QUARTERLY REPORT

AT SEPTEMBER 30, 2011

EDISON

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QUARTERLY REPORT AT SEPTEMBER 30, 2011

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AT SEPTEMBER 30, 2011

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Electric Power Business Unit | Hydrocarbons Business Unit | Main consolidated companies

(1) Edison Spa, working through its Business Units and Corporate Activities, is directly engaged in the production of electric power from hydroelectric and thermoelectric power plants, and produces, imports and distributes hydrocarbon products.

(2) Edipower Spa is consolidated at 50% by the proportional method.

(*) Companies subject to functional unbunding requirements.

KEY EVENTS THIRD QUARTER OF 2011

No significant events requiring disclosure occurred in the third quarter of 2011.

Significant Events Occurring Since September 30, 2011

Information about events occurring after the end of the three-month period covered by this Report is provided in the section of the Review of the Group's Operating Performance and Financial Results entitled "Significant Events Occurring after September 30, 2011."

FINANCIAL HIGHLIGHTS – FOCUS ON RESULTS

In order to help the reader obtain a better understanding of the Group's operating and financial performance, the tables that follow contain alternative performance indicators that are not included among those provided in the IFRS accounting principles. The methods used to compute these indicators, consistent with the guidelines of the Committee of European Securities Regulators (CESR), are described in the footnotes to the tables.

Edison Group

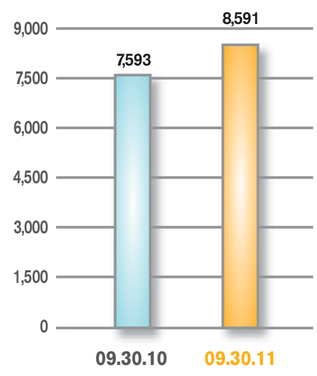
2010 Full year	(in millions of euros)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
10,446	Sales revenues	8,591	7,593	13.1%	2,929	2,506	16.9%
1,369	EBITDA	717	930	(22.9%)	226	304	(25.7%)
13.1%	*as a % of sales revenues*	*8.3%*	*12.2%*		*7.7%*	*12.1%*	
273	EBIT	149	368	(59.5%)	43	104	(58.7%)
2.6%	*as a % of sales revenues*	*1.7%*	*4.8%*		*1.5%*	*4.2%*	
172	Profit (Loss) before taxes	4	309	(98.7%)	(7)	67	n.m
21	Group interest in net profit (loss)	(93)	179	n.m.	(31)	37	n.m
505	Capital investments	365	381	(4.2%)	129	82	57.3%
52	Investments in exploration	41	45	(8.9%)	34	24	41.7%
11,845	Net invested capital (A + B) (1)	12,119	12,179	2.3%			
3,708	Net financial debt (A) (1) (2)	4,104	3,995	10.7%			
8,137	Total shareholders' equity (B) (1)	8,015	8,184	(1.5%)			
7,939	Shareholders' equity attributable to Parent Company shareholders (1)	7,845	8,003	(1.2%)			
2.35%	ROI (3)	1.70%	4.16%				
0.26%	ROE (4)	n.m.	2.97%				
0.46	Debt/Equity ratio (A/B)	0.51	0.49				
31%	Gearing (A/A+B)	34%	33%				
3,939	Number of employees (1) (5)	3,907	3,936	(0.8%)			
119	- including these employees of discontinued operations	117	-	(1.7%)			
	Stock market prices (in euros)						
0.8660	- common shares	0.8522	0.9205				
1.2365	- savings shares	0.8851	1.2781				
	Earnings (loss) per share (in euros) (6)						
0.0034	- basic earnings (loss) per common share	(0.0188)	0.0333				
0.0334	- basic earnings per savings share	0.0375	0.0633				
0.0034	- diluted earnings (loss) per common share	(0.0188)	0.0333				
0.0334	- diluted earnings per savings share	0.0375	0.0633				

(1) End-of-period data. The changes are computed against the data at December 31, 2010.
(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Review of the Group's Operating Performance and Financial Results.
(3) Annualized EBIT/Average net invested capital. Net invested capital does not include the value of equity investments held as non-current assets and is computed as the arithmetic average of the net invested capital at the end of the period and at the end of the previous year.
(4) Annualized Group interest in net profit/Average shareholders' equity attributable to Parent Company shareholders. Average shareholders' equity is the arithmetic average of the shareholders' equity at the end of the period and at the end of the previous year.
(5) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.
(6) Simple arithmetic mean of the prices for the last calendar month of the period.

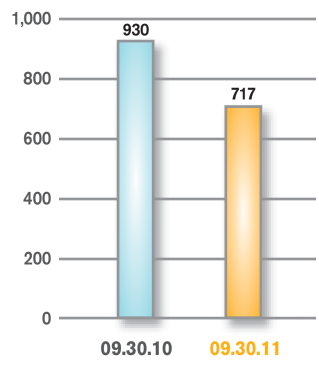
Key Group Data

(in millions of euros)

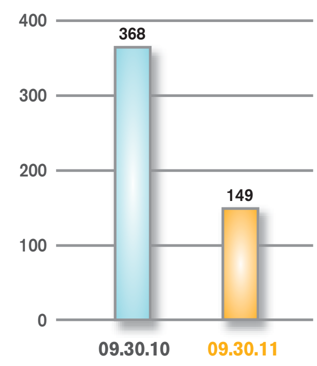
Sales revenues



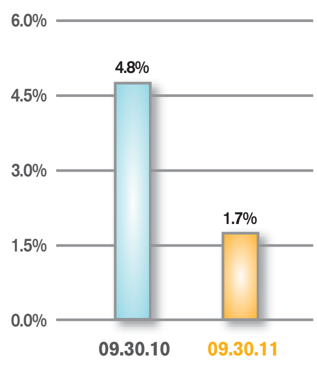
EBITDA



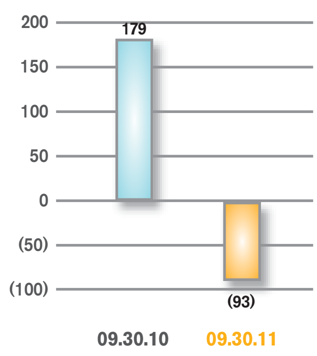
EBIT



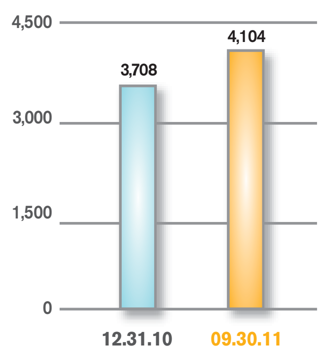
EBIT/Sales revenues



Group interest in net profit



Net financial debt



Sales Revenues and EBITDA by Business Segment

2010 full year	(in millions of euros)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
	Electric Power Operations (1)						
7,289	Sales revenues	5,996	5,297	13.2%	2,164	1,859	16.4%
1,055	Reported EBITDA	526	653	(19.4%)	165	225	(26.7%)
1,130	Adjusted EBITDA *	618	722	(14.4%)	230	239	(3.8%)
	Hydrocarbons Operations (2)						
5,040	Sales revenues	3,756	3,689	1.8%	1,196	1,137	5.2%
413	Reported EBITDA	261	349	(25.2%)	81	102	(20.6%)
338	Adjusted EBITDA *	169	280	(39.6%)	16	88	(81.8%)
	Corporate Activities and Other Segments (3)						
51	Sales revenues	37	38	(2.6%)	13	13	-
(99)	EBITDA	(70)	(72)	2.8%	(20)	(23)	13.0%
	Eliminations						
(1,934)	Sales revenues	(1,198)	(1,431)	16.3%	(444)	(503)	11.7%
	EBITDA	-	-		-	-	
	Edison Group						
10,446	**Sales revenues**	**8,591**	**7,593**	**13.1%**	**2,929**	**2,506**	**16.9%**
1,369	**EBITDA**	**717**	**930**	**(22.9%)**	**226**	**304**	**(25.7%)**
13.1%	***as a % of sales revenues***	***8.3%***	***12.2%***		***7.7%***	***12.1%***	

(1) Activities carried out by the following Business Units: Electric Power Operations, Power International, Renewable Sources, Energy Efficiency and Sustainable Development, Energy Management and Marketing & Distribution.

(2) Activities carried out by the following Business Units: Hydrocarbons Operations, Gas International, Gas Supply & Logistics and Marketing & Distribution.

(3) Includes those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and certain holding companies and real estate companies.

(*) Adjusted EBITDA reflect the effect of the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. Within the framework of 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 natural gas sales. The gains or losses generated by these transactions, which are recognized by the Hydrocarbons Operations, were reclassified under the Electric Power Operations. This reclassification is being made to provide an operational presentation of the Group's industrial results, in view of the significant impact of fluctuations in commodity prices and foreign exchange parities that occurred during the reporting period.

PERFORMANCE AND RESULTS OF THE GROUP

Operating Performance

The Group reported sales revenues of 2,929 million euros in the third quarter of 2011, for a gain of 16.9% compared with the same period last year.
A breakdown by business segment shows gains of 16.4% for the Electric Power Operations and 5.2% for the Hydrocarbon Operations, driven mainly by higher average sales prices that reflected changes in the benchmark scenario and, in the case of the Electric Power Operations, a rise in sales volumes.
Cumulative sales revenues for the first nine months of 2011 rose to 8,591 million euros, or 13.1% more than the 7,593 million euros booked in the first three quarters of 2010, due to the same factors that boosted the Group's performance in the third quarter.

Quarterly EBITDA declined to 226 million euros, down 25.7% compared with the third quarter of 2010. The comments provided for the different business segments should be consulted for a more detailed description of the developments that characterized the reporting period.
EBITDA for the first nine months of 2011 totaled 717 million euros, or 213 million euros less (-22.9%) than the 930 million euros reported at September 30, 2010. This decrease reflects reductions of 104 million euros and 111 million euros, respectively, in the adjusted EBITDA(1) of the Electric Power Operations and the Hydrocarbons Operations.
More specifically, the negative change in the adjusted EBITDA(1) of the Electric Power operations primarily reflects a reduced contribution by the CIP 6/92 segment, while the decrease in the adjusted EBITDA(1) of the Hydrocarbons Operations is attributable to the activities engaged in buying and selling natural gas, which generated a loss in the first nine months of 2011, offset only in part by a positive performance in the exploration and production segment. It is worth noting that the EBITDA of the Hydrocarbons Operations for the period benefited from the renegotiation of the long-term contracts for the supply of natural gas from Norway and Russia completed with ENI and Promgas, respectively.
More detailed information about the reporting period is provided in the section of the Report where the performance of the Group's businesses is analyzed.

For the reasons explained above, consolidated EBIT were also down, decreasing to 149 million euros at September 30, 2011, or 59.5% less than the amount earned in the same period last year (368 million euros).
In addition to the reduction in profitability discussed above, the decrease in EBIT reflects the combined impact of higher asset writedowns of 50 million euros and the positive effect of lower depreciation and amortization of non-current assets, due mainly to the expiration of some CIP 6/92 contracts and the writedown recognized in 2010, and a decrease in investments in exploration.
The abovementioned writedowns refer almost exclusively to thermoelectric power plants. More specifically, they reflect an increase in the country risk for facilities located in Greece and, for the power plants located in Italy, a redefinition of their production profiles that takes into account the limited profitability of transactions in Italy's electric power market.

The profit before taxes, which also reflects the impact of net financial expense of 134 million euros, totaled 4 million euros (profit before taxes of 309 million euros in the first nine months of 2010).

The net loss attributable to the Group, which amounted to 93 million euros, for a negative change of 272 million euros compared with the first nine months of 2010, includes a net loss from discontinued operations of 14 million euros, attributable to writedowns of the Taranto thermoelectric power plants that are being sold to the Riva Group (7 million euros) and the impact of a decision handed down by the Council of State on May 31, 2011, depriving Edison Spa of some rate benefits awarded to a thermoelectric power plant sold in 2008 (7 million euros).

In addition, the current tax burden reflects the impact of the provisions of Law No. 148 of September

(1) See note on page 6.

14, 2011, which raised the corporate income tax surcharge from 6.5% to 10.5% for three years, from 2011 to 2013 and expanded the applicability to companies in the renewable energy and natural gas distribution sectors, with a resulting negative impact of 23 million euros (including 8 million euros for net deferred taxes and 15 million euros for current taxes).

At September 30, 2011, net financial debt totaled 4,104 million euros (3,995 million euros at September 30, 2010), up compared with the 3,708 million euros owed at December 31, 2010. More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Review of the Group's Operating Performance and Financial Results.

The table below provides a breakdown of the changes that occurred in net financial debt:

2010 full year	(in millions of euros)	September 30, 2011	September 30, 2010
(3,858)	**A. Net financial (debt) at beginning of period**	**(3,708)**	**(3,858)**
1,369	EBITDA	717	930
148	Change in operating working capital	(455)	(28)
(304)	Income taxes paid (-)	(144)	(228)
(81)	Change in other assets (liabilities)	(62)	(29)
1,132	**B. Cash flow from operating activities**	**56**	**645**
(557)	Investments in property, plant and equipment and intangibles (-)	(406)	(426)
(7)	Investments in non-current financial assets (-)	(3)	(7)
(42)	Acquisition price of business combinations (-)	-	(41)
8	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	99	7
8	Capital distributions from equity investments	9	5
1	Dividends received	5	1
543	**C. Free cash flow**	**(240)**	**184**
(144)	Financial income (expense), net	(134)	(93)
10	Contributions of share capital and reserves	-	10
(259)	Dividends paid (-)	(22)	(238)
150	**D. Cash flow after financing activities**	**(396)**	**(137)**
-	Change in the scope of consolidation	-	-
150	**E. Net cash flow for the period**	**(396)**	**(137)**
(3,708)	**F. Net financial (debt) at end of period**	**(4,104)**	**(3,995)**

Outlook and Expected Year-end Results

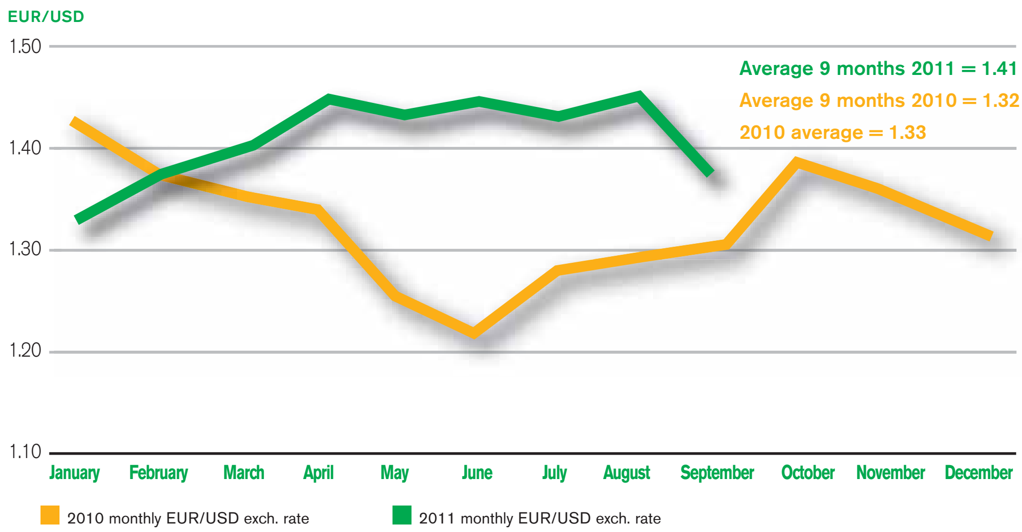
The performance of the Group's operating activities and the renegotiation of long-term supply contracts with Promgas (Russian gas) and ENI (Norwegian gas) make it possible to confirm the EBITDA estimate for the current year at about 900 million euros. The impact that challenging condition in the natural gas market are having on the Group's profitability will persist until the ongoing negotiations and arbitration proceedings for the long-term natural gas contracts reach a positive conclusion.

The Company's objective is to obtain from the renegotiations currently under way both reasonable margins on its gas contracts and lump-sum compensation payments for past years.

