now Edison) executives for crimes against public safety and the environment. The initial trial hearing has been scheduled for July 2012.
The same judge, by a decision issued on the same date, denied a motion filed by the counsel of some defendants asking to be allowed to introduce evidence developed during the discovery phase.

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), formerly the 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 Court of Cassation 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 these 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 failures to comply with multiple obligations arising from contracts executed by the two companies in 2004, 2005 and 2006 involving the wholesale supply of electric power, the hearing for filing final motions, originally postponed to October 2011, was postponed again to February 2012.

Montedison Srl – Property in Bussi sul Tirino
Within the framework of the administrative proceedings launched with regard to the state of contamination of an industrial property owned by Montedison Srl adjacent to the industrial site in Bussi sul Tirino operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, negotiations with the Delegated Commissioner appointed by the Council of Ministers, without Montedison Srl altering its claim to the status of guiltless owner, resulted in an agreement regarding the financial contribution provided for the emergency projects required to ensure the safety of the property. In addition, there were no significant new developments in the two separate appeals filed with the Regional Administrative Court by Montedison Srl, which never operated any activity at the property in question.

* * * * *

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”, as amended), 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 subjective 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 activities pursued 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 and Group'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

Following a ruling by which the Court of Cassation set aside a decision by the Court of Appeals of Turin in the trial for injuries caused by exposure to asbestos dust at a Verbania plant formerly owned by Montefibre Spa, a new trial before the Turin Court of Appeals ended in December 2011 with a full acquittal of the defendants. The detailed text of the decision has not yet been published.

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

By a decision the conclusions of which were read and published on July 19, 2011, the Court of Verbania acquitted of all charges the defendants charged with the crimes of involuntary manslaughter and involuntary personal injuries caused in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory. The deadline for filing an appeal has not yet expired.

ACEA Unfair Competition

There were no significant developments requiring disclosure in the lawsuit filed by ACEA Spa before the Court of Rome against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, which is still in the discovery phase. 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 divestment of equity interests held in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower in excess of the corresponding allowable quantity).

Pagnan vs Edison

By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison, by means of a third-party summons, by Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of the Land and the 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. An appeal, filed on September 21, 2010, is currently pending before the Venice Court of Appeals.

Vega Offshore Hydrocarbon Field - Vega Oil Vessel

In connection with the preliminary hearing held in the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel, the Court, by an order dated July 27, 2011, ruled, with regard to the expert reports submitted by the Public Prosecutor, that the first one was void and the second one filed past the required deadline and requested a new expert report, which is still being developed.

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 was interrupted upon the plaintiff becoming eligible for extraordinary administration proceedings. 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. At the request of the companies involved, the proceedings resumed before the Court of Milan.

Angelo Rizzoli/Edison et al.

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 was also sued, in its capacity as assign for Banco Ambrosiano. The purpose of the lawsuit was to obtain 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.
By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims, ordering the plaintiff to refund all litigation costs incurred by the defendants, which, in Edison's case, were quantified at about 1.3 million euros. The Court also ordered Angelo Rizzoli, for liability aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.

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

The arbitration proceedings activated by Cooperativa Fabbri Meccanici a r.l., in composition with creditors proceedings, against Edison are continuing. The complainant is asking that Edison be ordered to pay about 950,000 euros for alleged receivables arising from the performance of a contract for the construction of a building at the Torviscosa power plant. Edison countersued asking that the cooperative be ordered to pay it about 560,000 euros. The Board of Arbitrators requested a technical report by a Board appointed consultant, which is currently being prepared.

Cartel Damage Claims - Ausimont: Claim for Damages

In April 2010, Edison was served with notices setting forth four amended briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Dusseldorf in which Cartel

Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006.
Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. The lawsuit is currently in the preliminary phase, during which the judge is reviewing the complex jurisdictional issues raised by all respondents.

* * * * *

The developments that affected the status of the main tax disputes in 2011 are reviewed below:

Old Edison Spa - Income Tax Assessments for 1995, 1966 and 1997
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, absorbed by the current Edison Spa, are still pending before the Court of Cassation following appeals filed by the Revenue Administration. A special provision has been established to recognize the risks entailed by these disputes and its balance was updated in 2011 to reflect accrued statutory interest.

Old Calcestruzzi Spa -Tax Assessments for 1991 and 1992
The disputes concerning the concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years of Calcestruzzi Spa (absorbed by and now part of Edison Spa) were reinstated before the Regional Tax Commission of Emilia Romagna following a ruling handed down by the Court of Cassation in 2008 overturning an earlier decisions by the Regional Tax Commission that was favorable to the Company and reinstating the proceedings before the lower court. The disputed items arise from a transaction involving the beneficial ownership of shares executed by Calcestruzzi Spa with a foreign company, with regard to which the judges of the Court of Cassation raised for the first time the exception of "abuse of law". The Company believes that the lawfulness of Calcestruzzi's actions will be proven in the review proceedings, following a merit review of the disputed transaction. However, taking into account the approach that has been developing in the case law in 2008 and 2009 specifically regarding the issue of "abuse of law" in tax matters, which, incidentally, is constantly evolving and reflective of changing interpretations, the Company recognized a special provision for contingent risks from disputed items, the balance of which was updated in 2011 to reflect accrued statutory interest.

Edison Spa - Tax Assessments for 2002
The dispute concerning the corporate income tax (IRPEG) and regional tax (IRAP) assessments for 2002 is pending before the Court of Cassation following a primary appeal filed by the Office of the Solicitor General, acting on behalf of Milan Revenue Agency No. 1. The decision handed down in 2009 by the Regional Tax Commission was substantially favorable to the Company.

Edison Spa - Assessment of Registration Fees for 2008
In June 2011, the Milan Provincial Tax Commission upheld in its entirety the appeal filed by the Company challenging the payment notice for proportional registration, mortgage and cadastral fees, totaling about 11 million euros, in connection with a transaction involving the conveyance of business operations executed in 2008. The Tax Commission's decision recognized that the issuance of the payment notice was unlawful and that the Company's decisions with regard to the structure of the divestment transaction it executed were correct in the merit.
The Revenue Agency appealed this decision in January 2012.

Edison Spa - IRES and IRAP Assessments for 2005 and 2006
The general audit of Edison Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2010 (up to the starting date of the audit) launched in September 2010 by the Milan Tax Police Unit was completed at the end of May 2011.

The energy produced by Edison's hydroelectric power plants is certified at the European level by RECS International, which traces and certifies the renewable-source origin of electric power.

In December 2011, based on the issues raised in an excerpted tax audit report for 2005, completed in September 2010, and in the final tax audit report for the 2006-2009 period, issued in May 2011, the Revenue Agency - Regional Lombardy Division - Office of Mayor Taxpayers served Edison Spa with corporate income tax (IRES) and IRAP notices of assessment for 2005 contesting the deductibility of costs incurred with black-listed suppliers (mainly Swiss), thereby dissenting in part with the conclusions reached by the Revenue Police. Edison Spa was served with an IRES notice of assessment both directly and as the IRES consolidating company in 2005. The assessment did not produce any additional tax liability because the additional taxable income was fully offset by the tax loss carryforward.
In December 2011, Edison Spa was served with IRES and IRAP notices of assessment for 2006, which disallowed expenses found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period, and costs that were not deductible because they were incurred with black-listed suppliers (mainly Swiss).
A similar IRES notice of assessment was served on Transalpina di Energia Srl in its capacity as the lead company for the 2006 IRES consolidated return in which Edison Spa was included.
The Company intends to pursue all available actions to defend its position. All of the costs were found to be effective and applicable both by the Revenue Police and the Revenue Agency. The Company has already produced comprehensive supporting documents and provided detailed explanations in support and as evidence of the financial justification for the transactions it executed, in the belief that these elements will justify a better and more detailed review by the Revenue Agency or, in any event, will provide a response within the framework of a legal challenge.
A provision for risks of 3 million euros was recognized for the potential charges resulting from the notice of assessment.

Edison Energia Spa - Customs VAT Assessment for 2001, 2002 and 2003 (EDF Energia Italia Srl)

Following a decision unfavorable to the Company handed down in November 2010 by the Milan Regional Tax Commission, the Company paid the additional tax and any accrued interest, but the payment was made on a provisional basis pending the ultimate resolution of this dispute. All charges are being borne by EDF International Sa by virtue of the existing contractual guarantees.
The Company appealed this decision to the Court of Cassation, asking that the decision of the Regional Tax Commission be set aside and seeking a ruling upholding its motion.