ECONOMIC FRAMEWORK

After a first half of the year characterized by an upturn in the global economy, due mainly to the growth contributed by the emerging countries and, to a lesser extent, by those in the euro-zone, Germany above all, the upward momentum slowed considerably in the third quarter, particularly in the advanced economies. This unexpected setback, both in Europe and the United States, which until just a few months ago were viewed as the likely drivers of a recovery in the West, was the result of the restrictive fiscal policies implemented in these countries to rebalance government budgets and reflects the fact that a series of structural problems remain unresolved. In Japan, on the other hand, the current negative trend is attributable primarily to the terrible earthquake that struck that country this past spring.
Growth estimates for the U.S. economy were revised downwards, due to slower than expected export growth, a reduction in inventory buildup and a weaker fiscal stimulus effect. The rate of growth slowed in the euro zone as well, weakened by the sovereign debt crisis and worsening conditions in the international scenario, which had a depressing effect on exports, hitting Germany especially hard. The less than positive trend in household spending in the euro zone reflects the impact of difficult conditions in the labor market and of drastic cuts in government spending. Even the emerging economies, which were the main engines driving the recovery at the end of 2010 and the beginning of 2011, have begun to slow; China and India continue to be the largest contributors to the GDP growth of the emerging economies, despite the tight monetary policies that continue to be implemented to combat inflationary pressures.
In this international environment, Italy, while reporting an economic performance substantially in line with its European partners as it continues to face a confidence crisis regarding its government debt, was more severely affected by recent turbulence in the financial markets, which did not spare Italian banks, even though they were viewed as more sound than those of other EU countries until just before the start of summer. In addition, a decrease in the confidence level of businesses and households and a general deterioration of Italy's economic scenario caused the yield spread between Italian and German government bonds to widen to an all-time high.

In the third quarter of the year, the euro/U.S. dollar exchange rate was characterized by extreme volatility, with the European single currency falling from an exchange rate of 1.45 U.S. dollars for one euro at the beginning of July to an exchange rate of 1.35 U.S. dollars for one euro towards the end of September, with wide swings during the course of the quarter. Specifically, after holding steady on average in July and August despite wide exchange rate fluctuations, the euros lost value steadily versus the U.S. dollar in September, erasing in just one month all of the gains recorded in the first half of 2011 and setting new lows since January on some days, due to the financial community's growing concerns about the debt situation in some EU countries.
Overall, the average exchange rate for the first nine months of 2011 was 1.41 U.S. dollars for one euro, 6.9% higher than the average for the first nine months of 2010. In the third quarter of 2011, the average exchange rate was 1.41 U.S. dollars for one euro, up 9.4% compared with the same period last year.

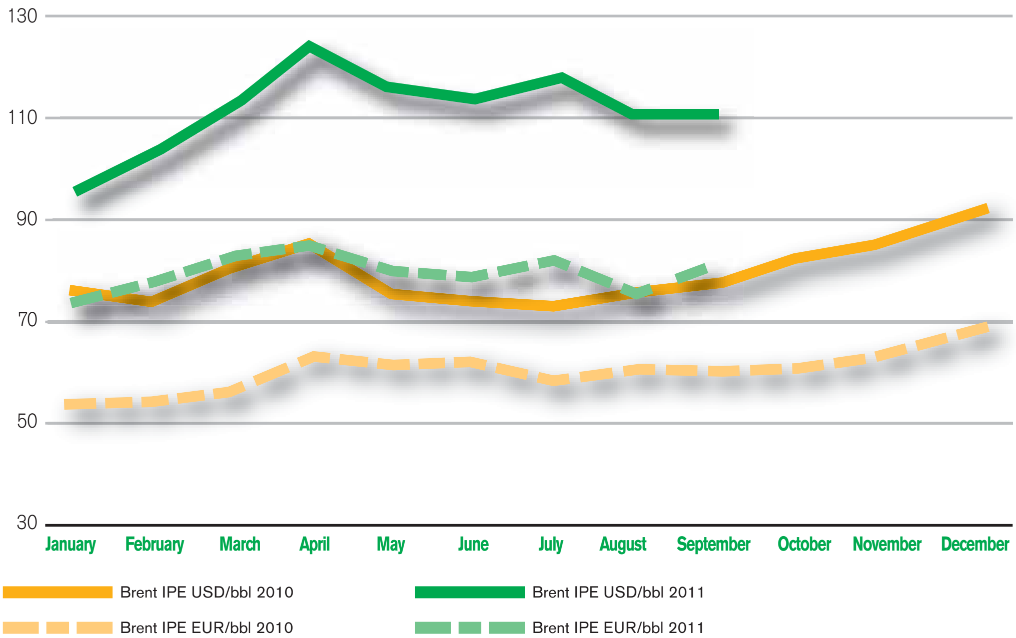


In the oil market, an initial upward trend, which saw crude prices rise to more than 110 U.S. dollars per barrel in the first quarter of 2011 and peak in April, was followed in the ensuing months of 2011 by a period of limited monthly fluctuations, despite high intraday volatility.
This relative stability is explained by the easing of the tensions that drove prices higher during the first half of the year, including political crises in Libya and Egypt and the resulting concerns with regard to oil supplies on the world's markets. Compared with the first nine months of 2010, crude oil prices were up by 43% in 2011, to an average of 111.5 U.S. dollars per barrel. In the third quarter alone, the increase was 45.6% compared with the same period last year.
The swings in the price of a barrel of Brent crude are slightly less pronounced when stated in euros, as crude prices and the EUR/USD exchange rate moved in opposite directions.
Compared with the first nine months of 2010, the euro price of crude oil rose by 33.8% in 2011, for an average of 79.3 euros per barrel. In the third quarter of 2011, the increase was 33.1% compared with the same period last year.

The table and chart provided below show the quarterly data and the monthly trends for 2011 and 2010:

2010 full year		9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
80.3	Oil price in USD/bbl (1)	111.5	77.9	43.0%	112.1	77.0	45.6%
1.33	USD/EUR exchange rate	1.41	1.32	6.9%	1.41	1.29	9.4%
60.5	Oil price in EUR/bbl	79.3	59.2	33.8%	79.4	59.6	33.1%

(1) Brent IPE.



THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy and Market Environment

2010 full year	TWh	**9 months 2011**	9 months 2010	% change	**3rd quarter 2011**	3rd quarter 2010	% change
290.7	Net production:	220.0	216.0	1.9%	76.1	73.5	3.6%
221.0	*- Thermoelectric*	*165.0*	*163.5*	*0.9%*	*56.1*	*56.9*	*(1.4%)*
53.8	*- Hydroelectric*	*37.8*	*41.1*	*(8.0%)*	*12.8*	*13.1*	*(2.3%)*
15.9	*- Other renewables (1)*	*17.2*	*11.4*	*50.9%*	*7.2*	*3.5*	*106.3%*
44.2	Net import/export balance	32.2	33.7	(4.5%)	9.5	10.8	(11.9%)
(4.4)	Pumping consumption	(1.7)	(3.4)	(49.3%)	(0.6)	(0.8)	(24.8%)
330.5	**Total demand**	**250.5**	**246.3**	**1.7%**	**85.0**	**83.5**	**1.8%**

Source: Analysis of 2010 data and pre-closing 2011 Terna data, before line losses.
(1) Includes production from geothermal, wind power and photovoltaic facilities.

In the third quarter of 2011, gross total demand for electric power from the Italian grid totaled 85.0 TWh (1 TWh = 1 billion kWh), or 1.8% more than in the same period last year.
Changes in weather temperature during the quarter had a significant impact on monthly demand trends for electric power: compared with the previous year, temperatures were lower in July, but higher in August and September, driving domestic demand for air conditioning.

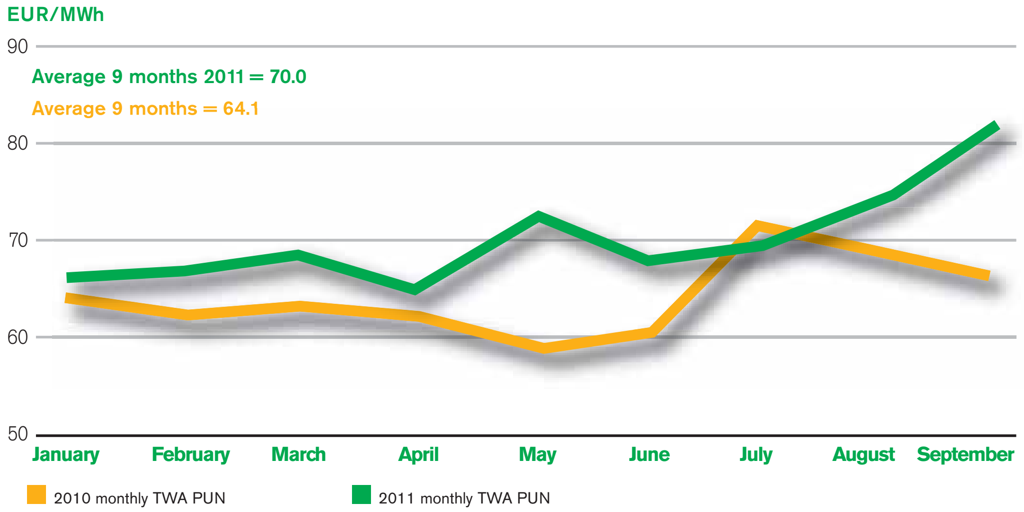
A rise of 1.5 TWh in national demand for electric power, coupled with a decrease of 1.3 TWh in net electric power imports (owed in part to some reductions in transits with France and Switzerland) and a decline of 0.2 TWh in the energy consumed for pumping services, accounts for the increase of 2.6 TWh in net domestic production. In the third quarter of 2011, domestic production, net of pumping services consumption, accounted for 89% of demand, up from 87% in the third quarter of 2010, with net imports covering the remaining 11%.

The abovementioned increase in net domestic production also reflects the combined impact of a sharp rise of 3.7 TWh (+106.3%) in energy produced from other renewable sources, a reduction of 0.3 TWh (-2.3%) in hydroelectric output and a resulting decrease of 0.8 TWh (-1.4%) in thermoelectric production. With regard to renewable energy sources, while, as stated above, hydroelectric production contracted due to a lower availability of water resources compared with 2010, production was up sharply for the photovoltaic facilities (+3.4 TWh) and wind farms (+0.2 TWh), reflecting a significant expansion of generating capacity in 2010. Geothermal production was substantially the same as a year ago.

In the first nine months of 2011, gross total demand for electric power from the Italian grid totaled 250.5 TWh, or 1.7% more than in the same period last year, also due to the factors discussed when commenting the quarterly data.

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) increased to 70.0 euros per MWh at September 30, 2011, up about 9.2% compared with the first nine months of 2010 (64.1 euros per MWh).
The chart that follows shows a rising trend in the PUN's level caused mainly by a steady increase in the price of natural gas, consistent with a rise in crude oil prices. A comparison with 2010 monthly data shows that the impact of weather conditions caused the price to decrease only in July (when the temperature was colder than usual) and increase significantly in September, when the temperature was warmer than usual.

The chart below provides a monthly comparison of the PUN trend in 2011 and 2010:



Demand for Natural Gas in Italy and Market Environment

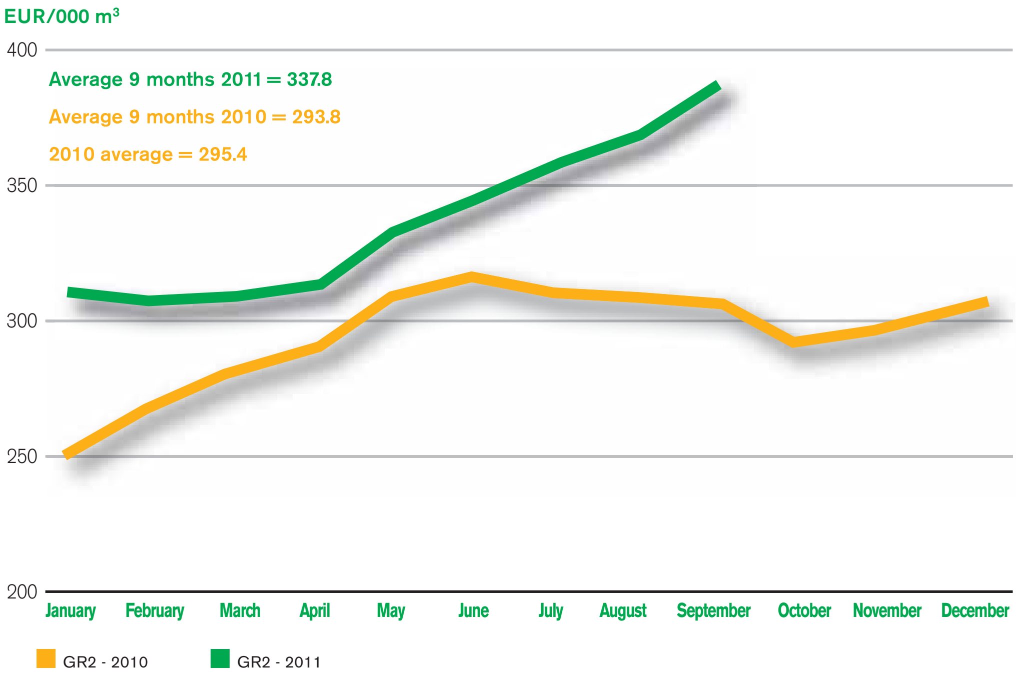
2010 full year	in billions of m^3	**9 months 2011**	9 months 2010	% change	**3rd quarter 2011**	3rd quarter 2010	% change
33.8	Services and residential customers	20.3	22.1	(8.3%)	2.1	2.1	n.m.
17.6	Industrial users	13.1	12.7	3.2%	4.0	3.8	5.2%
29.8	Thermoelectric power plants	21.1	22.1	(4.3%)	7.1	7.7	(7.1%)
1.4	System usage and leaks	1.0	1.0	n.m.	0.4	0.4	n.m.
82.6	**Total demand**	**55.5**	**57.9**	**(4.2%)**	**13.6**	**14.0**	**(3.0%)**

Source: 2010 data and preliminary 2011 data provided by Snam Rete Gas and the Ministry of Economic Development, and Edison estimates.

In the third quarter of 2011, Italian demand for natural gas decreased by 3.0% compared with the same period a year ago, falling to about 13.6 billion cubic meters, for an overall reduction of about 0.4 billion cubic meters.
A decrease in demand from thermoelectric users, which was down by about 0.6 billion cubic meters (-7.1%) in the third quarter of 2011 due to lower production by gas-fired thermoelectric power plants, accounts for most of this decrease.
The increase of 0.2 billion cubic meters in consumption by industrial users (+5.2% compared with the same period last year) shows that the modest upward trend that characterized the economy during the first half of the year is continuing, even though demand levels remain well below those of 2008. Lastly, consumption by services and residential users was substantially in line with the previous year.
With regard to supply sources, the following developments characterized the third quarter of 2011:
- domestic production up slightly compared with the third quarter of 2010 (+2.7%);
- higher natural gas imports compared with the same period last year (+0.2 billion cubic meters, or +1.1%);
- a higher volume of natural gas added to storage inventories compared with the third quarter of 2010, due to a favorable trend in gas prices and an increase in national storage capacity.

The data for the first nine months of 2011 show that demand for natural gas totaled about 55.5 billion cubic meters, or 2.4 billion cubic meters less than in the same period in 2010 (-4.2%).
It is also worth mentioning that this negative trend reflects to a significant extent the effect of weather conditions, with substantially warmer temperature in the early months of the year compared with 2010.

The monthly price trend for indexed natural gas prices (depicted in the chart provided below, which is based on the Gas Release 2 formula) shows that the effect of a slow recovery in the price of Brent crude in euros per barrel was significantly stronger than in the previous year, due to the time lag with which it is reflected on prices, which thus rose to sharply higher levels, particularly in the third quarter and especially in September due to the euro's loss of value versus the U.S. dollar.
A comparison with 2010 shows an upward trend for the Gas Release 2 formula for all of 2011, with a higher increase in the third quarter (+20.7%) than in the previous six months.



In the case of the rate component that corresponds to the Wholesale Distribution Charge (CCI), which is indicative of the prices charged in the residential market, the time lag in reflecting changes in the pricing of the benchmark fuel basket is greater than for the Gas Release 2, due to indexing differences and regulatory decisions by the Electric Power and Natural Gas Authority (AEEG). The generalized increase in the crude oil scenario is thus reflected in the CCI with a year-over-year increase of about 16.8%, while the increase for the third quarter of 2011 is about 16.5% compared with the same period last year.
A different indexing and the quarterly structure of the CCI formula consequently caused, both for the first nine months of 2011 and the third quarter of the year, an increase in the differential between the two formulas, which also reflects the impact of actions taken by the AEEG to reign-in prices in the residential market.

The table below shows the average quarterly prices for the Gas Release 2 and the CCI:

2010 full year		9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
295.4	Gas Release 2 - euros/000 m^3 (1)	377.8	293.8	15.0%	373.8	309.6	20.7%
270.0	CCI - euros/000 m^3 (2)	310.2	265.6	16.8%	333.0	285.9	16.5%

(1) Gas Release 2: Gas sold by ENI to competitors pursuant to a resolution by the Antitrust Authority in 2007. It reflects the trend of natural gas prices under long-term supply contracts. The price is the one quoted on the Virtual Exchange Facility.
(2) Wholesale distribution charge (CCI) set pursuant to Resolutions No. 134/06 and updated pursuant to Resolution ARG/gas No. 192/08, No. 40/09, No. 64/09 and No. 89/10. The price is the one quoted at the border.

LEGISLATIVE AND REGULATORY FRAMEWORK

The main legislative and regulatory measures enacted in the third quarter of 2011 that had an impact on the energy industry, both in Italy at the E.U. level, are reviewed below.

Electric Power

Production

Early termination of CIP 6/92 contracts: The decree by the Ministry of Economic Development that defines the parameters and methods for early termination of CIP 6/92 contracts for facilities fueled with process fuels (the Taranto and Piombino power plants, for Edison) was published on August 10, 2011, in Issue No. 185 of the *Official Gazette of the Italian Republic.* Specifically, the decree governs the following:

- The reimbursement of avoided production facility costs for the projected equivalent production hours until expiration of the contracts.
- The reimbursement of costs incurred to purchase greenhouse gas (CO_2) emissions rights that were not awarded free of charge, until 2012.
- The consideration (positive or negative) tied to the zone siting (CCT) of the facility. The consideration is determined annually by the AEEG and applied in fashion designed to avoid any negative effects on the system.

Environment

High yield cogeneration: The decrees issued by the Ministry of Economic Development on August 4 and September 5, 2011 (published on September 19, 2011, in Issue No. 218 of *Official Gazette of the Italian Republic*) concerning the incentives provided for high yield cogeneration systems, implement Legislative Decree No. 20/07 and Law No. 99/09, thereby completing the incorporation of Directive No. 2004/8/EC on high-yield cogeneration into the Italian legal system.
This new system defines an incentive based on the award of White Certificates to cogenerating facilities commissioned on or after January 1, 2011 that comply with the Primary Energy Saving (PES) Index, commensurate with the primary energy savings that the facilities deliver.
In addition, a coefficient (K) is applied to the White Certificates, differentiated over five levels of generating capacity, in order to take into account the different average yield, which is higher for smaller facilities and lower for large facilities.
Moreover, under the new rules, facilities that were commissioned and operating between March 7, 2007 and December 31, 2010, may be deemed to be operating in cogenerating mode, and thus be awarded White Certificates, if they meet the IRE and LT indices, as provided by AEEG Resolution No. 42/02 instead of the PES Index.

Wholesale Market

Third energy package - pumping facilities: Terna published an addendum to the 2011-2013 Three Year Development Plan, in which it states that it intends to install storage batteries to balance production from renewable sources in Southern Italy and indicates that it is conducting a feasibility study for a pumping facility in the Calabria region.
With regard to the issue of remuneration of storage systems, the AEEG issued a consultation document (DCO No. 34/11) that globally revises Terna's incentive systems within the framework of the rate revision process for the fourth regulatory period (2012-2015).

Units that are essential for the electrical system's safety: Activities concerning administrative litigation are continuing, with the Attorney General of the EU Court of Justice rendering a favorable opinion as to the compatibility of the provisions governing must run status with EU regulation on competition and the free market. However, the Court of Justice has not yet handed down a final decision.
At the end of September 2011, Terna informed Edison Trading Spa that the San Quirico, Milazzo and Porcari power plants were included in the list of must run facilities for 2012 and confirmed to Edipower Spa the inclusion of the San Filippo del Mela power plant in the abovementioned list (with regard both

to units connected at 150 kV and units connected at 220 kV). The publication of the AEEG resolution concerning alternative modalities for facilities with must run status has been postponed by a few weeks.

Reform of the electric power market: With Resolution ARG/elt No. 98/11 of July 21, 2011, the AEEG defined the criteria for remuneration of generating capacity in accordance with market criteria. The new system is tentatively scheduled to go into effect in 2017.

Private networks: Private networks include the systems for the self-supply or energy (introduced by Ministry Decree of December 10, 2010, which include as a subset the User Efficiency Systems, as defined in Legislative Decree No. 115/08), the Internal User Networks (IUN), as defined in Law No. 99/09, and the other private network that do not entail a distribution or transmission network. The detailed implementation regulations about these issues are currently the subject of a consultation process launched by the AEEG.
In the meantime, the investigative process launched by the AEEG with regard to conditions about the Terni hub ended with the issuance of Resolution No. VIS 82/11 and Edison Energia Spa awarded the right to be reimbursed for the transmission costs incurred for the hub's users during the period from January 2005 to June 2009.

Connection of production facilities: The system of guarantees for capacity reservations introduced with Resolution ARG/elt No. 125/10 was put on hold by the AEEG following a decision by the Administrative Regional Court of Lombardy that granted a motion to stay the Resolution's implementation filed by numerous operators. A merit hearing, originally scheduled for the end of June 2011, was postponed due to the start of a revision of this issued by the AEEG, which was followed in by the publication of a consultation document September.

Retail Market

Delinquencies: The AEEG, in order to encourage the development of natural gas retail sales, published the Integrated Natural Gas Delinquency Document as an annex to Resolution ARG/gas No. 99/11, by which it intended to complete the regulations governing delinquencies by natural gas customers and those applicable to services provided to protected users and to usage responsibilities.
The Integrated Natural Gas Delinquency Document governs in detail delinquency situations in which an insolvent customer is found to be in default and the resulting interruption of supply, switching with reservation and administrative termination modalities, with the resulting default service.
Specifically, the switching with reservation system makes it possible to void a request to switch supplier when service to a redelivery point has been suspended due to delinquency, while the administrative termination, with the attendant default service, occurs when a seller extinguishes its responsibility with regard to deliveries to a customer at a redelivery point due to the cancellation of a contract by the seller, for which access had been requested for the switching/activation of the supply relationship.
With a view to a gradual alignment of these regulations in both sectors, the resolution sets forth several changes and addition to the provisions of the corresponding resolution in the electric power sector.

Contract transparency: In response to a significant increase in the supply in the deregulated market of electric power produced from renewable sources, the AEEG issued Resolution ARG/elt No. 104/11, setting forth conditions to promote transparency in the corresponding sales contracts to end customers. Basically, the AEEG, by ruling that offers of electric power produced from renewable sources are the only offers to sell "green" energy that are certified by sourcing guarantees (certificates proving production from the renewable sources approved by Directive No. 2009/28/EC), intends to protect consumers by ensuring that the same energy produced from renewable sources is not included in multiple sales contracts.
This resolution introduced stringent contractual obligations and deadlines for contracts executed as of October 1, 2010 and for electric power sold as of January 1, 2012.
Sales companies are subject to fines when they fail to comply with the abovementioned provisions and sell more green energy than their certified quantity.

Issues Affecting Multiple Business Segments

Corporate income tax surcharge (Robin Hood Tax): Law No. 148 of September 14, 2011 (conversion into law, with amendments, of Decree Law No. 138 of August 13, 2011), setting forth additional urgent financial stabilization and development measures, was published on September 16, 2011, in Issue No. 216 of the *Official Gazette of the Italian Republic.* This law introduces new rules concerning the corporate income tax surcharge levied pursuant to Article 81, Sections 16-18, of Decree Law No. 112/2008.
Specifically, pursuant to the abovementioned law:

- the tax rate is increased from 6.5% to 10.5% for the tax years from 2011 to 2013;
- an extension of the surcharge to parties that carry out regulated activities in the electric power and natural gas sectors (transmission, dispatching and distribution) and to parties that generate electric power from biomasses, photovoltaic sources or wind power;
- the threshold for surcharge applicability is lowered from 25 million euros to 10 million euros in revenues and a new minimum taxable income of 1 million euros is required for applicability.

International Regulations

ACER (Agency for the Cooperation of Energy Regulators) Framework Guidelines:
Electricity Grid Connection - On July 20, 2011, by Decision No. 1/2011, ACER adopted the final version of the Framework Guidelines concerning Electric Grid Connection. On July 29, 2011, subsequent to the publication of the guidelines, the European Commission sent an official request to the European Network of Transmission System Operator for Electricity (ENTSO-E), asking it to draft the relevant European Network Code within eight months. The guidelines call for the definition of minimum standards and requirements for connecting to the electric power network concerning:

- standards and minimum requirements applicable to connections to the electric power transmission network for all relevant network users (generating and consumption units and Distribution System Operators - DSOs);
- procedures and requirements for coordination in the exchange of information between the parties involved (Transmission System Operators - TSOs, DSOs, major generating and consumption units).

The adoption of uniform rules for connecting to the electric power network was identified as a fundamental measure for the harmonization at the European level of the technical regulations governing the electric power market. Once the Network Code is in effect, the national Transmission System Operators will be required to amend their national codes accordingly.

Capacity Allocation and Congestion Management in Electricity - On July 29, 2011, ACER adopted the final version of the Framework Guidelines for Capacity Allocation and Congestion Management for the electric power network. Following the publication of the guidelines, the European Commission sent an official request to ENTSO-E (September 19, 2011), asking it to draft the European Network Code within 12 months. The guidelines published by ACER, which reflect the Target Model for the electric power market defined at the European level, cover the following areas: computation of capacity and definition of market zones, allocation of capacity in the forward market, allocation of capacity in the day-ahead markets, allocation of capacity in the intraday market and provisions governing the continuity of capacity products and compensation mechanisms in the event of capacity interruption.
The definition of common rules for capacity allocation and congestion management on cross-border connectors is viewed as a fundamental step forward for the integration of domestic electric power markets. Once the Network Code goes into effect, national Transmission System Operators will be required to amend their national codes accordingly.

Capacity Allocation on the European Gas Transmission Network - On August 5, 2011, ACER published Decision No. 3/2011 adopting the final version of the Framework Guidelines for transmission capacity allocation on European interconnectors. In the coming months, in accordance with the Third Package, the European Network of Transmission System Operator for Gas (ENTSO-G) will be required to prepare the European Network Code, which, once approved, will become binding on all European transmission operators.

The main new rules introduced by the Guidelines include the obligation to allocate the entire existing transmission capacity through competitive bidding and offer at least 10% of the capacity on a short-term basis. In addition, the scope of implementation of the new rules is expanded to include new incremental capacity with regard to the obligation to sell the capacity in a bundled product format (i.e., offer in combination as a single product, at each interconnection point, both exit and entry capacity), the main effect of which will be to shift most natural gas transactions on the hubs.
Once applied, the new rules will produce a significant change in the management of the European transmission capacity, particularly with regard to the system in Italy, where cross-border capacity is allocated on a pro rata basis and giving precedence to the holders of long-term procurement contracts.

PERFORMANCE OF THE GROUP'S BUSINESSES

Electric Power Operations

Quantitative Data

Sources

2010 full year	GWh (*)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
41,824	**Production in Italy:**	**26,774**	**30,953**	**(13.5%)**	**9,502**	**10,632**	**(10.6%)**
35,361	- Thermoelectric power plants	22,062	26,153	(15.6%)	7,746	8,817	(12.2%)
5,734	- Hydroelectric power plants	4,224	4,310	(2.0%)	1,624	1,681	(3.4%)
729	- Wind farms and other renewables	488	490	(0.2%)	132	134	(1.6%)
30,070	**Other purchases (1)**	**27,306**	**21,529**	**26.8%**	**9,656**	**7,198**	**34.2%**
71,894	**Total sources in Italy**	**54,080**	**52,482**	**3.0%**	**19,158**	**17,830**	**7.4%**
943	**Production outside Italy**	**1,613**	**617**	**161.4%**	**576**	**287**	**100.7%**

(*) One GWh is equal to one million kWh (in physical terms).
(1) Before line losses and excluding the trading portfolio.

Uses

2010 full year	GWh (*)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
10,733	**CIP 6/92 dedicated**	**4,249**	**7,990**	**(46.8%)**	**1,285**	**2,530**	**(42.9%)**
3,641	**Captive and other customers**	**3,007**	**2,778**	**8.2%**	**1,082**	**988**	**9.6%**
57,520	**Deregulated market:**	**46,824**	**41,714**	**12.3%**	**16,791**	**14,312**	**17.3%**
27,276	End customers (1)	17,650	20,464	(13.8%)	6,086	6,748	(9.8%)
1,327	IPEX and mandates	1,875	979	91.5%	677	478	41.6%
15,422	Wholesalers and industrial portfolio	19,590	10,287	90.4%	6,904	3,242	112.9%
13,495	Other sales (2)	7,709	9,984	(22.8%)	3,124	3,844	(18.7%)
71,894	**Total uses in Italy**	**54,080**	**52,482**	**3.0%**	**19,158**	**17,830**	**7.4%**
943	**Sales of production outside Italy**	**1,613**	**617**	**161.4%**	**576**	**287**	**100.7%**

(*) One GWh is equal to one million kWh.
(1) Before line losses.
(2) Excluding the trading portfolio.

Financial Highlights

2010 full year	(in millions of euros)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
7,289	**Sales revenues**	**5,996**	**5,297**	**13.2%**	**2,164**	**1,859**	**16.4%**
1,055	Reported EBITDA	526	653	(19.4%)	165	225	(26.7%)
1,130	Adjusted EBITDA (1)	618	722	(14.4%)	230	239	(3.8%)
242	Capital investments	141	185	(23.8%)	56	46	21.7%
1,949	Number of employees (2)	1,930	1,946	(1.0%)			
119	- including these employees of discontinued operations	117	-	(1.7%)			

(1) See note on page 6.
(2) End-of-period data. The changes are computed against the data at December 31, 2010.

Production and Procurement

In the third quarter of 2011, the Group's production in Italy totaled 9,502 GWh, or 10.6% less than in the same period in 2010. More specifically, the output from thermoelectric facilities decreased by 12.2%, showing that the trend of strong competitive pressure on the margins of gas-fired power plants that characterized the first half of the year is continuing; production from hydroelectric power plants contracted by 3.4%, in line with the national trend; and the output of wind farms and other renewables was down by 1.6%.
Production outside Italy more than doubled, thanks to the contribution of the power plant operated by Elpedison Power Sa in Thisvi, Greece, the effects of which are consolidated as of December 2010.

Production in Italy for the first nine months of 2011 amounted to 26,774 GWh, or 13.5% less than in the first nine months of 2010, due to a shortfall in thermoelectric production (-15.6%) and a slight reduction in hydroelectric production (-2.0%). The output of wind farms and other renewable-source facilities held relatively steady, owing in part to the contribution of the San Francesco wind farm, acquired in July 2010, the achievement of full operating capacity for the Mistretta wind farm and the investments made in the photovoltaic area, which offset the impact of a decrease in production by the other wind farms caused by less windy conditions than in the previous year.
Other purchases carried out to round out the sources portfolio increased by more than 26.8% compared with the same period in 2010. However, it is important to keep in mind that this category includes purchases that occur when facilities operate in bidding mode and other transactions with relatively low unit margins.

Sales and Marketing

In the third quarter of 2011, sales of electric power totaled 19,158 GWh, for an increase of 7.4% compared with the same period last year (17,830 GWh), substantially confirming the trends that prevailed during the first half of the year in the individual sales segments.

As a result, cumulative sales at September 30, 2011 grew to 54,080 GWh, or 3% more than in the first nine months of 2010, even though sales in the CIP 6/92 segment were down sharply (-46.8%), due to the early cancellation and scheduled expiration of several contracts. Captive sales were up 8.2%, reflecting an increase in steel production at the mills where the captive power plants are located. In the deregulated market, unit sales to end customers decreased by 2,814 GWh (-13.8%), while deliveries to wholesalers grew by 9,303 GWh (+90.4%). These trends are also explained by a change in the way power is being supplied to some business customers (high energy users who are no longer served directly) who, in the first nine months of 2011, availed themselves of the "Interconnector" option, introduced at the end of 2009 by the AEEG with Resolution No. 179/09, as amended, which was enacted to implement Law No. 99/2009.
This option enabled customers in this market segment to purchase power on the wholesale market, with a virtual importation mechanism, thereby benefiting from energy prices typically available on European markets, provided they agreed to participate in investment projects for new importation infrastructures. Also in connection with the "Interconnector" option, Edison offered a service for the physical delivery of electric power to customers in Italy through some subsidiaries that, as wholesalers, were bidders at auctions for shipping energy to customers who use the "Interconnector" option.
Lastly, given the scenario volatility and the deteriorating profitability of the spot market, the Group continued to pursue in the first nine months of 2011 a strategy of minimizing its exposure to the risk of fluctuations in commodity prices, limiting the volumes it offered on the Power Exchange.
As mentioned above in the section on procurement, other sales in the deregulated market include volumes generated as a result of bidding operating modes of the production facilities.

Operating Performance

In the third quarter of 2011, sales revenues grew to 2,164 million euros, or 16.4% more than in the same period last year. An increase in unit sales and higher average sales prices, driven by favorable conditions in the benchmark scenario, account for this improvement.

Adjusted EBITDA, which totaled 230 million euros in the third quarter of 2011 (239 million euros in the third quarter of 2010), show a decrease of 3.8%, due largely to the reduced contribution provided by CIP 6/92 facilities as a result of the early termination and contractually scheduled expiration of several contracts.

Cumulative sales revenues for the first nine months of the year totaled 5,996 million euros, or 13.2% more than in the same period in 2010, reflecting the impact of the same developments discussed above. At 618 million euros, adjusted EBITDA were lower by about 100 million euros (-14.4%) compared with the first nine months of 2010, due for the most part to the smaller contribution provided by CIP 6/92 facilities for the reasons explained above and a reduction in the profitability of activities in the Italian deregulated market, where distribution margins continued to be under pressure, offset in part by the positive contribution of thermoelectric production activities in Greece.