Edison Trading Spa - IRES and IRAP Assessments for 2005 and VAT Assessments for 2005 and 2006

The IRES and IRAP assessments for 2005, which were notified in December 2010, concerned mainly expenses found to be “not attributable” to the year in which they were recognized deducted, but were nevertheless inherent and effective, were challenged by the Company before the Milan Provincial Tax Commission. A hearing to discuss this issue has not yet been scheduled.
In 2011, Edison Spa was also served with an IRES notice of assessment in its capacity as the lead company for the 2005 IRES tax return, in which Edison Trading Spa was included. This assessment was also challenged.
The VAT assessment for 2005, which was notified in 2010 and concerns the alleged failure to issue invoices for green certificates delivered for offsetting purposes by Edison Trading Spa to Edipower Spa in order to meet the requirements applicable to the energy produced pursuant to the Tolling Contract, was voided by a decision handed down in October 2011 by the Milan Provincial Tax Commission. Thus far, the Revenue Agency has not appealed this decision.
A similar VAT notice of assessment for 2006 was notified in December 2011, again concerning the alleged failure to issue invoices for the green certificates delivered to Edipower pursuant to the Tolling Contract. This notice of assessment will also be challenged within the statutory deadline seeking its cancellation.
A provision for risks of 4.6 million euros has already been established to cover potential charges. No provision was recognized with regard to the assessments for VAT and Green Certificates.

Edison Trading Spa - General Audit by the Revenue Police

Edison Trading Spa was the subject of a general audit concerning income taxes and indirect taxes launched in September 2010 by the Milan Tax Police Unit, which was suspended until June 2011 and completed at the beginning of August 2011.
In addition to the assessment for VAT due on green certificates for the years from 2006 to 2009, levied in accordance with the interpretation adopted on previous occasions by the Revenue Agency, the findings of the notified tax audit report included IRES and IRAP mentions for the years from 2006 to 2009 concerning the costs incurred with back-listed suppliers.
The black-listed costs, which were nevertheless recognized as being effective and inherent, will be the subject of a further review by the Revenue Agency, due in part to the supporting documents and explanations provided in response to a questionnaire notified in September 2011 by the Revenue Agency for the 2006 tax year. Thus far, the Company has not been served with a notice of assessment for 2006.

It is worth mentioning that in the years from 2006 to 2009 Edison Trading Spa was included in the IRES consolidated return headed by Transalpina di Energia Srl. Consequently, this company will be responsible for the payment of any additional tax that may be due as a result of future IRES assessments.

Edipower Spa - Assessment for VAT Due on Green Certificates for 2004

In February 2010, Edipower filed an appeal challenging the notice of assessment for VAT penalties for 2004, asking the Tax Commission of venue to void in full the assessment. The Revenue Agency has joined these proceedings. No notice setting a hearing date has been issued thus far.

Edipower Spa - Assessment for VAT Due on Green Certificates for 2005

In December 2010, the Revenue Agency served Edipower with a new assessment for VAT penalties for 2005 amounting to 4.5 million euros (about 2 million euros attributable to Edison) on the same grounds as the penalties levied for 2004. In February 2011, Edipower filed an appeal against this assessment, asking the Tax Commission of venue to void the full amount of the assessment. No notice setting a hearing date has been received thus far.

Edipower Spa - Assessment for VAT on Excise Taxes for 2004

In February 2010, Edipower filed an application asking that the assessment be automatically voided by virtue of its lack of merit and, subsequently, applied for a negotiation settlement. The Revenue Agency scheduled a meeting with Edipower for April 2, 2010 to begin the process of seeking a negotiated settlement and hear Edipower's defense. Subsequently, the Revenue Agency reaffirmed its interpretation, refusing, for the time being, to void the assessment. In May 2010, Edipower filed an appeal challenging the assessment and asking the Tax Commission of venue to void it in full. The Revenue Agency has joined these proceedings. A hearing was scheduled for March 1, 2012.

Edipower Spa - Assessment for VAT on Excise Taxes for 2005 and IRES-IRAP for 2005

In December 2010, the Revenue Agency served Edipower with a notice of assessment for VAT due on excise taxes for 2005 (an issue with regard to which a notice of assessment was already issued for 2004) and for the recovery of corporate income taxes (IRES) and regional taxes (IRAP) for 2005. The amount demanded for taxes and penalties totals 3.8 million euros (about 2 million euros attributable to Edison). In response to this assessment, Edipower filed an application for a negotiated settlement, but the Revenue Agency refused to accept the Company's requests. As a result, in May 2011, Edipower filed an appeal asking the Commission of venue to void in full the notice of assessment.

In September 2011, Equitalia served on Edipower a collection notice for the recovery of one-third of the assessed VAT and regional tax (IRAP). On October 25, 2011, the Milan Tax Commission disallowed this notice, granting instead a motion to stay the payment. A merit hearing has been scheduled for March 13, 2012.

Early in October 2011, the Revenue Agency issued a partial settlement proposal regarding this notice of assessment, in which it accepted some of the defensive arguments put forth by Edipower and significantly reduced the amount of VAT and IRAP that it is seeking to recover for 2005.

Edipower Spa - Assessment for VAT Due on Green Certificates for 2006

In December 2011, the Revenue Agency served Edipower with a new assessment for VAT penalties for 2006 amounting to 12.3 million euros (about 6 million euros attributable to Edison) on the same grounds as for the penalties levied for 2004 and 2005, consisting of the failure to invoice itself for the alleged transfer of green certificates by the Tollers. At the same time, the Revenue Agency also served Edipower with a notice of assessment for VAT and penalties for 2006 amounting to 61.7 million euros (about 31 million euros attributable to Edison) for failure to bill the Tollers for the costs incurred for the alleged purchases of green certificates and, in addition, for failing to charge VAT on the excise tax paid by Edison Trading Spa for the fuel supplied to the San Filippo del Mela power plant. The Company asked its defense counsel to take all appropriate judicial actions. On January 26, 2012, the Company filed a proposal for settlement with partial cancellation with regard to the second notice of assessment.

GROUP FINANCIAL RISK MANAGEMENT

This chapter describes the policies and principles adopted by the 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 disclosure 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 Rate 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 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 derivatives trading activity.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (so-called Industrial Portfolio), except for those related to trading activities described below (so-called Trading Portfolios), 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 Edison Spa 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 than the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable derivatives instruments.
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, 2011, outstanding derivatives instruments were measured at fair value against the forward market curve at the end of the reporting period, 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. The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firms (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Manager of the Energy Markets (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.

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

As required by IFRS 7, a simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges) while others qualify as Economic Hedges, 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 derivatives contracts, the farthest maturity of which is currently December 31, 2013. For derivatives contracts maturing in 2012, 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 2012, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves at the end of the reporting period 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 derivatives 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 hedging derivatives instruments expected by the end of 2012, with a 97.5% probability, compared with the fair value determined at December 31, 2011, is 85.6 million euros (178.5 million euros at December 31, 2010), as shown in the table below:

Profit at Risk (PaR)	**12.31.2011**		12.31.2010	
	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%**	**85.6**	**97.5%**	**178.5**

In other words, compared with the fair value determined for hedging derivatives contracts outstanding at December 31, 2011, the probability of a negative variance greater than 85.6 million euros by the end of 2012 is limited to 2.5% of the scenarios.

The lower amount, compared with the level measured at December 31, 2010, is mainly the result of a smaller net volume of financial contracts executed to hedge the 2012 sales campaign.

The hedging strategy deployed in 2011 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 2011 by the Industrial Portfolio would have been equal to 108% of the approved limit, with a peak of 198% in January 2011 (in 2011, the approved limit was exceeded by an average of 44%). With hedging, the average amount of Economic Capital absorbed in 2011 by the Industrial Portfolio was 37%, with a peak of 69% in February 2011.

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, separated from the Group's Industrial Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR[2]) limit with a 95% probability on the Trading Portfolios is 3.7 million euros, with a stop loss limit of 19.3 million euros. The VaR limit was 38% utilized at December 31, 2011, with an average utilization of 32% for the year.

2. Value at risk is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable markets moves, within a given time horizon and confidence interval.

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 illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 57.8 million euros. This limit was 44% utilized at December 31, 2011, with an average utilization of 34% for the year. This measurement, like the use of VaR, takes also into account transfers of electric power from physical assets, the impact of which on the financial statements is monitored with other ad hoc limits.

2. Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk). Lastly, fluctuations in foreign exchange rates have an impact on consolidated results and on shareholders' equity attributable to Parent Company shareholders because the financial statements of subsidiaries denominated in a currency other than the euro are translated into euros from each subsidiary's functional currency (translational risk).

The foreign exchange risk management objectives are described in specific Foreign Exchange Risk Policies. The exposure to the economic and transactional risk entailed by commodity trading activities is managed in accordance with specific limits and strategies (see the preceding section in this regard). Also with regard to the transactional risk, the Group manages centrally, under the coordination of the Finance Department, its exposure to the foreign exchange risk for some cash flows in foreign currencies (mainly U.S. dollars) concerning international investments in exploration and development projects by the hydrocarbons operations and, for limited amounts, purchases of other goods and services. Lastly, the Group is only marginally exposed to the translational risk in connection with the translation of the results, assets and liabilities in the financial statements of some foreign subsidiaries.

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. Consequently, it values on a regular basis its exposure to the risk of fluctuations in interest rates, which it manages with hedging derivatives, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedges and Fair Value Hedges), while others qualify as Economic Hedges. The Euribor is the interest rate to which the Group has the largest exposure.

Gross Financial Debt	12.31.2011			12.31.2010		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,855	1,297	30%	1,863	1,490	34%
- variable rate portion	2,510	3,068	70%	2,472	2,845	66%
Total gross financial debt (*)	**4,365**	**4,365**	**100%**	**4,335**	**4,335**	**100%**

(*) This amount does not include the current financial debt of Edipower Spa, amounting to 550 million euros, classified under "Liabilities held for sale". For a breakdown of gross financial debt see the "Liquidity Risk" section of this Report.

Considering that, at December 31, 2011, the Group held 291 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial debt, including outstanding derivative transactions, they become about 32% (fixed rate) and about 68% (variable rate), respectively.

The interest risk exposure analyzed in the preceding table can be explained when one takes into

account the policy pursued by the Group to manage its financial structure and corresponding costs as it relates to the trend in market interest rates. The Group's strategy is to combine fixed-rate bond issues, which are the most stable source for the procurement of financial resources, a brief description of which is provided later in these Notes the table included in the "Default Risk and Debt Covenants", with interest rate swaps, negotiated with a six-month Euribor benchmark and classified as Fair Value Hedges. In addition, in order to have a source of funds protected from a rise in interest rates without giving up the benefits provided by short-term rates, the Group negotiated derivative structures that currently enable it to stay floating within a contractually established cap and floor.
This strategy made it possible to benefit from lower borrowing costs in 2011, as the variable short-term rate was lower than the fixed coupon rate of the outstanding bond issues.
It is worth mentioning that against bond issues outstanding for a total notional amount of 1,800 million euros, the Group negotiated 1,325 million euros in Interest Rate Swap and 725 million euros in derivative structures, including 225 million euros in the last quarter of 2011.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2011 and provides a comparison with the same period in 2010.

Sensitivity analysis	**2011 (*)**			**12.31.2011**		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**145**	**133**	**119**	-	-	-

(*) Included Edison's pro rata share of Edipower Spa's amounts

Sensitivity analysis	2010 (*)			12.31.2010		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	144	129	113	(9)	(11)	(12)

(*) Included Edison's pro rata share of Edipower Spa's amounts.

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.
To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), Edison Group 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.
Edison Group is currently a party to contracts assigning receivables without recourse on a monthly and quarterly revolving basis.

The receivables assigned without recourse during 2011 totaled 5,257 million euros. At December 31, 2011, the amount of receivables that were exposed to the risk of recourse was about 8 million euros. Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Group deals only with entities with a high credit rating. At December 31, 2011, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

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 increase in receivables outstanding at December 31, 2011, compared with the balance a year earlier, is largely due to a rise in sales volumes, both by the Hydrocarbons Operations and the Electric Power Operations, to the Group's

international activities (Egypt and Greece) and to a lengthening of the average time to collection, mainly in the Residential, Microbusiness and Public Administration segments.

(in millions of euros)	12.31.2011	12.31.2010
Gross trade receivables	3,293	2,508
Allowance for doubtful accounts (-)	(141)	(133)
Trade receivables	**3,152**	**2,375**
Guarantees held (*)	718	692
Receivables 9 to 12 months in arrears	68	28
Receivables more than 12 months in arrears	205	141

(*) Including 168 million euros to hedge receivables outstanding at December 31, 2011.

5. Liquidity Risk

The liquidity risk is 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 required for financial liabilities that include, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives. The result is a disclosure of the aggregate liability, which is an amount greater than the gross financial debt amount used to compute the Group's net financial debt. In addition, assets (cash and cash equivalents, trade receivables, etc.) are not taken into account and financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

Worst case scenario	12.31.2011			12.31.2010		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	16	53	2,025	18	558	2,094
Financial debt and other financial liabilities	39	834	1,330	30	769	991
Trade payables	2,252	105	-	2,077	76	-
Total	**2,307**	**992**	**3,355**	**2,125**	**1,403**	**3,085**
Guarantees provided to third parties (*)	**760**	**203**	**349**	586	327	466

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

The Group's strategic objective was to minimize the impact of financial debt maturities, while still maintaining an adequate level of available credit lines and liquidity, which it pursued with a two-pronged strategy. To begin with, it negotiated a new bank facility to repay a 500-million-euro bond issue maturing in July 2011. In addition, it drew a larger amount from its existing facilities to help repay Edipower Spa's bank debt of 1,100 million euros (550 million euros attributable to Edison) maturing at the end of 2011.

At December 31, 2011, the financial debt due within one year totaled 942 million euros, broken down as follows:

- 700 million euros for a credit line provided on a club-deal basis (of equal face value), with a maximum term of 18 months less 1 day, the full amount of which had been drawn down at December 31, 2011. Most of it (500 million euros) was used in the third quarter of 2011 to repay a 500-million-euro bond face value issue with a variable rate floated in 2004 that was due on July 19, 2011;
- about 82 million euros for a facility provided by Mediobanca to Edison Spa for an original amount of 120 million euros, with amortization plan, due on June 15, 2012;
- 69 million euros in accrued interest payable on outstanding bond issues;

- about 91 million euros in installments of loans with amortization plan, plus accrued interest payable on the overall debt amount and temporary utilizations of uncommitted credit lines.

At December 31, 2011, the Group held liquid assets totaling 291 million euros and had access to unused committed credit lines amounting to 458 million euros that are mostly part of a standby syndicated facility of 1,500 million euros that expires in 2013.

Financial debt due after one year totaled 3,355 million euros, including 2,025 million euros for bond issues (with a face amount of 1,800 million euros plus accrued interest) and 1,330 million euros for "Financial debt and other financial liabilities". It is also worth mentioning that the amount drawn from the syndicated standby facility totaled 1,050 million euros at December 31, 2011, for an increase of 200 million euros compared with September 30, 2011. The main reason for this increase was the need to secure the funds required to provide Edipower, through a loan from its shareholders, with sufficient financing, as its bank debt was coming due on December 30, 2011.

Over the coming months, one of the Group's priorities will be to lengthen the remaining average life of its debt. As for maintaining a conservatively adequate level of liquidity, it is worth mentioning that the agreement reached with regard to Edipower Spa's reorganization will have, *inter alia,* the direct effect of generating for Edison proceeds of about 1.1 billion euros as a result of the sale of the investment in Edipower and the repayment of the shareholder loan provided by Edison at the end of December 2011.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at December 31, 2011. 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.

(in millions of euros)	12.31.2012	12.31.2013	12.31.2014	12.31.2015	12.31.2016	After 5 years	Total
Bonds	71	(2)	698	498	-	599	1,864
Financial debt and other financial liabilities:							
- due to banks	851	1,173	80	11	7	19	2,141
- due to other lenders	316	4	5	11	5	19	360
Gross financial debt of continuing operations	**1,238**	**1,175**	**783**	**520**	**12**	**637**	**4,365**
Financial debt held for sale	550	-	-	-	-	-	550
Gross financial debt	**1,788**	**1,175**	**783**	**520**	**12**	**637**	**4,915**

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" paragraph above). A 500-million-euro bond face value issue was repaid on July 19, 2011. Consequently, the following three bond issues floated by the Group (Euro Medium Term Notes) with a total face value of 1,800 million euros were outstanding at December 31, 2011.

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed annual	4.250%
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%
EMTN 11/2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11.10.2017	600	Fixed annual	3.875%

Outstanding debt obligations of the Group include non-syndicated facilities totaling 956 million euros (including a facility provided to Edison on a club-deal basis in June 2011) and syndicated facilities amounting to 1,593 million euros, the unused portion of which was 458 million euros at December 31, 2011 originating from a standby syndicated facility of 1,500 million euro and revolving credit lines provided to Group companies.

Consistent with market practice, these loan agreements specify several obligations for the borrower, including the obligation to ensure that the lender banks are being afforded a treatment equal to that of other unsecured creditors (pari passu clause) or the prohibition to provide collateral to new lenders (negative pledge clause), with some specific exceptions. This framework also applies to the new credit line of 700 million euros provided to Edison Spa on a club-deal basis in June 2011 (and fully utilized at December 31, 2011), the contractual terms of which are substantially in line with those of other loan agreements, chief among them the syndicated credit line of 1,500 million euros. Also in the case of the contract signed for the new facility, there are no requirements to comply with financial statement indicators (financial covenants) or consequences for any changes in the credit ratings assigned by rating agencies (rating triggers) to Edison Spa.

Please also note that a total of 37 million euros was drawn during the 2011 against a direct medium/long-term credit line of 250 million euros provided by the European Investment Bank (EIB) to finance natural gas storage projects. The loan agreement includes conditions similar to those of Edison's bank credit lines and other clauses that are customary for direct, long-term facilities provided by this supranational bank to industrial companies.

Insofar as other Group companies are concerned, the financing facilities provided to some of them, in addition to the clauses described above, include the obligation to comply with and/or maintain certain financial indices (typically concerning the debtor's ability to repay its debts over the long term, such as the Long Life Cover Ratio or the ratio of net financial debt to EBITDA or shareholders' equity), as well as, in some cases, restriction of the ability to distribute dividends, the violation of which caused the acceleration of the underlying debt.

Lastly, the termination, as of December 30, 2011, of the agreement for the syndicated facility provided to Edipower in January 2007 automatically cancelled all obligations and prohibitions set forth in the agreement.

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

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

The Edison 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 EBITDA. Whenever possible, the Group uses hedge accounting, provided the transactions comply with the requirements of IAS 39.
Forward transactions and derivatives can be classified as follows:

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

Fair Value Hierarchy According to IFRS 7

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

- **Level 1**: Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2**: Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3**: Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At the moment, there are two types of instruments that are included in this category. Compared with December 31, 2010, one category of instruments was reclassified from "Level 3" to "Level 2", since price quotes supplied by an external provider are now available.

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

Instruments Outstanding at December 31, 2011

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 value (**)	Cumulative impact on the income statement at 12.31.2011 (***)
		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	2	3	-	-	-
- Fair Value Hedges in accordance with IAS 39	2	-	725	600	48	48
- contracts that do not qualify as hedges in accordance with IAS 39	2	7	782	-	(8)	(8)
Total interest rate derivatives		**9**	**1,510**	**600**	**40**	**40**

		due within 1 year		due between 2 and 5 years		due after 5 years		
		receivable	payable	receivable	payable	receivable		
Foreign exchange rate risk management:								
- contracts that qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	598	(952)	125	-	-	(34)	-
- on financial transactions		-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	83	(56)	-	-	-	(4)	(4)
- on financial transactions	2	12	-	-	-	-	-	-
Total foreign exchange rate derivatives		**693**	**(1,008)**	**125**	**-**	**-**	**(38)**	**(4)**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the 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	Due after two years	Balance sheet value (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2011 (***) (in millions of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:						**24**	**1**
- Natural Gas	2	Millions of therms	189	-	-	(20)	-
- LNG and oil	2	Barrels	(7,688,983)	1,566,400	-	44	1
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as hedges pursuant to IAS 39, to hedge margin						**2**	**2**
- Natural Gas	2/3	Millions of therms	-	-	-	-	-
- LNG and oil	2	Barrels	(372,078)	-	-	2	2
Total						**26**	**3**

(*) + for net purchases, - for net sales.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the 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 within two years	Due after two years	Balance sheet value (**) (in millions of euros)	Cumulative impact on the income statement at 12.31.2011 (***) (in millions of euros)
Derivatives						**8**	**8**
- Electric power	2	TWh	3.07	(0.04)	0.13	11	11
- Natural Gas	2/3	Millions of therms	(12)	28	-	(4)	(4)
- LNG and oil	2	Barrels	-	-	-	-	-
- CO_2	1/2	Millions of tons	(0.42)	-	-	1	1
Physical contracts						**14**	**14**
- Electric power	2/3	TWh	(0.34)	(0.01)	(0.13)	6	6
- Natural gas	2/3	Millions of therms	(97)	8	-	8	8
Total						**22**	**22**

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

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2011

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at December 31, 2011, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized in 2011 (A)	Fair Value recognized for contracts outstanding at 12.31.2010 (B)	Portion of (B) contracts realized in 2011 (B1)	Fair Value recognized for contracts outstanding at 12.31.2011 (C)	Change in fair value in 2011 (D)=(C–B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 1 and 2 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (**)	245	-	-	1	1	246
- not definable as hedges pursuant to IAS 39	95	1	1	21	20	115
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	8	2	2	-	(2)	6
Margin on physical trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	4,231	117	117	159	42	4,273
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(4,184)	(96)	(96)	(145)	(49)	(4,233)
Total margin on physical trading activities	*47*	*21*	*21*	*14*	*(7)*	*40*
Total (A)	**395**	**24**	**24**	**36**	**12**	**407**
Raw materials and services used (see Note 3 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	(43)	(1)	(1)	-	1	(42)
- not definable as hedges pursuant to IAS 39	(61)	(1)	(1)	(19)	(18)	(79)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*)	(30)	-	-	-	-	(30)
- not definable as hedges pursuant to IAS 39	(5)	-	-	(5)	(5)	(10)
Margin on financial trading activities						
- Other revenues and income from derivatives included in the Trading Portfolios (****)	93	53	53	78	25	118
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(93)	(40)	(40)	(70)	(30)	(123)
Total margin on financial trading activities	-	*13*	*13*	*8*	*(5)*	*(5)*
Total (B)	**(139)**	**11**	**11**	**(16)**	**(27)**	**(166)**
TOTAL INCLUDED IN EBITDA (A+B)	**256**	**35**	**35**	**20**	**(15)**	**241**
Interest rate hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	52	22	8	48	26	78
- not definable as hedges pursuant to IAS 39	8	4	4	5	1	9
Total financial income (C)	**60**	**26**	**12**	**53**	**27**	**87**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(36)	(19)	1	-	19	(17)
- not definable as hedges pursuant to IAS 39	(12)	(7)	(1)	(13)	(6)	(18)
Total financial expense (D)	**(48)**	**(26)**	**-**	**(13)**	**13**	**(35)**
Margin on interest rate hedging transactions (C+D)=(E)	**12**	**-**	**12**	**40**	**40**	**52**
Foreign exchange rate hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	37	-	-	1	1	38
Total foreign exchange gains (F)	**37**	**-**	**-**	**1**	**1**	**38**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(55)	(1)	(1)	-	1	(54)
Total foreign exchange losses (G)	**(55)**	**(1)**	**(1)**	**-**	**1**	**(54)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(18)**	**(1)**	**(1)**	**1**	**2**	**(16)**
TTOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 7 to the Income Statement)	**(6)**	**(1)**	**11**	**41**	**42**	**36**
Interest rate hedges, broken down as follows:						
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	(11)	-	-	-	-	(11)
TOTAL INCLUDED IN PROFIT(LOSS) FROM DISCOUNTINUED OPERATIONS (See Note 11 to the Income Statement)	**(11)**	**-**	**-**	**-**	**-**	**(11)**

(*) Includes the effective portion included in Raw materials and services used (Note 3 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in Sales revenues (Note 1 to the Income Statement) under margin on physical trading activities.
(****) Amounts included in Raw materials and services used (Note 3 to the Income Statement) under margin on financial trading activities.
(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was virtually nil at December 31, 2011.