Capital Investments

Capital expenditures totaled 56 million euros in the third quarter of 2011, for an increase of 21.7% compared with the same period last year.

The cumulative amount at September 30, 2011 totaled 141 million euros broken down as follows: about 44 million euros for the thermoelectric operations, mainly to revamp the Bussi power plant; about 27 million euros to streamline and renovate the portfolio of hydroelectric facilities; and about 70 million euros for other renewable sources. Specific investments in this area included about 50 million euros to repower the San Giorgio wind farm and expand the Foiano (BN) wind farm, and 17 million euros to develop new photovoltaic facilities, including those in Termoli (CB), Oviglio and Cascine Bianche (AL).

Hydrocarbons Operations

Quantitative Data

Sources of Natural Gas

2010 full year	millions of m³ of natural gas	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
509	Production in Italy	365	393	(7.1%)	133	126	5.4%
7,671	Pipeline imports	4,352	5,449	(20.1%)	1,247	1,402	(11.1%)
5,813	LNG imports	4,534	4,224	7.3%	1,248	1,350	(7.6%)
1,873	Domestic purchases	1,890	1,395	35.5%	833	685	21.6%
(27)	Change in stored gas inventory (1)	(71)	141	(150.3%)	(181)	(141)	28.1%
15,839	**Total sources (Italy)**	**11,070**	**11,602**	**(4.6%)**	**3,280**	**3,422**	**(4.1%)**
1,458	**Production outside Italy (2)**	**1,236**	**1,110**	**11.4%**	**448**	**385**	**16.5%**

(1) Includes pipeline leaks. A negative change reflects an addition to the stored inventory.
(2) Counting volumes withheld as production tax.

Uses of Natural Gas

2010 full year	millions of m³ of natural gas	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
2,975	Residential use	1,444	2,216	(34.9%)	159	238	(33.1%)
1,460	Industrial use	1,038	1,043	(0.5%)	270	271	(0.4%)
10,294	Thermoelectric fuel use	6,898	7,506	(8.1%)	2,259	2,618	(13.7%)
1,110	Other sales	1,690	837	101.9%	592	295	100.7%
15,839	**Total uses in Italy**	**11,070**	**11,602**	**(4.6%)**	**3,280**	**3,422**	**(4.1%)**
1,458	**Sales of production outside Italy (1)**	**1,236**	**1,110**	**11.4%**	**448**	**385**	**16.5%**

(1) Counting volumes withheld as production tax.

Crude Oil Production

2010 full year	in thousands of barrels	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
2,331	Production in Italy	1,606	1,766	(9.0%)	524	586	(10.5%)
1,159	Production outside Italy (1)	924	878	5.2%	368	297	23.7%
3,490	**Total production**	**2,530**	**2,644**	**(4.3%)**	**892**	**883**	**1.0%**

(1) Counting volumes withheld as production tax.

Financial Highlights

2010 full year	(in millions of euros)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
5,040	**Sales revenues**	**3,756**	**3,689**	**1.8%**	**1,196**	**1,137**	**5.2%**
413	Reported EBITDA	261	349	(25.2%)	81	102	(20.6%)
338	Adjusted EBITDA (1)	169	280	(39.6%)	16	88	(81.8%)
193	Capital investments	222	131	69.5%	72	35	n.m.
52	Investments in exploration	41	45	(8.9%)	34	24	41.7%
1,357	Number of employees (2)	1,342	1,359	(1.1%)			

(1) See note on page 6.
(2) End-of-period data. The changes are computed against the data at December 31, 2010.

Production and Procurement

In the third quarter of 2011, net production of natural gas, counting the output both of Italian and international operations, totaled 581 million cubic meters, for an increase 13.7% compared with the same period in 2010. The positive impact of a gain in production outside Italy (+16.5%) was magnified by the effect of an increased output from some fields in Italy that benefited from recent sidetrack drilling activities.
Overall, crude oil production grew to 892,000 barrels, up from 883,000 barrels in the third quarter of 2010, as an increase in output abroad more than offset the impact of a reduction in Italy, due to the natural depletion of the existing fields.

Cumulative production of natural gas (Italy + international) for the first nine months of the year rose from 1,503 million cubic meters to 1,601 million cubic meters. The gain of 6.6% is the net result of an increase in production outside Italy and a decrease in output in Italy, which reflects the natural depletion of the gas fields. The same was true for crude oil production, with a decrease of 9% in Italy offset by a slightly higher output from the Abu Qir concession.

Total imports of natural gas were down both in the third quarter (-9.3%) and for the first nine months of 2011 (-8.1%), due to lower demand from users, mainly in the residential and thermoelectric segments. A significant development in this area was the interruption of the supply of natural gas from Libya through the Green Stream pipeline since February 22, 2011. The resulting shortfall was made up by stepping up imports under other contracts in the procurement portfolio, consistent with contractual flexibility options.
Import of LNG from Qatar, which is regasified at the Rovigo LNG terminal, were up 7.3%.

Sales and Marketing

Unit sales of natural gas to customers in Italy totaled 11,070 million cubic meters in the first nine months of 2011 (3,280 million cubic meters in the third quarter of the year), for a decrease of 4.6% compared with the same period in 2010 (-4.1% in the third quarter).
Specifically, sales to residential users decreased by 34.9%, reflecting a loss of market share caused by falling gas prices, depressed to the point of being lower than procurement costs, while deliveries to thermoelectric users were down 8.1% (-13.7% in the third quarter), due to lower gas consumption by the Group's thermoelectric power plants, offset only in part by higher sales to thermoelectric facilities of external customers. Sales to industrial users were substantially the same as in the corresponding period last year.
Sales to wholesalers and volumes traded on the Virtual Exchange Facility totaled 1,690 million cubic meters (837 million cubic meters in the first nine months of 2010).

Operating Performance

In the third quarter of 2011, sales revenues increased to 1,196 million euros, for a gain of 5.2% compared with the third quarter of 2010, thanks to favorable changes in the benchmark scenario which more than offset the impact of lower unit sales.
For the same reasons, cumulative sales revenues for the first nine months of 2011 grew to 3,756 million euros, up 1.8% compared with the same period in 2010.

Continuing the trend that characterized the first half of the year, adjusted EBITDA decreased to 16 million euros in the third quarter of 2011, down sharply compared with 88 million euros in the same period in 2010. As a result, cumulative adjusted EBITDA totaled 169 million euros at September 30, 2011, for a decrease of 39.6% compared with the first nine months of 2010.
This reduction is attributable exclusively to the activities that engage in buying and selling natural gas, which generated a loss in both reporting periods. It is worth mentioning that, to this date, unit sales margins have remained negative in this business segment, due to strong competitive pressure that has driven market prices lower than the procurement costs paid under long-term importation contracts. The decline in market prices is the combined result of excess supply and the availability of large quantities

of spot gas, offered at prices sharply lower than those paid under conventional long-term gas procurement contracts, magnified by a slump in Italian demand for natural gas compared with pre-crisis levels.
For this reason, as previously announced, Edison began the process of renegotiating long-term contracts for the importation of natural gas, consistent with its commitment to restore reasonable levels of profitability to its portfolio of long-term contracts. It is worth noting that the EBITDA for the first nine months of 2011 benefited from the successful renegotiation of the long-term contracts for the supply of natural gas from Norway and Russia completed with ENI and Promgas, respectively.
The reduction in profitability described above was offset in part by a gain in the EBITDA of the E&P activities, which benefited from rapidly rising oil prices and the positive effect of an increase in natural gas production from the Rosetta and Abu Qir concessions, in Egypt.

Capital Investments

In the third quarter of 2011, capital investments totaled 72 million euros, more than double the amount for the same period in 2010, bringing to about 222 million euros the total for the first nine months of the year.
The main investments in Italy included: 37,5 million euros for sidetrack drilling activities at wells 7, 10 and 11 at the Daria field, 25 million euros to increase the capacity of the San Potito and Cotignola fields, 7 million euros to increase the capacity of the Collalto field, 3,5 million euros to develop the Argo and Panda offshore fields, and 1 million euros to develop the new Capparuccia (AP) field. Also worth mentioning is the commissioning of the compressor and treatment station at the Collalto natural gas storage facility in July.
Investment projects in Egypt focused on the Abu Qir concession (105 million euros), where work continued on the construction of the new NAQ PII platform and the renovation and expansion of the existing NAQ PI platforms. The NAQ PII-3 and NAQ PII-1 wells went into production in July 2011.

Exploration Activities

In the third quarter of 2011, the Group invested about 34 million euros in exploration activities, for an increase of about 10 million euros compared with the same period last year.
A total of 41 million euros was invested during the first nine months of 2011. Virtually the entire amount was allocated to projects outside Italy, focusing on Egypt (17 million euros, mainly for seismic 3D mapping at the Abu Qir concession), and Norway (21 million euros), where surveying and seismic data acquisition projects are continuing in connection with recently awarded exploration licenses.

Corporate Activities and Other Segments

Financial Highlights

2010 full year	(in millions of euros)	9 months 2011	9 months 2010	% change	3rd quarter 2011	3rd quarter 2010	% change
51	**Sales revenues**	**37**	**38**	**(2.6%)**	**13**	**13**	**-**
(99)	EBITDA	(70)	(72)	2.8%	(20)	(23)	13.0%
70	Capital investments	2	65	(96.9%)	1	1	-
633	Number of employees (1)	635	631	0.3%			

(1) End-of-period data. The changes are computed against the data at December 31, 2010.

Corporate Activities and Other Segments include those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature, and certain holding companies and real estate companies.

Sales revenues for the third quarter and the first nine months of 2011 were about the same as in the corresponding periods of 2010. EBITDA, while negative by 20 million euros in the third quarter and negative by 70 million euros in the first nine months of the year, showed an improvement compared with the same periods last year.

In 2010, investments in property, plant and equipment included 62 million euros for the purchase of a building at 35 Foro Buonaparte, in Milan.

RISKS AND UNCERTAINTIES

Please consult the "Group Financial Risk Management" Section of the Review of the Group's Operating Performance and Financial Results, which explains the financial risk management activities of the Edison Group.

RELATED-PARTY TRANSACTIONS

In the Review of the Group's Operating Performance and Financial Results, please consult the Section entitled "Intercompany and Related-Party Transactions," which provides information on material transactions with related parties.

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL RESULTS

AT SEPTEMBER 30, 2011

Income Statement

2010 full year		(in millions of euros)		9 months 2011		9 months 2010		3rd quarter 2011	3rd quarter 2010
	of which related parties		See note		of which related parties		of which related parties		
10,446	368	Sales revenues	1	8,591	312	7,593	263	2,929	2,506
638	51	Other revenues and income	2	493	10	333	40	180	65
11,084	**419**	**Total net revenues**		**9,084**	**322**	**7,926**	**303**	**3,109**	**2,571**
(9,462)	(177)	Raw materials and services used (-)	3	(8,177)	(117)	(6,811)	(127)	(2,824)	(2,209)
(253)	-	Labor costs (-)	4	(190)	-	(185)	-	(59)	(58)
1,369		**EBITDA**	5	**717**		**930**		**226**	**304**
(1,096)	-	Depreciation, amortization and writedowns (-)	6	(568)	-	(562)	-	(183)	(200)
273		**EBIT**		**149**		**368**		**43**	**104**
(144)	-	Net financial income (expense)	7	(134)	-	(93)	-	(40)	(42)
(1)	1	Income from (Expense on) equity investments	8	(1)	-	-	-	(6)	1
44	-	Other income (expense), net	9	(10)	-	34	-	(4)	4
172		**Profit (Loss) before taxes**		**4**		**309**		**(7)**	**67**
(83)	-	Income taxes	10	(79)	-	(119)	-	(30)	(23)
89		**Profit (Loss) from continuing operations**		**(75)**		**190**		**(37)**	**44**
(40)	-	Profit (Loss) from discontinued operations	11	(14)	-	-	-	8	-
49		**Profit (Loss)**		**(89)**		**190**		**(29)**	**44**
		Broken down as follows:							
28		Minority interest in profit (loss)		4		11		2	7
21		**Group interest in profit (loss)**		**(93)**		**179**		**(31)**	**37**
		Earnings (Loss) per share (in euros)	12						
0.0034		Basic earnings (loss) per common share		(0.0188)		0.0333			
0.0334		Basic earnings per savings share		0.0375		0.0633			
0.0034		Diluted earnings (loss) per common share		(0.0188)		0.0333			
0.0334		Diluted earnings per savings share		0.0375		0.0633			

Other Components of the Comprehensive Income Statement

2010 full year	(in millions of euros)	See note	9 months 2011	9 months 2010	3rd quarter 2011	3rd quarter 2010
49	**Profit (Loss)**		**(89)**	**190**	**(29)**	**44**
	Other components of comprehensive income:					
58	**A) Change in the Cash Flow Hedge reserve**	24	**(2)**	**(28)**	**(10)**	**(37)**
93	- Gains (Losses) arising during the period		5	(45)	(7)	(60)
(35)	- Income taxes (-)		(7)	17	(3)	23
(2)	**B) Change in reserve for available-for-sale investments**	24	**4**	**(1)**	**3**	**1**
(2)	- Gains (Losses) arising during the period not realized		-	(1)	(1)	1
-	- Reclassification to profit or loss		4	-	4	-
-	- Income taxes (-)		-	-	-	-
3	**C) Differences on the translation of assets in foreign currencies**		**-**	**3**	**(2)**	**(1)**
-	**D) Pro rata interest in other components of comprehensive income of investee companies**		**-**	**-**	**-**	**-**
59	**Total other components of comprehensive income net of taxes (A+B+C+D)**		**2**	**(26)**	**(9)**	**(37)**
108	**Total comprehensive profit (loss)**		**(87)**	**164**	**(38)**	**7**
	Broken down as follows:					
28	Minority interest in comprehensive profit (loss)		4	11	2	7
80	**Group interest in comprehensive profit (loss)**		**(91)**	**153**	**(40)**	**-**

Balance Sheet

09.30.2010		(in millions of euros)		09.30.2011		12.31.2010	
	of which related parties		See note		of which related parties		of which related parties
		ASSETS					
7,407	-	Property, plant and equipment	13	6,928	-	7,002	-
11	-	Investment property	14	10	-	11	-
3,538	-	Goodwill	15	3,534	-	3,534	-
1,215	-	Hydrocarbon concessions	16	933	-	985	-
98	-	Other intangible assets	17	93	-	109	-
49	49	Investments in associates	18	49	49	48	48
297	-	Available-for-sale investments	18	201	-	293	-
88	-	Other financial assets	19	82	-	91	-
121	-	Deferred-tax assets	20	194	-	182	-
106	-	Other assets	21	201	-	112	-
12,930		**Total non-current assets**		**12,225**		**12,367**	
316	-	Inventories		357	-	331	-
2,015	53	Trade receivables		2,711	82	2,375	100
29	-	Current-tax assets		23	-	35	-
506	40	Other receivables		866	109	655	83
67	-	Current financial assets		71	-	69	6
333	-	Cash and cash equivalents		261	-	472	-
3,266		**Total current assets**	22	**4,289**		**3,937**	
-	**-**	**Assets held for sale**	23	**151**	**-**	**209**	**-**
16,196		**Total assets**		**16,665**		**16,513**	
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292	-	Share capital		5,292	-	5,292	-
2,539	-	Reserves and retained earnings (loss carryforward)		2,566	-	2,548	-
(7)	-	Reserve for other components of comprehensive income		80	-	78	-
179	-	Group interest in profit (loss)		(93)	-	21	-
8,003		**Total shareholders' equity attributable to Parent Company shareholders**		**7,845**		**7,939**	
181	-	Shareholders' equity attributable to minority shareholders		170	-	198	-
8,184		**Total shareholders' equity**	24	**8,015**		**8,137**	
64	-	Provision for employee severance indemnities and provisions for pensions	25	61	-	62	-
541	-	Provision for deferred taxes	26	480	-	504	-
818	-	Provisions for risks and charges	27	896	-	823	-
1,195	-	Bonds	28	1,793	-	1,791	-
1,510	-	Long-term financial debt and other financial liabilities	29	1,604	-	942	-
35	-	Other liabilities	30	32	-	34	-
4,163		**Total non-current liabilities**		**4,866**		**4,156**	
1,273	-	Bonds		62	-	528	-
500	15	Short-term financial debt		1,053	15	1,073	15
1,602	71	Trade payables		2,060	85	2,153	80
34	-	Current taxes payable		54	-	82	-
440	33	Other liabilities		551	55	380	19
3,849		**Total current liabilities**	31	**3,780**		**4,216**	
-	**-**	**Liabilities held for sale**	32	**4**	**-**	**4**	**-**
16,196		**Total liabilities and shareholders' equity**		**16,665**		**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 the first nine months of 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.