The table below provides a breakdown of the amounts recognized on 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)	12.31.2011		12.31.2010	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	23	(61)	31	(22)
Interest rate transactions	53	(13)	26	(37)
Commodity transactions	311	(263)	304	(147)
Fair value recognized as current assets or current liability	**387**	**(337)**	**361**	**(206)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	159	(145)	117	(96)
- recognized as "Other receivables and payables"	175	(179)	218	(73)
- recognized as "Current financial assets" and "Short-term financial debt"	53	(13)	26	(37)

With regard to these items, please note that a negative Cash Flow Hedge reserve amounting to 11 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at December 31, 2011.

The Edison Group has chosen not to adopt the value option and, consequently, 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							Financial instruments valued at amortized cost	Equity investments valued at cost	Carrying value at 12.31.2011	Fair Value at 12.31.2011
	with change in fair value recognized in: earnings	equity		Total Fair Value	Fair Value Hierarchy (notes a, b, c) 1	2	3				
	(a)	(b)	(c)	(A)			(m)	(B) (d)	(C) (e)	(A+B+C)	
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	188	-	-	**188**	-	-	188	**-**	**5**	193	n.a.
- listed securities	5	-	-	**5**	5	-	-	**-**	**-**	5	5
										198	
Other financial assets (g) (l)	-	-	-	**-**	-	-	-	**82**	**-**	82	82
Other assets (l)	-	-	-	**-**	-	-	-	**40**	**-**	40	40
Trade receivables (i) (l)	159	-	-	**159**	-	151	8	**2,993**	**-**	3,152	3,152
Other receivables (f) (l)	101	74	-	**175**	26	145	4	**506**	**-**	681	681
Current financial assets (f) (h) (l)	57	-	-	**57**	4	53	-	**571**	**-**	628	628
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**291**	**-**	291	291
LIABILITIES											
Bonds (current and non-current)	1,369	-	-	**1,369**	-	1,369	-	**495**	**-**	1,864	1,706
Financial debt (current and non-current) (f) (l)	13	-	-	**13**	-	13	-	**2,488**	**-**	2,501	2,449
Trade payables (i) (l)	145	-	-	**145**	-	139	6	**2,212**	**-**	2,357	2,357
Other liabilities (f) (l)	94	85	-	**179**	25	148	6	**424**	**-**	603	603

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes 77 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(h) Includes equity investments held for trading.
(i) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.
(l) 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.
(m) The fair value classified at Level 3 is recognized, in the amount of 2 million euros, as part of the physical trading margin included in Sales revenues (8 million euros as revenues and 6 million euros as costs), 4 million euros as Other revenues and income and -6 million euros as part of the financial trading margin included in Raw materials and services used.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related and significant parties(*) affecting the income statement and balance sheet that were outstanding at December 31, 2011 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.
Further to the publication by the CONSOB, on September 24, 2010, of a Communication setting forth provisions governing related-party transactions in accordance with CONSOB Resolution No. 17221 of March 12, 2010, as amended, the Board of Directors of Edison Spa approved a Procedure Governing Related-Party Transactions, which went into effect on January 1, 2011.

(in milions of euros)	Related Parties pursuant to IAS 24					Other Related and Significant Parties						Total for related and significant parties	Total for financial statem. line item	Impact %
	With unconsolidated Group companies	With the controlling company	EDF Group	A2A Group	Sub total	IREN Gruppo (**)	SEL Gruppo (**)	Dolomiti Energia Group (**)	Banca Popolare di Milano	Mediobanca	Sub total			
Balance Sheet transactions:														
Investments in associates	49	-	-	-	**49**	-	-	-	-	-	**-**	**49**	**49**	**100.0%**
Trade receivables	1	-	99	17	**117**	1	3	1	-	-	**5**	**122**	**3,152**	**3.9%**
Other receivables	1	100	11	1	**113**	-	-	3	-	-	**3**	**116**	**681**	**17.0%**
Trade payables	8	-	99	24	**131**	12	10	-	-	-	**22**	**153**	**2,357**	**6.5%**
Other payables	-	85	1	-	**86**	-	-	-	-	-	**-**	**86**	**603**	**14.3%**
Short-term financial debt	15	-	-	-	**15**	-	21	-	-	142	**163**	**178**	**1,167**	**15.3%**
Long-term financial debt and other financial liabilities	-	-	-	-	**-**	-	-	-	-	1	**1**	**1**	**1,334**	**0.1%**
Income Statement transactions:														
Sales revenues	16	-	291	30	**337**	123	10	43	-	-	**176**	**513**	**11,381**	**4.5%**
Other revenues and income	-	-	10	3	**13**	2	-	-	-	-	**2**	**15**	**652**	**2.3%**
Raw material and services used	11	-	121	64	**196**	27	49	-	-	-	**76**	**272**	**10,932**	**2.5%**
Financial expense	-	-	-	-	**-**	-	1	-	-	2	**3**	**3**	**259**	**1.2%**
Commitments and contingent risks:														
Guarantees provided	-	-	-	-	**-**	-	-	-	51	-	**51**	**51**	**1,312**	**3.9%**
Collateral provided	-	-	-	-	**-**	-	-	-	-	39	**39**	**39**	**231**	**16.9%**
Other commitments and risks	-	-	25	-	**25**	-	-	-	-	-	**-**	**25**	**473**	**5.3%**

(*) Please see "2011 Corporate Governance".
(**) Considered as Related Party in the "Procedure Governing Related-Party Transactions".

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);
- transactions with its controlling company required to file the consolidated IRES return.

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 31, 2011 showed an overpayment of 61 million euros.

Consolidated IRES Return

Following the renewal by Transalpina di Energia Srl, the Group's controlling company, of the option to file a consolidated income tax return for three years from 2009 to 2011, Edison Spa and its principal subsidiaries expect to determine their corporate income tax (IRES) liability in coordination with Transalpina di Energia Srl, the Group's controlling company, within the framework of the existing arrangements for a consolidated IRES return. The relationships between the filers of the consolidated tax return are governed by special agreements.

Please note that, due to amendments introduced in 2011, Group companies that operate primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a 6.5% corporate income tax (IRES) surcharge (increased to 10.5% for the three years from 2011 to 2013). The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return.

B) Transactions with Other Related and Significant Parties

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

1) Commercial Transactions

EDF Group

Transactions executed with the EDF Group included the following:

- With Fenice Spa, sales revenues of about 37 million euros, mainly from sales of natural gas, recovery of maintenance costs for about 10 million euros and sundry costs for about 1 million euros.
- With EDF Trading Ltd, revenues of 278 million euros and costs of 117 million euros stemming from sales and purchases of commodities. In addition, 3 million euros were booked for corporate services provided to EDF.
- With EDF Trading Ltd revenues of 489 million euros and costs of 513 million euros stemming from transactions executed during the year as part of the trading activity, these amounts are included in sales revenues on a net basis.
- With EDF Trading Ltd, commitments of up to 25 million euros within the EDF Carbon Fund to purchase CER/ERU.

A2A Group

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

- Sales revenues of 38 million euros from contracts to supply electric power and steam to A2A Trading Srl and A2A Calore e Servizi Spa.
- Other revenues and income of 3 million euros from A2A Trading Srl, for the recovery of costs incurred.
- Materials and services used totaling 64 million euros, broken down as follows: 21 million euros for purchases of electric power by A2A Trading Srl; 41 million euros for electric power transmission services by A2A Reti Elettriche Spa; and about 2 million euros for the purchase of other utilities.
- With A2A Trading Srl, revenues of 91 million euros and costs of 99 million euros from transactions executed during the year as part of the trading activity, these amounts are included in sales revenues on a net basis.

IREN Group

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

- Sales revenues of 125 million euros from contracts to supply electric power and natural gas to Iren Mercato Spa.

- Other revenues and income of 2 million euros from Iren Mercato Spa, for the recovery of costs incurred.
- Raw material and services used of 27 million euros, mainly from the purchase of electric power and other utilities.
- With IREN, revenues of 2 million euros and costs of 4 million euros from transactions executed during the year as part of the trading activity, these amounts are included in sales revenues on a net basis.

SEL Group

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

- Sales revenues of 20 million euros and costs for 49 million euro from contracts to supply electric power to SEL Spa.
- With SEL Spa, revenues of 2 million euros and costs of 12 million euros from transactions executed during the year as part of the trading activity, these amounts are included in sales revenues on a net basis.

In the year dividends were paid for about 2 million euros.

Dolomiti Energia Group

Transactions executed pursuant to contracts for the supply of electric power resulted in sales revenues of 43 million euros, of which 37 million euros with Trenta Spa and 6 million euro with Dolomiti Energia Srl.
In the year dividends were paid for about 2 million euros.

The table provided above shows the impact on the balance sheet of the various transactions reviewed above.

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 provided Edison Spa with a 70-million-euro revocable line of credit. At December 31, 2011, this credit line was being used only in sureties for about 51 million euros, this amount is booked in guarantees provided. In 2011, Edipower Spa repaid the remaining installment (16 million euros attributable to Edison) of a syndicated facility provided by a pool of banks in January 2007 (total original amount of 2 billion euros, including Edison's pro rata share of 1 billion euros).
- 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 82 million euros was outstanding at December 31, 2011. In addition, Mediobanca is one of the banks that, on June 13, 2011, signed a loan agreement for a Senior Unsecured facility provided on a club deal basis in the form of a 700-million-euro revolving credit line. Mediobanca's pro rata share of the facility, which was fully utilized at December 31, 2011, is 58 million euros. Furthermore, Gever, an Edison Group company, holds lines of credit in a financing pool totaling about 3.3 million euros, of which about 2.5 million euros have been drawn down. Lastly, Mediobanca is a party to interest risk hedging transactions executed by Group companies. In 2011, Edipower Spa repaid the remaining installment (52.5 million euros attributable to Edison) of a syndicated facility provided by a pool of banks in January 2007 (total original amount of 2 billion euros, including Edison's pro rata share of 1 billion euros).

Please note that the shareholder loan of 30 million euros provided by SEL Spa to Hydros Srl, a consolidated subsidiary, shown at December 31, 2010 was replaced with a new loan of 21 million euros. In addition, a loan of about 6 million euros provided by Edison Spa to EL.IT.E. Spa, an affiliated Group company, was repaid in 2011.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

The following disclosure is being provided pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006:

- On July 21, 2011, Edison and Promgas signed an agreement to renegotiate the price of the long-term procurement contract for the supply of natural gas coming from Russia, which in the financial statements at June 30, 2011 generated benefits totaling 115 million euros at the EBITDA level.
- On October 10, 2011, the business operations comprised of the CET 2 and CET 3 thermoelectric power plants in Taranto were sold to a buyer outside the Group for a price of 164 million euros.
- Edison pursuant to an agreement reached by the shareholders on December 26, 2011, entered into a preliminary agreement to sell the equity interest it held in Edipower Spa at the price of about 600 million euros. This transaction is part of a more complex restructuring project that concerns Edison's control structure. The implementation of this agreement is dependent to condition precedent. Given to not-yet-final context, the transaction was deemed to be "highly probable" and, consequently the corresponding assets and liabilities were reclassified as "Held for sale" and a writedown has been recorded for 571 million euros in order to align the carrying amounts of the corresponding assets to their presumed realizable value.

Transactions Resulting from Atypical and/or Unusual Activities

The Edison Group declares that it did not execute atypical and/or unusual transactions in 2011, as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

ADDITIONAL DISCLOSURE ABOUT NATURAL GAS AND OIL (unaudited)

1) Reserves of Natural Gas and Oil

"Proven" reserves of gas and oil are estimated quantities of natural gas and crude oil that it is believed, with reasonable certainty and based on the evidence of available geological and engineering data, can be extracted in future years from known deposits at current economic and operating conditions and at the prices and costs on the date the estimate is made. "Developed proven" reserves are the quantities of hydrocarbons that it is estimated can be recovered from existing wells with the existing equipment and operating methods. "Undeveloped proven" reserves are the estimated quantities of hydrocarbons that may be recovered in future years from known deposits with new development investments to drill new wells and build the required production facilities.

"Probable" gas and oil reserves are estimated quantities of natural gas and crude oil that it is estimated could be recovered by drilling new wells, reworking existing wells to develop untapped formations and benefits resulting from a lowering of the operating pressure. These reserves are not verified due to lack of evidence and/or conclusive evidence and are based on known formations, assuming larger on-site volumes by extending mineralization to hypothetical, unconfirmed contacts. Probable reserves should be viewed as having a lower degree of certainty than proven reserves.

"Possible" gas and oil reserves are estimated quantities of natural gas and crude oil that it is estimated could be produced from known formations, the volume of which is estimated at the spill point, absent certain contact. The assumption is to extend the mineralization to the maximum allowable depth, which, usually, coincides with the structural spill point. Obviously, the development of these reserves presupposes the drilling of appraisal wells and the reserves are clearly more uncertain than probable reserves.

Estimates of proven and probable reserves of natural gas and crude oil at December 31, 2011 were certified by Studio di Ingegneria Mineraria (SIM).

The methods applied to estimate reserves, make production projections and determine the timing of development investments entail a margin of uncertainty. The accuracy of any estimate of reserves is a function of the quality of available information and engineering and geological valuations. Compared with estimates made, subsequent results of drilling programs and production tests could require upward or downward adjustments of the initial estimates. Changes in the price of natural gas and crude oil could also have an effect on the quantity of reserves, in that reserve estimates are based on prices and expected costs in effect on the date the estimates are made.

The table below shows the changes that occurred during 2011 to estimated proven reserves, developed and undeveloped, of natural gas and crude oil.

Developed and undeveloped proven reserves of natural gas and oil (*)

	Italy		Egypt		Other countries		Total	
	Gas	Oil	Gas	Oil	Gas	Oil	Gas	Oil
Reserves at 12.31.2010 (A)	**9.55**	**35.74**	**17.99**	**15.04**	**8.13**	**-**	**35.67**	**50.78**
Changes in 2011:								
- revision of previous estimates	0.38	3.99	-	-	-	-	0.38	3.99
- purchases or sales of mineral rights	-	-	-	-	(2.79)	-	(2.79)	-
- extensions, discoveries and other increases	-	-	1.18	0.74	-	-	1.18	0.74
- production	(0.56)	(2.14)	(1.73)	(1.37)	-	-	(2.29)	(3.51)
Total changes (B)	**(0.18)**	**1.85**	**(0.55)**	**(0.63)**	**(2.79)**	**-**	**(3.52)**	**1.22**
Reserves at 12.31.2011 (A+B)	**9.37**	**37.59**	**17.44**	**14.41**	**5.34**	**-**	**32.15**	**52.00**

(*) Reserves of natural gas are stated in billion of cubic meters; reserves of crude oil are stated in millions of barrels.

In addition to the proven reserves described above, the Edison Group has probable reserves totaling 18.1 billion cubic meters equivalent, about one third of which is located in Italy.

2) Capitalized Costs for Hydrocarbons Assets in Production

Capitalized costs represent the total cost of property, plant and equipment and concessions relating to reserves and of other ancillary non-current assets used in the production of hydrocarbons. The table below also shows the accumulated depreciation/amortization and writedowns.

Capitalized costs at December 31, 2011 relating to hydrocarbons production assets

(in millions of euros)	Italy	Egypt	Other countries	Total
Gross capitalized costs	1,124	1,581	227	2,932
Accum. deprec., amortiz. and writedowns	(508)	(350)	(52)	(910)
Total net capitalized costs	**616**	**1,231**	**175**	**2,022**

3) Costs Incurred in 2011 to Acquire, Explore and Develop Natural gas and Crude Oil Deposits

Costs incurred represent amounts added to asset accounts during the year because they were incurred in connection with the acquisition of reserves, exploration for hydrocarbons and development of deposits.

Costs incurred in 2011 for acquisitions, exploration and development

(in millions of euros)	Italy	Egypt	Other countries	Total
Acquisitions of reserves	-	-	-	-
Exploration costs	1	24	21	46
Development costs	112	127	4	243
Total incurred costs	**113**	**151**	**25**	**289**

SIGNIFICANT EVENTS OCCURRING AFTER DECEMBER 31, 2011

Edison: The Board of Directors Approves the Agreement in Principle to Restructure Edison and Edipower

On January 24, 2012, Edison's Board of Director, having heard the favorable opinion rendered by the alternative governance body equivalent to the Committee of Independent Directors, comprised of the independent Directors Gregorio Gitti and Gian Maria Gros-Pietro, based on the fairness opinion provided by Rothschild and Goldman Sachs, approved the agreement in principle to restructure Edison and Edipower executed by A2A, Delmi and EDF on December 26, 2011, each company within the scope of its jurisdiction, calling for the sale to Delmi of the equity interest held in Edipower and a contract for the sale of natural gas to Edipower

Edison: Early Termination of the CIP 6/92 Contract for the CET3 Power Plant in Piombino

On February 7, 2012, Edison signed an agreement with the Electrical Services Manager (abbreviated as GSE in Italian) for a voluntary early termination of the CIP 6/92 contract for the CET3 power plant in Piombino, in accordance with the terms of the Ministry Decrees of December 2, 2009 and June 23, 2011. With this transaction, Edison completed the process of early termination of the CIP 6/92 contracts that started in 2010 with the early termination of CIP 6/92 contracts of Jesi, Milazzo, Porto Viro, Porcari and CET 3 Taranto thermoelectric power plants. The termination will be effective as of January 1, 2013.