2010 full year (*)		(in millions of euros)		9 months 2011		9 months 2010 (*)	
	of which related parties		See note		of which related parties		of which related parties
61	-	Group interest in profit (loss) from continuing operations		(79)	-	179	-
(40)	-	Group interest in profit (loss) from discontinued operations		(14)	-	-	-
28	-	Minority interest in profit (loss) from continuing operations		4	-	11	-
49		**Profit (Loss)**		**(89)**		**190**	
1,096	-	Amortization, depreciation and writedowns	6	568	-	562	-
(1)	(1)	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
6	-	(Gains) Losses on the sale of non-current assets		(9)	-	6	-
(2)	-	Change in the provision for employee severance indemnities and provisions for pensions	25	(1)	-	-	-
(16)	-	Change in fair value recorded in EBITDA		(29)	-	(32)	-
148	22	Change in operating working capital		(455)	23	(28)	60
(299)	(51)	Change in other operating assets and liabilities		(50)	10	(149)	6
982		**A. Cash flow from continuing operations**		**(64)**		**549**	
(557)	-	Additions to intangibles and property, plant and equipment (-)	13-17	(406)	-	(426)	-
(7)	(5)	Additions to non-current financial assets (-)		(3)	-	(7)	(5)
(42)	-	Price paid on business combinations (-)		-	-	(41)	-
8	-	Proceeds from the sale of intangibles and property, plant and equipment		13	-	7	-
-	-	Proceeds from the sale of non-current financial assets		86	-	-	-
8	-	Repayment of capital contribution by non-current financial assets		9	-	5	-
(39)	(6)	Change in other current assets		(2)	6	(37)	-
(629)		**B. Cash used in investing activities**		**(303)**		**(499)**	
1,124	-	Receipt of new medium-term and long-term loans	28/29	775	-	535	-
(1,420)	-	Redemption of medium-term and long-term loans (-)	28/29	(606)	-	(626)	-
(84)	-	Change in short-term net financial debt		9	-	(146)	-
10	-	Capital contributions provided by controlling companies or minority shareholders		-	-	10	-
(259)	(178)	Dividends paid to controlling companies or minority shareholders (-)		(22)	-	(238)	(178)
(629)		**C. Cash used in financing activities**		**156**		**(465)**	
-		**D. Liquid assets from changes in the scope of consolidation**		**-**		**-**	
-		**E. Net currency translation differences**		**-**		**-**	
-		**F. Net cash flow from operating assets of discontinued operations**		**-**		**-**	
(276)		**G. Net cash flow for the period (A+B+C+D+E+F)**		**(211)**		**(415)**	
748		**H. Cash and cash equivalents at the beginning of the year**		**472**		**748**	
472		**I. Cash and cash equivalents at the end of the period (G+H)**		**261**		**333**	
472		**L. Total cash and cash equivalents at end of the period (I)**		**261**		**333**	
-		**M. (-) Cash and cash equivalents of discontinued operations**		**-**		**-**	
472		**N. Cash and cash equivalents of continuing operations (L-M)**		**261**		**333**	

(*) Some items have been reclassified merely for comparative purposes.

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	-	1	-	-	-	-	-	1	(1)	-
Total comprehensive profit (loss)	**-**	**-**	**(28)**	**(1)**	**3**	**-**	**179**	**153**	**11**	**164**
of which:										
- Change in comprehensive income for the period	-	-	(28)	(1)	3	-	-	(26)	-	(26)
- Profit from 01.01.2010 to 09.30.2010	-	-	-	-	-	-	179	179	11	190
Balance at September 30, 2010	**5,292**	**2,539**	**(11)**	**(3)**	**7**	**-**	**179**	**8,003**	**181**	**8,184**
Other changes	-	9	-	-	-	-	-	9	-	9
Total comprehensive profit (loss)	**-**	**-**	**86**	**(1)**	**-**	**-**	**(158)**	**(73)**	**17**	**(56)**
of which:										
- Change in comprehensive income for the period	-	-	86	(1)	-	-	-	85	-	85
- Profit (Loss) from 10.01.2010 to 12.31.2010	-	-	-	-	-	-	(158)	(158)	17	(141)
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	-	-	-	-	-	-	-	-	(31)	(31)
Change in the scope of consolidation	-	(1)	-	-	-	-	-	(1)	(1)	(2)
Other changes	-	(2)	-	-	-	-	-	(2)	-	(2)
Total comprehensive profit (loss)	**-**	**-**	**(2)**	**4**	**-**	**-**	**(93)**	**(91)**	**4**	**(87)**
of which:										
- Change in comprehensive income for the period	-	-	(2)	4	-	-	-	2	-	2
- Profit (Loss) from 01.01.2011 to 09.30.2011	-	-	-	-	-	-	(93)	(93)	4	(89)
Balance at September 30, 2011	**5,292**	**2,566**	**73**	**-**	**7**	**-**	**(93)**	**7,845**	**170**	**8,015**

NOTES TO THE QUARTERLY REPORT AT SEPTEMBER 30, 2011

Content and Presentation

The Edison Group's Quarterly Report at September 30, 2011 was prepared in accordance with Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures it provides are consistent with the provisions of IAS 34 - Interim Financial Reporting.

The abovementioned report is consistent 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.).* The presentation formats of financial statements, the accounting principles and consolidation criteria, the consolidation of foreign companies and the criteria used to translate financial statements denominated in foreign currencies and the valuation criteria used to prepare this Quarterly Report are consistent with those applied in the preparation of the Consolidated Financial Statements at December 31, 2010, which should be consulted for more detailed information.

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.

The publication of the Quarterly Report at September 30, 2011, which has not been audited, was authorized by the Board of Directors on October 28, 2011.

The Shareholders' Meeting of April 26, 2011 awarded the assignment to audit the consolidated financial statements to Deloitte & Touche Spa. The audit assignment, in accordance with the Legislative Decree No. 39 of January 27, 2010, is for a period of nine years (2011-2019).

Unless otherwise stated, all amounts in these accompanying notes are in millions of euros.

Changes in the Scope of Consolidation Compared with December 31, 2010

The changes in the Group's scope of consolidation that occurred in the first nine months of 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.

Disposal Group:

- Taranto Energia Srl was established in August 2011 as a wholly owned subsidiary of Edison Spa. The business operations comprised of two thermoelectric power plants were conveyed to this company, prior to it being sold to buyers outside the Group on October 10, 2011.

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		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010
Sales Revenues	**5,996**	**5,297**	**3,756**	**3,689**	**37**	**38**	**-**	**-**	**(1,198)**	**(1,431)**	**8,591**	**7,593**
- third parties sales revenues	5,991	5,294	2,594	2,290	6	9	-	-	-	-	8,591	7,593
- intra-Group sales revenues	5	3	1,162	1,399	31	29	-	-	(1,198)	(1,431)	-	-
EBITDA	**526**	**653**	**261**	**349**	**(70)**	**(72)**	**-**	**-**	**-**	**-**	**717**	**930**
as a % of sales revenues	*8.8%*	*12.3%*	*6.9%*	*9.5%*	*n.m.*	*n.m.*	-	-	-	-	*8.3%*	*12.2%*
Depreciation, amortization and writedowns	(414)	(397)	(144)	(157)	(10)	(8)	-	-	-	-	(568)	(562)
EBIT	**112**	**256**	**117**	**192**	**(80)**	**(80)**	**-**	**-**	**-**	**-**	**149**	**368**
as a % of sales revenues	*1.9%*	*4.8%*	*3.1%*	*5.2%*	*n.m.*	*n.m.*	-	-	-	-	*1.7%*	*4.8%*
Net financial income (expense)											(134)	(93)
Interest in result of companies valued by equity method											-	1
Income taxes											(79)	(119)
Profit (Loss) from continuing operations											**(75)**	**190**
Profit (Loss) from discontinued operations							**(14)**	**-**			**(14)**	**-**
Minority interest in profit (loss)											**4**	**11**
Group interest in profit (loss)											**(93)**	**179**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010
Total assets	**11,813**	**11,704**	**4,961**	**4,582**	**5,439**	**5,330**	**151**	**209**	**(5,699)**	**(5,312)**	**16,665**	**16,513**
Total liabilities	**4,493**	**4,447**	**2,979**	**2,873**	**4,757**	**4,184**	**4**	**4**	**(3,583)**	**(3,132)**	**8,650**	**8,376**
Net Financial Debt							**1**	**1**			**4,104**	**3,708**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010	**9 months 2011**	9 months 2010
Capital expenditures	139	183	218	128	2	64	-	-	-	-	359	375
Investments in exploration	-	-	41	45	-	-	-	-	-	-	41	45
Investments in intangibles	2	2	4	3	-	1	-	-	-	-	6	6
Total capital investments	**141**	**185**	**263**	**176**	**2**	**65**	**-**	**-**	**-**	**-**	**406**	**426**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
	09.30.2011	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010	**09.30.2011**	12.31.2010
Number of employees	**1,813**	**1,830**	**1,342**	**1,357**	**635**	**633**	**117**	**119**	**-**	**-**	**3,907**	**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 period, net non-current assets held outside Italy totaled 1,511 million euros, including 1,289 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt, and 222 million euros for assets of the Electric Power Operations, mainly in Greece. At September 30, 2011, the contribution of foreign operations accounted for about 18% of EBITDA and about 12% of net invested capital.

NOTES TO THE INCOME STATEMENT

The first nine months of 2011 were characterized by a modest upturn in domestic consumption of electric power (+1.7% compared with the same period last year), with demand still well below the pre-crisis levels of 2008, and a concurrent reduction in natural gas consumption (-4.2%).
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.

In this environment, the Group's **EBITDA** decreased to 717 million euros, or 213 million euros less than the 930 million euros reported in the same period last year (-22,9%). The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 169 million euros, for a decrease of 39.6% compared with the same period last year (280 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 impacts were offset in part by the positive performance of the exploration and production operations thanks to a significant rise in the oil pricing scenario and to an increase in international productions.
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 618 million euros in the first nine months of 2011, down 14.4% compared with the same period the previous year (722 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. An additional factor was the effect of a contraction in the margins earned by the Edison Group on sales of electric power in the deregulated market due to the higher competitive pressure in the Italian electric power market.

The **Group's interest in the net result** was a loss of 93 million euros, against a net profit of 179 million euros earned in the first nine months of 2010. In addition to the negative effect of the industrial margins mentioned above, the loss for the period reflects the impact of the following contrasting factors:

- asset writedowns totaling 69 million euros (12 million euros in 2010), recognized mainly for thermoelectric power plants and for a hydrocarbon production field, offset in part by a reduction in depreciation and amortization caused mainly by the impact of the early termination of some CIP 6/92 contracts and lower exploration costs;
- an increase of 41 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 is negative for 23 million euros.

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 (+92 million euros in 2011, +69 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 period, to provide an operational presentation of the industrial results.

In order to provide a better understanding of the cumulative results at September 30, 2011, the table below shows the progression of the data quarter by quarter and provides a comparison with the corresponding periods in 2010 (*):

	1st quarter			2nd quarter			3rd quarter			Total		
(in millions of euros)	**2011**	2010	% change	**2011**	2010	% change	**2011**	2010	% change	**2011**	2010	% change
Sales revenues	2,966	2,742	8.2%	2,696	2,345	15.0%	2,929	2,506	16.9%	8,591	7,593	13.1%
EBITDA	**183**	**321**	**(43.0%)**	**308**	**305**	**1.0%**	**226**	**304**	**(25.7%)**	**717**	**930**	**(22.9%)**
as a % of sales revenues	*6.2%*	*11.7%*		*11.4%*	*13.0%*		*7.7%*	*12.1%*		*8.3%*	*12.2%*	
Depreciation, amortization and writedowns (-)	(157)	(172)	(8.7%)	(228)	(190)	20.0%	(183)	(200)	(8.5%)	(568)	(562)	1.1%
EBIT	**26**	**149**	**(82.6%)**	**80**	**115**	**(30.4%)**	**43**	**104**	**(58.7%)**	**149**	**368**	**(59.5%)**
as a % of sales revenues	*0.9%*	*5.4%*		*3.0%*	*4.9%*		*1.5%*	*4.2%*		*1.7%*	*4.8%*	
Net financial income (expense)	(42)	(25)	68.0%	(52)	(26)	100.0%	(40)	(42)	(4.8%)	(134)	(93)	44.1%
Profit before taxes	**(13)**	**131**	**n.m**	**24**	**111**	**(78.4%)**	**(7)**	**67**	**n.m.**	**4**	**309**	**(98.7%)**
as a % of sales revenues	*(0.4%)*	*4.8%*		*0.9%*	*4.7%*		*(0.2%)*	*2.7%*		-	4.1%	
Income taxes	(8)	(63)	(87.3%)	(41)	(33)	24.2%	(30)	(23)	30.4%	(79)	(119)	(33.6%)
Group interest in profit (loss)	**(20)**	**67**	**n.m.**	**(42)**	**75**	**n.m.**	**(31)**	**37**	**n.m.**	**(93)**	**179**	**n.m.**

(*) Individual quarterly data are not audited.

The quarterly breakdown provided above was computed based on balance sheets and income statements approved by the Board of Directors.

1. Sales Revenues

Sales revenues totaled 8,591 million euros, or 13.1% more than the 7,593 million euros reported at September 30, 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)	9 months 2011	9 months 2010	Change	% change
Revenues from the sales of:				
- Electric power	4,992	4,507	485	10.8%
- Natural gas	2,339	2,095	244	11.6%
- Steam	95	93	2	2.2%
- Oil	168	116	52	44.8%
- Green certificates	98	79	19	24.1%
- CO_2 emissions rights	51	-	51	n.m.
- Other sales revenues	68	20	48	n.m.
Total sales revenues	**7,811**	**6,910**	**901**	**13.0%**
Revenues from services provided	15	13	2	15.4%
Storage services	39	36	3	8.3%
Margin on physical trading activities	26	37	(11)	(29.7%)
Transmission revenues	677	573	104	18.2%
Other revenues from sundry services	23	24	(1)	(4.2%)
Total for the Group	**8,591**	**7,593**	**998**	**13.1%**

Breakdown by Business Segment

(in millions of euros)	9 months 2011	9 months 2010	Change	% change
Electric Power Operations	5,996	5,297	699	13.2%
Hydrocarbons Operations	3,756	3,689	67	1.8%
Corporate Activities and Other Segments	37	38	(1)	(2.6%)
Eliminations	(1,198)	(1,431)	233	(16.3%)
Total for the Group	**8,591**	**7,593**	**998**	**13.1%**

An analysis of sales revenues is provided below:

- The **Electric Power Operations** reported a 13.2% increase in sales revenues, compared with the first nine months of 2010. The gain in revenues is the combined result of an increase in unit sales, despite a different sale mix, favoring the wholesale market, and higher average sales prices driven by conditions in the benchmark scenario. The contribution provided by the international operations grew thanks to the commissioning of a new power plant in Thisvi, Greece, in December 2010. An upturn in revenues generated in the Dispatching Services Market is also worthy of mention.
- On the other hand, the sales revenues of the **Hydrocarbons Operations** were up only modestly compared with 2010 (+1.8%), as the result of higher sales prices offset by lower sales volumes, mainly to thermoelectric users and to residential customers. The contribution of the exploration and production activities was up, thanks to an increase in production outside Italy (oil +5.2% and natural gas +11.4%) and higher oil prices.

2. Other Revenues and Income

Other revenues and income totaled 493 million euros (333 million euros in 2010). A breakdown is as follows:

(in millions of euros)	9 months 2011	9 months 2010	Change	% change
Commodity derivatives	261	154	107	69.5%
Margin on financial trading activities	-	4	(4)	(100.0%)
Recovery of fuel costs from Edipower's Tollers	-	76	(76)	(100.0%)
Out-of-period income	120	30	90	n.m.
Recovery of costs from partners in hydrocarbon exploration projects	18	14	4	28.6%
Net reversals in earnings of provisions for risks on receivables and other risks	13	10	3	30.0%
Income from CIP 6/92 contracts early termination	14	-	14	n.m.
Sundry items	67	45	22	48.9%
Total for the Group	**493**	**333**	**160**	**48.0%**

The income from **commodity derivatives**, which should be analyzed together with the same item included in **raw materials and services used** (which increased from 52 million euros to 112 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 the first nine months of 2011, a spike in the prices of petroleum products drove natural gas costs higher, with a negative scenario effect on the hedged physical commodity, offset by the positive results shown as net income from commodity derivatives.
A comprehensive review of the effects of derivatives is provided in a special disclosure, reported in the Section entitled "Group Financial Risk Management".

The decrease in **recovery of fuel costs from Edipower's Tollers**, which should be analyzed in conjunction with **purchases of oil and fuel**, reflects the removal from the Tolling Agreement of an Edipower facility that currently operates with "must run" status.

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 CIP 6/92 contracts early termination, for 14 million euros, generated by the early termination of CIP 6/92 contracts for Taranto thermoelectric power plant pursuant to Ministry Decree of June 23, 2011.

Sundry items include insurance settlements totaling 23 million euros (17 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 (11 million euros).

3. Raw Materials and Services Used

Raw materials and services used totaled 8,177 million euros, or 20.1% more than in the same period in 2010 (6,811 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)	9 months 2011	9 months 2010	Change	% change
Purchases of:				
- Natural gas	3,304	2,922	382	13.1%
- Electric power	1,597	1,390	207	14.9%
- Dispatching and balancing market	598	283	315	n.m.
- Blast furnace gas, recycled and coke	358	246	112	45.5%
- Oil and fuel	103	152	(49)	(32.2%)
- Demineralized industrial water	29	27	2	7.4%
- Green certificates	114	104	10	9.6%
- CO_2 emissions rights	62	40	22	55.0%
- Coal, utilities and other materials	89	78	11	14.1%
Total	**6,254**	**5,242**	**1,012**	**19.3%**
- Facilities maintenance	129	122	7	5.7%
- Transmission of electric power and natural gas	1,166	913	253	27.7%
- Regasification fee	74	74	-	-
- Professional services	97	85	12	14.1%
- Writedowns of trade and other receivables	28	23	5	21.7%
- Commodity derivatives	112	52	60	n.m
- Margin on financial trading activities	1	-	1	n.m
- Additions to provisions for miscellaneous risks	30	20	10	50.0%
- Change in inventories	(11)	12	(23)	n.m
- Use of property not owned	77	72	5	6.9%
- Sundry items	220	196	24	12.2%
Total for the Group	**8,177**	**6,811**	**1,366**	**20.1%**

Breakdown by Business Segment

(in millions of euros)	9 months 2011	9 months 2010	Change	% change
Electric Power Operations	5,515	4,750	765	16.1%
Hydrocarbons Operations	3,793	3,421	372	10.9%
Corporate Activities and Other Segments	73	77	(4)	(5.2%)
Eliminations	(1,204)	(1,437)	233	(16.2%)
Total for the Group	**8,177**	**6,811**	**1,366**	**20.1%**

The increase in the amount shown for **natural gas** (382 million euros), compared with the first nine month of 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 (39 million euros).

The higher amounts paid to purchase **electric power** (207 million euros) and on the **dispatching and balancing market** (315 million euros), compared with the first nine month of 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 **regasification fee** (74 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (28 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 10 million euros, were reversed in earnings in the first nine months of 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** (30 million euros) is provided in the note to provisions for risks and charges (Note 27).

The **change in inventories** refers mainly to an increase in natural gas held in storage.

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 same period of the previous year, volumes were increased.

(in millions of euros)	See note	9 months 2011	9 months 2010	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		2,723	1,768	955	54.0%
Raw materials and services used		(2,697)	(1,731)	(966)	55.8%
Total included in sales revenues	1	**26**	**37**	**(11)**	**n.m.**
Margin on financial contracts included in trading portfolios					
Other revenues and income		82	35	47	n.m.
Raw materials and services used		(83)	(31)	(52)	n.m.
Total included in other revenues and income/(raw material and services used)	2/3	**(1)**	**4**	**(5)**	**n.m.**
Total margin on trading activities		**25**	**41**	**(16)**	**(39.0%)**

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 190 million euros, or about 2.7% more than in the same period in 2010, when they amounted to 185 million euros.
This growth is mainly the result of salary increases.

5. EBITDA

EBITDA totaled 717 million euros, or 213 million euros less (-22.9%) than the 930 million euros earned in the first nine months of 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 period 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)	9 months 2011	as a % of sales revenues	9 months 2010	as a % of sales revenues	EBITDA % change
Reported EBITDA					
Electric Power Operations	526	8.8%	653	12.3%	(19.4%)
Hydrocarbons Operations	261	6.9%	349	9.5%	(25.2%)
Corporate Activities and Other Segments	(70)	n.m.	(72)	n.m.	n.m.
Total for the Group	**717**	**8.3%**	**930**	**12,2%**	**(22.9%)**
Adjusted EBITDA					
Electric Power Operations	618	10.3%	722	13.6%	(14.4%)
Hydrocarbons Operations	169	4.5%	280	7.6%	(39.6%)
Corporate Activities and Other Segments	(70)	n.m.	(72)	n.m.	n.m.
Total for the Group	**717**	**8.3%**	**930**	**12.2%**	**(22.9%)**

Regarding the performance:

- The **Hydrocarbons Operations** adjusted EBITDA totaled 169 million euros, down sharply (-39.6%) compared with the same period last year (280 million euros), attributable to the activities that engage in buying and selling natural gas, which experienced negative unit margins on the whole. The period's results also reflect 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.
- The adjusted EBITDA of the **Electric Power Operations** contracted by 14.4% (down from 722 million euros in 2010 to 618 million euros in 2011), due mainly to the reduction in the contribution of the CIP 6/92 activities that resulted from the early termination of some contracts at the end of 2010 and to a contraction of the Group's unit sales margins due to the higher competitive pressure in the Italian electric power market. These unfavorable effects could be offset only in part by an increase in volumes and healthy margins generated in the Dispatching Services Market. The result for the period also reflects the positive effects (14 million euros) generated, pursuant to the Ministry Decree of June 23, 2011, by the early termination of the CIP 6/92 contract for the Taranto thermoelectric power plant. Also worth mentioning are positive performances of international activities, due to the commissioning of a new thermoelectric power plant in Thisvi, Greece, in December 2010.

6. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 568 million euros, is provided below:

(in millions of euros)	9 months 2011	9 months 2010	Change	% change
Depreciation of property, plant and equipment	416	447	(31)	(6.9%)
Amortization of hydrocarbon concessions	52	44	8	18.2%
Amortization of other intangible assets	53	59	(6)	(10.2%)
Utilization of the provisions for risks and charges	(16)	-	(16)	n.m.
Writedowns of property, plant and equipment	62	12	50	n.m.
Writedowns of investment property	1	-	1	n.m.
Total for the Group	**568**	**562**	**6**	**1.1%**

Breakdown by Business Segment

(in millions of euros)	9 months 2011	9 months 2010	Change	% change
Electric Power Operations:	**414**	**397**	**17**	**4.3%**
- depreciation and amortization	357	393	(36)	(9.2%)
- writedowns of property, plant and equipment	57	4	53	n.m.
Hydrocarbons Operations:	**144**	**157**	**(13)**	**(8.3%)**
- depreciation and amortization	155	149	6	4,0%
- utilization of the provisions for risks and charges	(16)	-	(16)	n.m.
- writedowns of property, plant and equipment	5	8	(3)	(37.5%)
Corporate Activities and Other Segments:	**10**	**8**	**2**	**25.0%**
- depreciation and amortization	9	8	1	12.5%
- writedowns of investment property	1	-	1	n.m.
Total for the Group	**568**	**562**	**6**	**1.1%**

The increase of 17 million euros for the **Electric Power Operations** is the combined result of:
- higher writedowns of property, plant and equipment in the amount of 53 million euros;
- lower depreciation (36 million euros) compared with the first nine months of 2010, due mainly to the expiration of some CIP 6/92 contracts for thermoelectric power plants.

The decrease of 13 million euros for the **Hydrocarbons Operations** is essentially due to:
- lower exploration costs (from 45 million euros in 2010 to 41 million euros in the first nine months of 2011);
- a 16-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 period in the Deep Horizon area of the Abu Qir concession in Egypt.

A detailed analysis of the impact of the writedowns is provided in these Notes in the disclosure about the "Impairment Test of Assets in Accordance with IAS 36" (Note 17).

7. Net Financial Income (Expense)

Net financial expense totaled 134 million euros, or 41 million euros more than in the same period in 2010 (93 million euros).
A breakdown of net financial expense is as follows:

(in millions of euros)	9 months 2011	9 months 2010	Change
Financial income			
Financial income from financial derivatives	69	49	20
Interest earned on finance leases	10	10	-
Interest earned on bank and postal accounts	2	2	-
Interest earned on trade receivables	1	11	(10)
Other financial income	10	9	1
Total financial income	**92**	**81**	**11**
Financial expense			
Interest paid on bond issues	(56)	(65)	9
Fair Value Hedge adjustment on bonds	(33)	(22)	(11)
Financial expense on financial derivatives	(41)	(36)	(5)
Interest paid to banks	(31)	(30)	(1)
Bank fees	(14)	(11)	(3)
Financial expense on decommissioning projects	(12)	(12)	-
Financial expense in connection with employee severance benefits	(2)	(2)	-
Interest paid to other lenders	(10)	(8)	(2)
Other financial expense	(9)	(7)	(2)
Total financial expense	**(208)**	**(193)**	**(15)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	83	87	(4)
Foreign exchange translation losses	(101)	(68)	(33)
Net foreign exchange translation gains (losses)	**(18)**	**19**	**(37)**
Net financial income (expense) for the Group	**(134)**	**(93)**	**(41)**

The net increase in financial expense in the first nine months of 2011 is due mainly to higher net translation losses (net losses for 18 million euros against net gains for 19 million euros in the first nine months of 2010) mainly caused by negative results from derivative transactions executed to hedge natural gas purchase in foreign currencies that exceeded net transactional gains.

8. Income from (Expense on) Equity Investments

A breakdown of the negative balance of 1 million euros is shown below:

(in millions of euros)	9 months 2011	9 months 2010	Change
Income from equity investments			
Dividends	5	-	5
Revaluations and valuations of investments by the equity method	1	1	-
Gains on the sale of equity investments	10	-	10
Total income from equity investments	**16**	**1**	**15**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(1)	-	(1)
Writedowns of investments available for sales	(12)	-	(12)
Writedowns of trading securities	(4)	(1)	(3)
Total expenses on equity investments	**(17)**	**(1)**	**(16)**
Total Group income from (expense on) equity investments	**(1)**	**-**	**(1)**

Gains on the sale of equity investments refers to the sale of the equity investment held by the Edison Group (4.55%) in CESI Spa (5 million euros) and of the 2.703% interest held in Terminale GNL Adriatico Srl (5 million euros).

Writedowns of investments available for sale (12 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 (6 million euros).

9. Other Income (Expense), Net

Net other expense of 10 million euros includes expenses for settlements and additions to provisions for legal and tax-related risks. Net other income of 34 million euros reported in the first nine months of 2010 reflected mainly the outcome of some arbitration proceedings that generated a benefit.

10. Income Taxes

The income tax expense decreased to 79 million euros, or 40 million euros less than the amount owed in the first nine months of 2010 (119 million euros), reflecting the impact of a deteriorating bottom line.
A breakdown of income taxes is provided below:

(in millions of euros)	9 months 2011	9 months 2010	Change
Current taxes	129	174	(45)
Net deferred-tax liabilities (assets)	(41)	(43)	2
Income taxes attributable to previous years	(9)	(12)	3
Total for the Group	**79**	**119**	**(40)**

Current taxes include 128 million euros for corporate income taxes (IRES), 20 million euros for regional taxes (IRAP) and 9 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 period 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 this tax increase is 23 million euros, including 15 million euros for direct taxes and 8 million euros for net deferred taxes.

11. Profit (Loss) from Discontinued Operations

The loss of 14 million euros stems from:

- due to the agreement signed, the carrying amount of the facilities for disposal was written down by 7 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 Disposal Group.

12. Earnings (Loss) per Share

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

2010 full year			9 months 2011		9 months 2010	
Common shares	Savings shares (1)	(in millions of euros)	Common shares	Savings shares (1)	Common shares	Savings shares (1)
21	21	Group interest in profit (loss)	(93)	(93)	179	179
17	4	Profit (Loss) attributable to the different classes of shares (A)	(97)	4	172	7
		Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
5,181,108,251	110,592,420	- basic (B)	5,181,108,251	110,592,420	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)				
0.0034	0.0334	- basic (A/B)	(0.0188)	0.0375	0.0333	0.0633
0.0034	0.0334	- diluted (A/C) (2)	(0.0188)	0.0375	0.0333	0.0633

(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.

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

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

(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 the first nine months of 2011:								
- Additions	1	212	1	-	-	1	144	359
- Disposals (-)	(3)	(11)	-	-	-	-	-	(14)
- Depreciation (-)	(31)	(343)	(37)	(2)	(2)	(1)	-	(416)
- Writedowns (-)	-	(40)	-	-	-	-	-	(40)
- Reclassification of "Assets held for sale"	4	32	-	-	-	-	-	36
- Decommissioning costs	-	8	-	-	-	-	-	8
- Other changes	3	125	10	-	-	-	(145)	(7)
Total changes (B)	**(26)**	**(17)**	**(26)**	**(2)**	**(2)**	**-**	**(1)**	**(74)**
Balance at 09.30.2011 (A+B)	**787**	**5,262**	**403**	**36**	**6**	**7**	**427**	**6,928**

A breakdown by business segment of **additions** totaling 359 million euros is as follows:

(in millions of euros)	9 months 2011	9 months 2010
Electric Power Operations	**139**	**183**
broken down as follows:		
- Thermoelectric area	42	118
- Hydroelectric area	27	37
- Renewable sources area (wind power, photovoltaic, etc.)	70	28
Hydrocarbons Operations	**218**	**128**
broken down as follows:		
- Hydrocarbon fields in Italy	65	14
- Hydrocarbon fields outside Italy	114	95
- Transmission and storage infrastructures	39	19
Corporate Activities and Other Segments	**2**	**64**
Total for the Group	**359**	**375**

Projects carried out during the period 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**: start of operation for two production wells (Abu Qir, in Egypt) and commissioning of the compressor and treatment station at the Collalto natural gas storage facility.

Capitalized borrowing costs recognized as part of property, plant and equipment, as required by IAS 23 Revised, amounted to about 3 million euros.

Writedowns totaling 40 million euros (12 million euros in the first nine months of 2010) were recognized mainly to reflect the results of impairment tests performed in response to the occurrence of impairment indicators. Information about the impairment test is provided in the disclosure about the "Impairment Test of Assets in Accordance with IAS 36" (Note 17).

Assets transferable at no cost are attributable to the concessions held by the Edison Group (71 in the hydroelectric area).

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 32 million euros, is shown part under "Long-term financial debt and other financial liabilities" (29 million euros) and part under "Short-term financial debt" (3 million euros).

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 period.

15. Goodwill

Goodwill totaled 3,534 million euros, unchanged compared with December 31, 2010.

(in millions of euros)	09.30.2011	12.31.2010
Electric Power Operations	2,835	2,835
Hydrocarbons Operations	699	699
Total for the Group	**3,534**	**3,534**

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 933 million euros. The net decrease of 52 million euros, compared with December 31, 2010, reflects the amortization for the period. In the first nine months of 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.

17. Other Intangible Assets

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

(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 the first nine months of 2011:							
- Additions	5	-	-	41	-	1	47
- Amortization (-)	(12)	-	-	(41)	-	-	(53)
- Reclassification of "Assets held for sale"	(1)	-	-	-	-	-	(1)
- Other changes	6	(4)	(5)	-	-	(6)	(9)
Total changes (B)	**(2)**	**(4)**	**(5)**	**-**	**-**	**(5)**	**(16)**
Balance at 09.30.2011 (A+B)	**84**	**2**	**-**	**-**	**6**	**1**	**93**

As required by IFRIC 12, **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. Following the expiration of a concession in the first nine months of 2011, residual value of which (1 million euros) was reclassified under "Assets held for sale".

The **exploration costs** incurred in the first nine months of 2011 totaled 41 million euros, down from 45 million euros in the same period the previous year. The entire amount was amortized during the period and no exploration costs were capitalized in connection with successful exploration project subsequently leading to production.

Impairment Test of Assets in Accordance with IAS 36

As required by IAS 36, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected. Consistent with the estimates applied at the end of 2010, recoverable value was determined based on the value in use of the assets, estimated based on the present value of the operating cash flows before taxes, taking into account the useful lives of the assets and their terminal values, when appropriate.

The cash flow amounts used, which were based on the best estimates of top management, are the same as those used to perform an impairment test at the end of 2010, updated when necessary if specific triggers were detected. The discount rates applied are also consistent with those used to perform an impairment test at the end of 2010, updated when the country risk was materially greater in comparison with Italy.

The tests performed using the process described above showed that values of some thermoelectric CGUs and a hydrocarbon production field were impaired, requiring a writedown of 69 million euros.

Specifically with regard to the **thermoelectric CGUs**, the writedown was required by the following impairment indicators:

a) A significant deterioration of financial conditions in Greece, where some of the Group's industrial activities are located, which required a significant change in the discount rate to reflect the country risk (considering incremental values ranging between +6% and +11%). The resulting effect amounts to 22 million euros.
b) The signing of a contract to sell a complex of production facilities, which had an impact of 29 million euros. Consistent with the classification of these assets as a Disposal Group, a pro rata portion of the corresponding value, amounting to 7 million euros, was included in the amount shown as "Profit (Loss) from discontinued operations." Because a writedown of 15 million euros was recognized at June 30, 2011, based on the term of the closing executed October 10, 2011, a reversal of about 8 million euros was recognized at September 30, 2011.
c) The effects of a compression of profit margins and the resulting reduction in production volumes, which showed a decrease in the profitability of some merchant power plants. The resulting effect was quantified at 13 million euros.