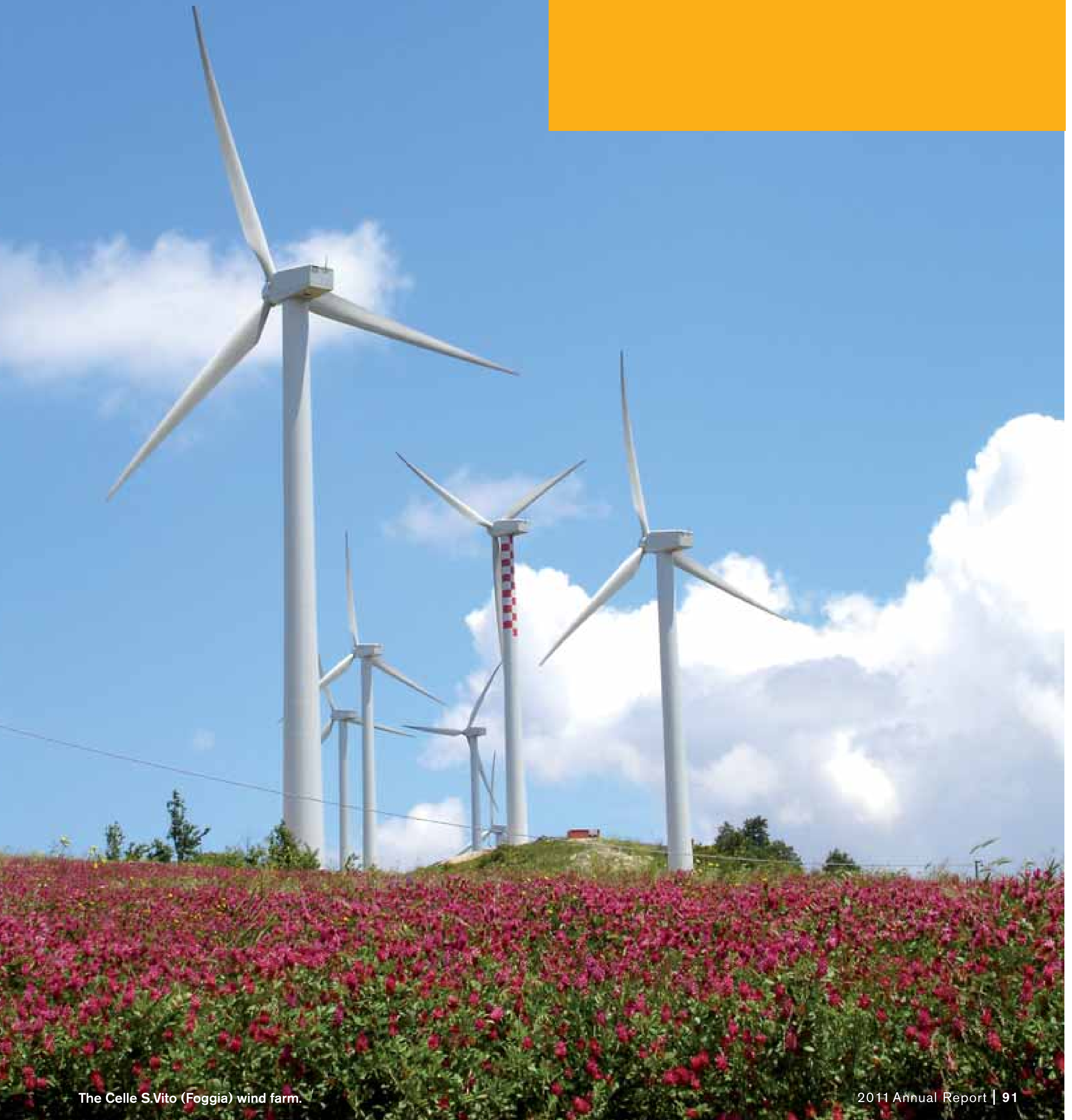
Edison: The Board of Directors Approves Final Contracts for Edison and Edipower Reorganization

On February 13, 2012, the Board of Directors of Edison, taking into account the positive opinion of the alternative Presidium equivalent to the Independent Committee, which consists of independent members Gregorio Gitti and Gian Maria Gros-Pietro, approved the final form of the contracts for the reorganization of Edison and Edipower reached among Edf, A2A and Delmi with specific reference to the parts in which Edison is involved, i.e. the sale of its Edipower stake to Delmi and the signing of a gas supply contract between Edison and Edipower

Milan, February 13, 2012

The Board of Directors
By Bruno Lescoeur
Chief Executive Officer

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2011



The Celle S.Vito (Foggia) wind farm.

SCOPE OF CONSOLIDATION AT DECEMBER 31, 2011

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) 12/31/11	Consolidated Group interest (a) 12/31/10	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

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/11	Consolidated Group interest (a) 12/31/10	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
Group Parent Company											
Edison Spa	Milan (IT)	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) Attività Energia Elettrica	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Calabria Spa (single shareholder)	Crotone (IT)	EUR	120,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Parco Eolico San Francesco Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00	90.00	Edison Spa	-	-	S	(i)
Sarmato Energia Spa (single shareholder)	Milan (IT)	EUR	14,420,000	100.00	55.00	100.00	Edison Spa	-	-	S	-
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa - (single shareholder) Attività Idrocarburi	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison International Spa (single shareholder)	Milan (IT)	EUR	75,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	81,497,301	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa	-	-	-	-

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) 12/31/11	Consolidated Group interest (a) 12/31/10	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
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	73,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Montedison Srl (single shareholder)	Milan (IT)	EUR	2,583,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/11	Consolidated Group interest (a) 12/31/10	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
Electric Power Operations											
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	37.89	75.78	Elpedison Bv	-	-	JV	-
Elpedison Trading Sa	Marousi Athens (GR)	EUR	1,150,000	50.00	50.00	100.00	Elpedison Bv	-	-	JV	-
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	JV	-
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	42.00	Edison Spa	-	-	JV	-
Hydrocarbons Operations											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50,00	50.00	Edison International Spa (single shareholder)	-	-	JV	-
Ed-Ina D.o.o.	Zagabria (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa (single shareholder)	-	-	JV	-
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	-	30.00	Edison international Spa (single shareholder)	-	-	JV	-
ICGB AD	Sofia (BG)	BGL	7,823,320	25.00	-	50,00	IGI Poseidon Sa - Nat. Gas Subm. Interc. Gre-Ita-Poseidon	-	-	JV	-
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	22,100,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
Corporate Activities											
Elpedison Bv	Amsterdam (NL)	EUR	20,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
Discontinued operations											
Electric Power Operations											
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00	50.00	Edison Spa	-	-	JV	-

List of Equity Investments (continued)

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

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	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
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.00	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	3.0	AC	-
Energia Senales Srl - Es Srl	Senales (BZ) (IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	1.3	AC	-
GTI Dakar Ltd	George Town Gran Caiman (KY)	EUR	14,686,479		30.00	Sondel Dakar Bv	-	-	-	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Montedison Srl (single shareholder)	-	-	4.3	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	20.1	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,242,300		20.81	Edison Spa	-	-	17.8	AC	-
Total investments in companies valued by the equity method									**46.5**		

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) 12/31/10	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
C) Investments in companies in liquidation or subject to permanent restrictions											
Auto Gas Company S.A.E. (in liquidation)	Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa (single shareholder)	-	-	-	AC	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Compagnia Elettrica Lombarda Spa (in liquidation)	Milan (IT)	EUR	408,000		60.00	Sistemi di Energia Spa	-	-	-	S	-
Coniel Spa (in liquidation)	Rome (IT)	EUR	1,020		35.25	Edison Spa	-	-	-	AC	-
Groupement Gambogi - Cisa (in liquidation)	Dakar (SN)	XAF	1,000,000		50.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Inica Soc. de Iniciativas Mineiras e Industriais Sa	Lisbon (PT)	PTE	1,000,000		20.00	Edison Spa	-	-	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Montedison Srl (single shareholder)	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (in liq.) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