In the case of the **hydrocarbons CGU**, the writedown recognized in the amount of 5 million euros was required due to a delay in the startup of a production field outside Italy.

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 201 million euros in available-for-sale investments. The latter amount includes investments in RCS Mediagroup Spa (6 million euros) and Terminale GNL Adriatico Srl (190 million euros).

The table below shows the main changes that occurred in the first nine months of 2011:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2010 (A)	**48**	**293**	**341**
Changes in the first nine months of 2011:			
- Changes in shareholders' equity reserves	-	(9)	(9)
- Valuations at fair value	-	(12)	(12)
- Disposals (-)	(1)	(74)	(75)
- Other changes	2	3	5
Total changes (B)	**1**	**(92)**	**(91)**
Balance at 09.30.2011 (A+B)	**49**	**201**	**250**

Disposals (75 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 the first nine months of 2011, negative by 9 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 12 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)	09.30.2011	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)**

20. Deferred-tax Assets

Deferred-tax assets, which were valued based on realistic assumptions that they would be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 194 million euros (182 million euros at December 31, 2010). They reflect differences in the valuation of:

- property, plant and equipment and intangibles of 116 million euros;
- taxed provisions for risks of 57 million euros;
- a tax-loss carryforward of 7 million euros;

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

21. Other Assets

Other assets totaled 201 million euros, or 89 million euros more than December 31, 2010. This account includes:

- 182 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.
- 5 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through September 30, 2011.
- 14 million euros in sundry receivables, consisting mainly of security deposits.

22. Current Assets

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

(in millions of euros)	09.30.2011	12.31.2010	Change
Inventories	357	331	26
Trade receivables	2,711	2,375	336
Current-tax assets	23	35	(12)
Other receivables	866	655	211
Current financial assets	71	69	2
Cash and cash equivalents	261	472	(211)
Total current assets	**4,289**	**3,937**	**352**

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 09.30.2011	Total at 12.31.2010	Change
Electric Power Operations	27	-	28	20	4	79	74	5
Hydrocarbons Operations	40	224	14	-	-	278	257	21
Total for the Group	**67**	**224**	**42**	**20**	**4**	**357**	**331**	**26**

The increase in value that occurred in the first nine months of 2011 refers mainly to stored natural gas (12 million euros) and to CO_2 emission rights (20 million euros) hold for trading activities. 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)	09.30.2011	12.31.2010	Change
Electric Power Operations	2,094	1,910	184
Hydrocarbons Operations	745	760	(15)
Corporate Activities and Other Segments and Eliminations	(128)	(295)	167
Total trade receivables	**2,711**	**2,375**	**336**
Of which Allowance for doubtful accounts	**(135)**	**(133)**	**(2)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 181 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 (336 million euros) reflects the Group's increased sales volumes, particularly by the Electric Power Operations, a lengthening of collection times caused also by a different customer mix, an increase in the Group's international activities and sales to the Public Administration and a higher fair value reflected in the amount of the trading portfolios (64 million euros).

Lastly, transactions involving the irrevocable assignment of receivables without recourse on a revolving (monthly and quarterly) and spot basis, totaled 3,696 million euros (2,956 million euros at September 30, 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 with these transactions is less than 1 million euros.

- **Current-tax assets** of 23 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 866 million euros, is provided in the table below:

(in millions of euros)	09.30.2011	12.31.2010	Change
Receivables arising from the valuation of derivatives	323	218	105
Amounts owed by partners and associates in hydrocarbon exploration projects	75	77	(2)
Advances to suppliers	25	63	(38)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	97	59	38
Advances paid under take-or-pay contracts	42	-	42
VAT credit	60	13	47
Sundry items	244	225	19
Total other receivables	**866**	**655**	**211**

The higher amount 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 148 million euros), primarily reflects changes in the market price scenario compared with September 30, 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)	09.30.2011	12.31.2010	Change
Loans receivable	18	35	(17)
Derivatives	49	26	23
Equity investments held for trading	4	8	(4)
Total current financial assets	**71**	**69**	**2**

- **Cash and cash equivalents** of 261 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

Assets held for sale, which amounted to 151 million euros, include essentially:

- the assets earmarked for disposal pursuant to agreements signed concerning the business operations comprised of two thermoelectric power plants;
- the residual value of a natural gas distribution concession that expired during the first nine months of 2011.

For further information, see the Section entitled "Disclosure about the Disposal Group (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 7,845 million euros, for a decrease of 94 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 period, for 93 million euros.

Shareholders' equity attributable to minority shareholders totaled 170 million euros, or 28 million euros less than at December 31, 2010 (198 million euros) due to the impact of the distribution of dividends attributable to minority shareholders (31 million euros) partially offset by the profit for the period (4 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. The increase in deferred taxes is due to the implementation of the IRES surcharge added to the "Robin Hood Tax," amounting to 5 million euros.

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	121	(46)	75
Changes in the first nine months of 2011	5	(7)	(2)
Reserve at September 30, 2011	**126**	**(53)**	**73**

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 the first nine months of 2011	4	-	4
Reserve at September 30, 2011	**-**	**-**	**-**

25. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 61 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 table below shows the changes that occurred in the period:

(In millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2010 (A)	**51**	**11**	**62**
Changes in the first nine months of 2011:			
- Financial expense	2	-	2
- Utilizations (-)/Other changes	(3)	-	(3)
Total changes (B)	**(1)**	**-**	**(1)**
Total at 09.30.2011 (A+B)	**50**	**11**	**61**

26. Provision for Deferred Taxes

The balance of 480 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)	09.30.2011	12.31.2010	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment and intangibles	453	487	(34)
- Adoption of standard on finance leases (IAS 17)	23	23	-
- Adoption of standard on financial instruments (IAS 39) with impact on shareholders' equity	54	49	5
- Other deferred taxes	12	10	2
Total deferred-tax liabilities (A)	**542**	**569**	**(27)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	52	52	-
- Tax loss carryforward	4	2	2
- 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)	**62**	**65**	**(3)**
Total provision for deferred taxes (A-B)	**480**	**504**	**(24)**

27. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 896 million euros, for an increase of 73 million euros compared with December 31, 2010.
The table below shows the changes that occurred during the period:

(in millions of euros)	12.31.2010	Additions	Utilizations	Other changes	09.30.2011
Disputed tax items	72	7	(5)	(1)	73
Risks for disputes, litigation and contracts	155	7	(2)	-	160
Charges for contractual guarantees on sale of equity investments	59	-	-	-	59
Provisions for decommissioning and remediation of industrial sites	369	12	(3)	9	387
Environmental risks	49	3	(3)	(1)	48
Other risks and charges	119	23	(26)	53	169
Total for the Group	**823**	**52**	**(39)**	**60**	**896**

The changes that occurred in first nine months of 2011 are reviewed below:

- The main components of **additions** of 52 million euros reflect financial expense on decommissioning provisions (12 million euros), the risk that a thermoelectric power plant may be denied cogenerating status for previous years (6 million euros), statutory and tax interest accrued on existing provisions (6 million euros) and legal and tax related risks for the balance.
- **Utilizations** of 39 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 (16 million euros), the coverage of costs incurred for the remediation and decommissioning of some industrial sites (6 million euros), the settlement of tax disputes (4 million euros) and the reversals of the portions of provisions for risks that exceeded the actual charges (3 million euros).
- **Other changes** of 60 million euros, refer mainly to the coverage of the Group's requirements of environmental rights for the period (52 million euros) and to a revision of the amounts of some projected decommissioning and site remediation costs (8 million euros) referable 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 Semiannual Report at June 30, 2011 at the Notes entitled "Status of the Main Pending Legal and Tax Disputes at June 30, 2011".

28. Bonds

The balance of 1,793 million euros (1,791 million euros at December 31, 2010) represents the non-current portion of the bonds valued at amortized cost.
The table below shows the balance outstanding at September 30, 2011 and indicates the fair value of each bond issue:

(in millions of euros)							Carrying value			
	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Non-current portion	Current portion	Total	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	07.22.2014	698	23	721	698
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	498	13	511	491
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	597	26	623	584
Total for the Group			**1,800**				**1,793**	**62**	**1,855**	**1,773**

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 millions of euros)	09.30.2011	12.31.2010	Change
Due to banks	1,557	891	666
Due to other lenders	47	51	(4)
Total for the Group	**1,604**	**942**	**662**

At September 30, 2011, Edison Spa had drawn 500 million euros against a new 700-million-euro face value credit line it received in June 2011. In addition, an initial tranche of 15 million euros was disbursed during the period against a long-term credit facility of 250 million euros provided by the European Investment Bank (EIB). In addition, in September, 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 32 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)	09.30.2011	12.31.2010	Change
Bonds	62	528	(466)
Short-term financial debt	1,053	1,073	(20)
Trade payables	2,060	2,153	(93)
Current taxes payable	54	82	(28)
Other liabilities	551	380	171
Total current liabilities	**3,780**	**4,216**	**(436)**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 62 million euros, including the total accrued interest at September 30, 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 1,053 million euros, essentially includes:
  - 923 million euros due to banks, 15 million euros of which represent the effect of measuring interest rate derivatives at fair value;
  - 97 million euros due to other lenders;
  - 30 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,060 million euros. A breakdown by business segment is provided below:

(in millions of euros)	09.30.2011	12.31.2010	Change
Electric Power Operations	1,495	1,583	(88)
Hydrocarbons Operations	682	839	(157)
Corporate Activities and Other Segments and Eliminations	(117)	(269)	152
Total trade payables	**2,060**	**2,153**	**(93)**

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 153 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios, essentially attributable to the Electric Power Operations.

- **Current taxes payable** of 54 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 breakdown of **other liabilities**, which totaled 551 million euros, is as follows:

(in millions of euros)	09.30.2011	12.31.2010	Change
Amounts owed to shareholders	12	3	9
Amount owed to the controlling company in connection with the filing of a consolidated tax return	55	17	38
Amounts owed to joint holders of permits and concessions for the production of hydrocarbons	160	126	34
Payables for consulting and other services	25	32	(7)
Payables owed to Tax Administration (other than current tax payables)	22	24	(2)
Amount owed to employees	30	32	(2)
Liabilities stemming from the measurement at fair value of derivatives	148	73	75
Payables owed to social security institutions	20	26	(6)
Sundry items	79	47	32
Total other liabilities	**551**	**380**	**171**

32. Liabilities Held for Sale

Liabilities held for sale, which amounted to 4 million euros, include:

- the liabilities earmarked for disposal pursuant to agreements signed concerning the business operations comprised of two thermoelectric power plants;
- a liability for the recognition of a residual provision for risks following a decision handed down by the Council of State on May 31, 2011 concerning a thermoelectric power plant divested in 2008.

For further information, see the Section entitled "Disclosure about the Disposal Group (IFRS 5)", provided later in these Notes.

NET FINANCIAL DEBT

At September 30, 2011, net financial debt totaled 4,104 million euros, or 396 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	09.30.2011	12.31.2010	Change
Bonds - non-current portion	28	1,793	1,791	2
Non-current bank loans	29	1,557	891	666
Amounts due to other lenders - non-current portion	29	47	51	(4)
Other non-current financial assets (*)	19	(77)	(86)	9
Medium/long-term net financial debt		**3,320**	**2,647**	**673**
Bonds - current portion	31	62	528	(466)
Short-term financial debt	31	1,053	1,073	(20)
Current financial assets	22	(71)	(69)	(2)
Cash and cash equivalents	22	(261)	(472)	211
Financial debt held for sale	32	1	1	-
Short-term net financial debt		**784**	**1,061**	**(277)**
Net financial debt		**4,104**	**3,708**	**396**

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

Most of the increase in net financial debt (396 million euros) is due to the combined effect of the following factors:
- outlays for the period's capital expenditures (406 million euros);
- advances paid due to the activation of take-or-pay clauses in natural gas procurement contracts (133 million euros);
- tax payments (144 million euros).

These negative factors, including an increase in operating working capital (455 million euros) partially due to a lengthening of collection times caused also by a different customer mix and by an increase in the Group's international activities, could be offset only in part with the period's cash flow from operating activities.

Net financial debt includes 181 million euros stemming from transactions with significant parties (137 million euros owed to Mediobanca, 30 million euros owed to SEL Spa and 14 million euros owed to Banca Popolare di Milano).
In addition, "Short-term financial debt" includes 15 million euros owed to unconsolidated Group subsidiaries.

DISCLOSURE ABOUT THE DISPOSAL GROUP (IFRS 5)

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. As a result of this closing and considering the writedowns recognized at June 30, 2011, the financial statements at September 30, 2011 reflect a reversal of about 8 million euros included in the amount shown as "Profit (Loss) from discontinued operations."

The Disposal Group amount also includes:
- the residual charges and the tax effects, 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 reporting period.

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	09.30.2011	12.31.2010	Change
Guarantees provided	1,339	1,379	(40)
Collateral provided	1,379	1,390	(11)
Other commitments and risks	433	580	(147)
Total for the Group	**3,151**	**3,349**	**(198)**

Guarantees provided totaled 1,339 million euros at September 30, 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 period 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. As a result of the renegotiation of its financing facility completed in September 2011 by the investee company Elpedison Power Sa, guarantees totaling 40 million euros were cancelled and new guarantees amounting to 20 million euros were provided.

Collateral provided, which amounted to 1,379 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, including the value of Edipower Spa shares (1,100 million euros) pledged to a pool of banks to secure a financing facility.
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. The total amount of 279 million euros includes 37 million euros for mortgages that are in the process of being deleted, the underlying facilities having been repaid.

Other commitments and risks, which totaled 433 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad. 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 (when the shortage is due to causes that are not specified in the contract), at September 30, 2011, the Group carried advances to suppliers for 224 million euros, of which 182 million euros referred to non-current assets. Commitments of 140 million euros that were carried at December 31, 2010 are no longer shown, having been settled in full. Risk profiles and the economic recoverability of these receivables are periodically updated during the year.

Unrecognized Commitments and Risks

In the third quarter of 2011, material commitments and risks faced by Group that are not included among those listed above did not change significantly compared with the disclosure provided in the Semiannual Report at June 30, 2011, which should be consulted for more exhaustive information.
The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Norway, Algeria and Qatar.
With regard to the contract to import natural gas from Libya via the Green Stream pipeline, it is worth mentioning that deliveries have stopped since February 22, 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	13.7	67.4	163.8	**244.9**

Update of the Status of the Main Pending Legal and Tax Disputes Compared with Semiannual Report at June 30, 2011

A review, based on information currently available, of the **developments that occurred in the third quarter of 2011** concerning the main legal and tax disputes currently outstanding is provided below, listing separately actions involving Edison Spa and actions involving other Group companies. A comprehensive disclosure is provided in the Semiannual Report at June 30, 2011.

Insofar as legal disputes, the only new development in the quarter concerns a dispute involving Edison Spa that could give rise to a probable liability for which a provision for risks was recognized in the balance sheet are concerned, is 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 initiative taken by the Commission confirms that the effects of the abovementioned Court decision qualify as a contingent asset pursuant to IAS 37.

* * * * *

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

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, on a provisional basis while the proceedings are pending, the additional tax and any accrued interest. 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 Spa - Assessment of Registration Fees for 2008

The Revenue Agency has not yet appealed the decision favorable to the Company handed down in June 2011 by the Milan Provincial Tax Commission, which voided the payment notice for proportional registration, mortgage and cadastral fees totaling about 11 million euros.

Edison Spa and Edison Trading Spa - General Audit by the Revenue Police

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 issues raised concern some issues concerning costs incurred with Swiss suppliers that are on the black list and with regard to which the Revenue Police, while recognizing that the costs were incurred and properly applied, did not feel that the arguments presented to justify the economic validity of the underlying transactions were sufficient, submitted the matter to the Revenue Agency for further analysis.

The tax audit of Edison Trading Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2006 to 2010 (up to the starting date of the audit) launched in September 2010 by the same Tax Police Unit was resumed in June.
The audit was completed at the beginning of August and the Company was served with an Audit Report that set forth two issues applicable to the various years subject of the audit: one concerning direct taxes and the regional tax (IRAP), with regard to which some costs, while they were found to have been actually incurred and relevant, appeared to have been incurred with blacklisted suppliers and thus warranting further investigation by the Revenue Agency. The other one, instead, concerns the VAT and reflects a similar issue raised by the Regional Office in connection with the 2005 audit regarding the alleged existence of a swap with regard to the transfer of green certificates to Edipower in order to meet the annual obligation under the Tolling Agreement.

Edison Trading Spa - IRES, IRAP and VAT Assessments for the 2005 Tax Year
On October 25, 2011, the Milan Provincial Tax Commission, having issued an order suspending the collection of payments while proceedings about the contested VAT assessment are in progress, held a public merit hearing on the complaint filed by the Company. The Commission is now expected to hand down its decision.