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) 12/31/10	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		1.30	Edison Spa	-	-	2.3	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.0	NG	-
Amsc-American Superconductor	Devens (US)	USD	508,687		0.31	Edison Spa	-	-	0.5	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3.5	NG	-
MB Venture Capital Fund I Participating Comp. E Nv (in liq.)	Amsterdam (NL)	EUR	50,000		7.00	Edison Spa	-	-	-	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.76	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.02	Edison Spa	1.06	1.06	5.3	NG	-
Syremont Spa	Messina (IT)	EUR	1,250,000		24.00	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	-	-	187.5	NG	-
Other minor									-		
Total investments in other companies valued at fair value									**201.5**		
Total equity investments									**250.4**		

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 at 12/31/2011	Consolidated Group Interest
Companies added to the scope of consolidation in the year ended 12/31/2011				
Acquired companies				
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00
Newly established companies				
ICGB AD	Sofia (BG)	BGL	7,823,320	25.00
Taranto Energia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00

Company name	Head office	Currency	Share capital at 12/31/2010	Consolidated Group interest at 2011	Consolidated Group interest at 12/31/2010
Companies removed from the scope of consolidation in the year ended 12/31/2011					
Companies sold					
Taranto Energia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	-
Merged companies					
Eneco Energia Spa	Bolzano (IT)	EUR	222,000	100.00	100.00
Liquidated companies					
Edison Power Energy Srl (single shareholder)	Milan (IT)	EUR	50,000	100.00	100.00
Selm Holding International Sa (in liquidation)	Luxembourg (L)	EUR	24,000,000	100.00	100.00

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

(iii) This company is a contractual joint venture.

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

BGL Bulgarian lev
BRL Brazilian real
CHF Swiss franc
EGP Egyptian pound
EUR Euro
GBP British pound
HRK Croatian kuna
PTE Portuguese escudo
USD U.S. dollar
XAF Central African franc

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

1. We, the undersigned Bruno Lescoeur, in my capacity as "Chief Executive Officer", and Massimiliano Masi, in my capacity as "Dirigente Preposto alla redazione dei documenti contabili societari", employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Consolidated Financial Statements at December 31, 2011:

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

2. We further certify that:

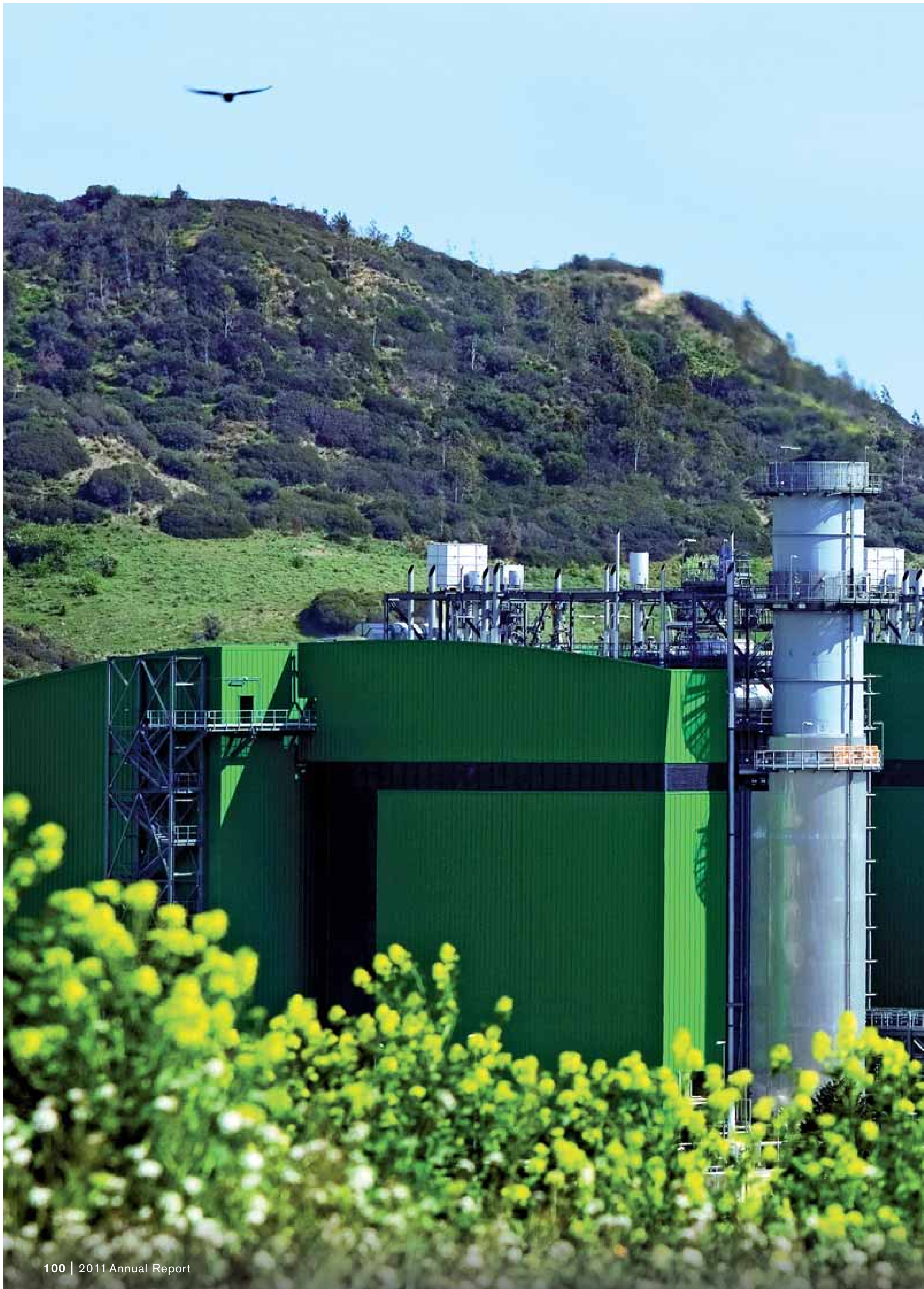
   2.1. the Consolidated Financial Statements:

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

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

Milan, February 13, 2012

Chief Executive Officer	Il Dirigente Preposto alla redazione dei documenti contabili societari
Bruno Lescoeur	Massimiliano Masi



REPORT OF THE INDEPENDENT AUDITORS

The Simeri Crichi (Catanzaro) thermoelectric power plant.

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AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
EDISON S.p.A.

1. We have audited the consolidated financial statements of Edison S.p.A. and subsidiaries (the "Edison Group"), comprising the income statement, the other components of the comprehensive income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity as of December 31, 2011 and the related notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company'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 recommended by CONSOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the notes to the consolidated financial statements, the Directors have reclassified certain comparative data related to the prior year's consolidated financial statements with respect to the figures previously reported and audited by other auditors, on which they issued their auditors' reports dated April 4, 2011. These reclassifications of comparative data and related disclosures included in the notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2011.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Edison Group as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona

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Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. As indicated by the Directors in the report on operations and in the notes to the consolidated financial statements, as part of the agreement for the reorganization of Edison and Edipower reached by Edison's shareholders A2A, Electricité de France and Delmi and Edison itself, the Company has defined an agreement for the sale of a 50% interest in Edipower's share capital to Delmi and a contract for the supply of natural gas to Edipower for a period of six years which would cover at least 50% of Edipower's needs. These agreements are transactions between related parties and their finalization is conditional upon, inter alia, the approval of the relevant antitrust authorities and the confirmation by CONSOB, whose assessments and scrutiny are still underway, that the public tender offer by Electricité de France for Edison's shares will be carried out at a price not exceeding Euro 0.84 per share. In this context, the sale of Edipower was deemed to be "highly probable" by the Group and, consequently, was presented in the financial statements as a discontinued operation, giving disclosure of its economic and financial effects.

5. The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of Edison Group as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
March 9, 2012

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

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

Editorial coordination
External Relations and Communications Department

Art direction by
In Pagina, Saronno

Photographs by
Archivio Edipower
Archivio Edison
Renato Cerisola
Eye Studio
Alberto Novelli
Fabrizio Villa

Printed by
Grafiche Mariano, Mariano Comense

Milan, April 2012

This publication has been printed on ecological paper with a low environmental impact.

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Capital stock: 5,291,700,671.00 euros, fully paid in
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