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 3.5 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. A date for a hearing has not yet been set.
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.

GROUP FINANCIAL RISK MANAGEMENT

This Section 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). A more detailed description of these issues is provided in Consolidated Financial Statements at December 31, 2010.
In accordance with IFRS 7, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

Consistent with its Energy Risk Policies, the Edison Group manages this risk within the limit of an Economic Capital amount - measured in terms of Profit at Risk (PaR[1]) - approved by the Board of Directors for the Industrial Portfolio, including both transactions that hedge contracts to buy or sell commodities and the Group's production and assets. The Economic Capital represents the risk capital, stated in millions of euros, available to hedge market risks.

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 Hedge) while others qualify as Economic Hedge, 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 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 firm (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the Gestore dei Mercati Energetici (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer that one year.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used at fair value the abovementioned products.

The table below shows the maximum negative variance in the fair value of outstanding financial derivatives expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at September 30, 2011, which is 46.5 million euros (74.8 million euros at September 30, 2010). In other words, compared with the fair value determined for hedging derivatives contracts outstanding at September 30, 2011, the probability of a negative variance greater than 46.5 million euros by the end of 2011 is limited to 2.5% of the scenarios.

Profit at Risk (PaR)	9 months 2011		9 months 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%**	**46.5**	**97.5%**	**74.8**

The corresponding value at December 31, 2010 was 178.5 million euros.

The decrease compared with the level measured at September 30, 2010 is due mainly to a substantial decrease in the volume of fixed price sales contracts of the 2012 electric power campaign compared with those executed as of the corresponding date in the 2011 sales campaign. As a result, the volume of financial contracts executed to hedge the campaign also decreased.
The hedging strategy deployed in the period 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 the period

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

by the Industrial Portfolio would have been equal to 124% of the approved limit, with a peak of 198% in January 2011 (in the first nine months of 2011, the approved limit was exceeded by 44% on average). With hedging, the average amount of Economic Capital absorbed in the period by the Industrial Portfolio was 41%, 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 40% utilized at September 30, 2011, with an average utilization of 32% for the period.
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 42% utilized at September 30, 2011, with an average utilization of 33% for the period. 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 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).
Edison's policy in managing its foreign exchange risk is to minimize its exposure both to the economic risk and the transactional risk inherent in commodity activities (see the preceding paragraph with regard to this issue). Also with regard to the transactional risk, the Group is exposed to the foreign exchange risk on some cash flows in foreign currencies (U.S. dollars, for the most part) in connection with international development and exploration projects by the hydrocarbons operations and, for limited amounts, purchases of equipment. Lastly, the Group has a marginal exposure to the translational risk, specifically with regard to the translation of the financial statements of certain foreign subsidiaries. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.

3. Interest Rate Risk

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

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

Gross Financial Debt	09.30.2011			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)	1,856	1,429	32%	1,863	1,490	34%
- variable rate portion	2,657	3,084	68%	2,472	2,845	66%
Total gross financial debt	**4,513**	**4,513**	**100%**	**4,335**	**4,335**	**100%**

The strategy pursued by the Edison Group in the past two years has been to hold long-term financial instruments with a fixed interest rate and combine them with hedging derivative transactions, so that, over the short term, it can benefit from variable rates that are lower than the fixed rate and reduce borrowing costs without giving up protection from future hikes in interest rates.

It is worth noting that no financial transactions that materially altered the Group's exposure to the interest rate risk were executed during the first nine months 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	9 months 2011			09.30.2011		
(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	**109**	**97**	**85**	**(3)**	**(3)**	**(3)**

Sensitivity analysis	9 months 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	117	99	96	(9)	(11)	(12)

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 the first nine months of 2011 totaled 3,696 million euros. At September 30, 2011, the amount of receivables assigned under the program that were exposed to the risk of recourse was less than 1 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 September 30, 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 higher amount of receivables outstanding at September 30, 2011, compared with December 31, 2010, is largely due to a lengthening of the time to collection resulting also from a change in the customer mix (particularly in the Residential and Microbusiness segments), an increase in the Group's international activities and sales to the Public Administration.

(in millions of euros)	09.30.2011	12.31.2010
Gross trade receivables	2,846	2,508
Allowance for doubtful accounts (-)	(135)	(133)
Trade receivables	**2,711**	**2,375**
Guarantees held	784	692
Receivables 9 to 12 months in arrears	39	28
Receivables more than 12 months in arrears	221	141

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	09.30.2011			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	23	46	2,048	18	558	2,094
Financial debt and other financial liabilities	801	141	1,534	30	769	991
Trade payables	1,981	79	-	2,077	76	-
Total	**2,805**	**266**	**3,582**	**2,125**	**1,403**	**3,085**
Guarantees provided to third parties (*)	**537**	**379**	**423**	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 is to minimize the impact of financial debt maturities by maintaining access to available credit lines and adequate liquidity and implementing on a timely basis negotiations for the funding of maturing financing facilities, as well as through the placement of bond issues.

Consistent with this goal, the Group consolidated its debt maturities in the period. To begin with, 500 million euros in variable-interest rate bonds issued in 2004 were repaid upon maturity, on July 19, 2011, and replaced with bank debt with a maturity of more than one year. It is worth mentioning in this regard that, in June 2011, Edison Spa executed an agreement for a new 700-million-euro credit line, provided on a club-deal basis for a maximum term of 18 months less one day, the main purpose of which was to refinance the amount of the abovementioned bond issue. A total of 500 million euros had been drawn against this credit line at September 30, 2011.
The same approach guided the renegotiation of the financing facility owed by the investee company Elpedison Power Sa, expired on September 30, 2011, which was renewed extending its maturity to September 30, 2013.

The financial debt due in the fourth quarter of 2011, which totals 824 million euros, includes the following main items:

- a syndicated loan owed by Edipower Spa, with a currently outstanding principal amount of 1,100 million euros (550 million euros attributable to Edison), due on December 30, 2011;
- uncommitted credit lines of 220 million euros held by Edison, which are used to fund current cash needs. The amount drawn against these credit lines was slightly less than the Group's liquid assets, which totaled 261 million euros.

Lastly, in addition to the abovementioned liquid assets, the Group has access to unused committed credit lines of 958 million euros, the bulk of which is available under a syndicated stand-by facility of 1,500 million euros expiring in 2013 (against which 850 million euros had been drawn at September 30, 2011), a new facility of 700 million euros on a club-deal basis (against which 500 million euros had been drawn at September 30, 2011) and for 100 million euros (attributable to Edison) from Edipower Spa.

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 September 30, 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 970 million euros and syndicated facilities amounting to 2,228 million euros, the unused portion of which was 958 million euros at September 30, 2011 originating from a standby syndicated facility of 1,500 million euro, a new credit line of 700 million euros provided to Edison Spa on a club deal basis in June 2011 and revolving credit lines provided to Group companies, the largest being the facility available to Edipower Spa (100 million euros attributable to Edison).

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 (against which 500 million had been drawn at September 30, 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), as already described in Semiannual Report at June 30, 2011.
Please also note that a total of 15 million euros was drawn during the third quarter of 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.

A comprehensive presentation of outstanding transactions and of the corresponding loan agreements and covenants is provided in the Consolidated Financial Statements at December 31, 2010 and in the Semiannual Report at June 30, 2011.

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 June 30, 2011, two categories of financial instruments, for which quotes supplied by an external provider are now available, were reclassified from "Level 3" to "Level 2." The amount involved by this reclassification is not material.

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.

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

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at September 30, 2011, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the period (A)	Fair Value recognized for contracts outstanding at 12.31.2010 (B)	Portion of (B) contracts realized in the period (B1)	Fair Value recognized for contracts outstanding at 09.30.2011 (C)	Change in fair value in the period (D)=(C–B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 1 and 2 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	144	-	-	8	8	152
- not definable as hedges pursuant to IAS 39	60	1	1	45	44	104
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	5	2	1	2	-	5
Margin on physical trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	2,659	117	79	181	64	2,723
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(2,632)	(96)	(59)	(161)	(65)	(2,697)
Total margin on physical trading activities	*27*	*21*	*20*	*20*	*(1)*	*26*
Total (A)	**236**	**24**	**22**	**75**	**51**	**287**
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) (**)	(37)	(1)	(1)	(1)	-	(37)
- not definable as hedges pursuant to IAS 39	(51)	(1)	(1)	(16)	(15)	(66)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*)	(39)	-	-	-	-	(39)
- not definable as hedges pursuant to IAS 39	(5)	-	-	(4)	(4)	(9)
Margin on financial trading activities						
- Other revenues and income from derivatives included in the Trading Portfolios (****)	43	53	29	92	39	82
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(41)	(40)	(20)	(82)	(42)	(83)
Total margin on financial trading activities	*2*	*13*	*9*	*10*	*(3)*	*(1)*
Total (B)	**(130)**	**11**	**7**	**(11)**	**(22)**	**(152)**
TOTAL INCLUDED IN EBITDA (A+B)	**106**	**35**	**29**	**64**	**29**	**135**
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)	39	22	8	44	22	61
- not definable as hedges pursuant to IAS 39	7	4	4	5	1	8
Total financial income (C)	**46**	**26**	**12**	**49**	**23**	**69**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	(9)	-	-	-	-	(9)
- definable as hedges pursuant to IAS 39 (FVH)	(36)	(19)	1	-	19	(17)
- not definable as hedges pursuant to IAS 39	(10)	(7)	-	(12)	(5)	(15)
Total financial expense (D)	**(55)**	**(26)**	**1**	**(12)**	**14**	**(41)**
Margin on interest rate hedging transactions (C+D)=(E)	**(9)**	**-**	**13**	**37**	**37**	**28**
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	23	-	-	1	1	24
Total foreign exchange gains (F)	**23**	**-**	**-**	**1**	**1**	**24**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(57)	(1)	(1)	-	1	(56)
Total foreign exchange losses (G)	**(57)**	**(1)**	**(1)**	**-**	**1**	**(56)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(34)**	**(1)**	**(1)**	**1**	**2**	**(32)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 7 to the Income Statement)	**(43)**	**(1)**	**12**	**38**	**39**	**(4)**

(*) 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 negative for 8 million euros at September 30, 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 and their classification on the fair value hierarchy as required by IFRS 7.

(in millions of euros)	09.30.2011		12.31.2010	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	27	(33)	31	(22)
Interest rate transactions	49	(15)	26	(37)
Commodity transactions	477	(268)	304	(147)
Fair value recognized as current assets or current liability	**553**	**(316)**	**361**	**(206)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	181	(153)	117	(96)
- recognized as "Other receivables and payables"	323	(148)	218	(73)
- recognized as "Current financial assets" and "Short-term financial debt"	49	(15)	26	(37)
Broken down on fair value hierarchy:				
- Level 1	37	(29)	7	(5)
- Level 2	515	(284)	349	(197)
- Level 3 (*)	1	(3)	5	(4)

(*) The fair value classified at Level 3 is recognized in the amount of -2 million euros as part of the physical trading margin (2 million euros of costs), in the amount of 1 million euros as part of "Other revenues and income" and in the amount of -1 million euros as part of "Raw materials and services used".

With regard to these items, please note that a positive Cash Flow Hedge reserve amounting to 126 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related and significant parties(*) affecting the income statement, balance sheet and cash flow that were outstanding at September 30, 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 millions of euros)	Related Parties					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 Group	SEL Group	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	-	66	15	82	10	-	1	-	-	11	93	2,711	3.4%
Other receivables	1	97	11	-	109	-	5	-	-	-	5	114	866	13.2%
Trade payables	7	-	50	28	85	4	13	-	-	-	17	102	2,060	5.0%
Other payables	-	55	-	-	55	-	-	-	-	-	-	55	551	10.0%
Short-term financial debt	15	-	-	-	15	-	-	-	14	135	149	164	1,053	15.6%
Long-term financial debt and other financial liabilities	-	-	-	-	-	-	30	-	-	2	32	32	1,604	2.0%
Income statement transactions:														
Sales revenues	16	-	237	59	312	90	9	32	-	-	131	443	8,591	5.2%
Other revenues and income	-	-	7	3	10	2	-	-	-	-	2	12	493	2.4%
Raw material and services used	7	-	58	52	117	7	35	-	-	-	42	159	8,177	1.9%
Financial expense	-	-	-	-	-	-	1	-	-	2	3	3	208	1.4%
Commitments and contingent risks:														
Guarantees provided	-	-	-	-	-	-	-	-	47	-	47	47	1,339	3.5%
Collateral provided	-	-	-	-	-	-	-	-	-	40	40	40	1,379	2.9%
Other commitments and risks	-	-	26	-	26	-	-	-	-	-	-	26	433	6.0%

(*) Please see "2010 Corporate Governance".

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 September 30, 2011 showed an overpayment of 53 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 27 million euros, mainly from sales of natural gas, recovery of maintenance costs for about 7 million euros.
- With EDF Trading Ltd, revenues of 160 million euros and costs of 58 million euros stemming from sales and purchases of commodities. Also with EDF Trading Ltd revenues of 331 million euros and costs of 281 million euros stemming from transactions executed during the period as part of the trading activity, these amounts are included on a net basis.
- With EDF Trading Ltd, commitments of up to 26 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 62 million euros from contracts to supply electric power and steam to A2A Trading Srl, A2A Calore e Servizi Spa and Plurigas Spa.
- Other revenues and income of 3 million euros from A2A Trading Srl, for the recovery of costs incurred.
- Materials and services used totaling 52 million euros, broken down as follows: 12 million euros for purchases of electric power, 9 million euros for dispatching services by A2A Trading Srl; 28 million euros for electric power transmission services by A2A Reti Elettriche Spa; and about 3 million euros for the purchase of other utilities.
- With A2A Trading Srl, revenues of 64 million euros and costs of 67 million euros from transactions executed during the period as part of the trading activity, these amounts are included on a net basis.

IREN Group

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

- Sales revenues of 90 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 7 million euros mainly from the purchase of electric power and other utilities.

SEL Group

Transactions executed with the SEL Group resulted in sales revenues of about 9 million euros and costs of about 35 million euros for purchases of electric power from Sel Spa.
Financial charges totaling about 1 million euros were also recognized.
In the period 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 32 million euros with Trenta Spa and Dolomiti Energia Srl.
In the period 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

For a comprehensive discussion of existing transactions please consult the comments provided in the Semiannual Report at June 30, 2011. The only subsequent material change that occurred in the third quarter of 2011 concerns the senior unsecured facility provided on a club deal basis on June 13, 2011, with regard to which the amount drawn down attributable to Mediobanca at September 30, 2011 amounts to about 41 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison announces that, on July 21, 2011, it executed with Promgas an agreement renegotiating the price of Russian natural gas supplied under a long-term procurement contract, which in the financial statements at June 30, 2011 generated benefits totaling 115 million euros at the EBITDA level.

Transactions Resulting from Atypical and/or Unusual Activities

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

SIGNIFICANT EVENTS OCCURRING AFTER SEPTEMBER 30, 2011

Edison: Disposal of power plants in Taranto

On October 10, 2011, Edison has completed the sale to Ilva (Riva Group) of Taranto Energia Srl, the company that holds the two thermoelectric plants CET 2 and CET 3, which are located in the Ilva industrial site of Taranto.

The amount received by Edison is about 164.4 million euros.

Milan, October 28, 2011

The Board of Directors
by Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION
AT SEPTEMBER 30, 2011

SCOPE OF CONSOLIDATION AT SEPTEMBER 30, 2011
List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 09/30/11	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	09/30/11	12/31/10	% (b)	by	% (c)	% (d)	(e)	Notes
Group Parent Company											
Edison Spa	Milan	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	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	55.00	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	-
Taranto Energia Srl (single shareholder)	Milan (IT)	EUR	10,000	100.00	-	100.00	Edison Spa	-	-	S	(i)
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)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 09/30/11	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) 09/30/11	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											
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00	50.00	Edison Spa	-	-	JV	-
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	Il 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	-

List of Equity Investments (continued)

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
B) Investments in companies valued by the equity method											
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	-	-	1.5	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	-	-	20.3	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milano (IT)	EUR	37,242,300		20.81	Edison Spa	-	-	17.6	AC	-
Total investments in companies valued by the equity method									**46.7**		

List of Equity Investments (continued)

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
C) Investments in companies in liquidation or subject to permanent restrictions											
Auto Gas Company S.A.E. (in liquidation)	Il 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 (Socio unico)	-	-	-	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)

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	-	-	2.7	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.2	NG	-
Amsc-American Superconductor	Devens (US)	USD	507,017		0.32	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	Il 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	5.5	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	-	-	190.0	NG	-
Other minor									0.1		
Total investments in other companies valued at fair value									**204.9**		
Total equity investments									**254.0**		

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

CERTIFICATION PURSUANT TO ARTICLE 154-BIS, SECTION 2, OF LEGISLATIVE DECREE NO. 58/1998

As required by Article 154-*bis*, Section 2, of the Uniform Finance Law (Legislative Decree No. 58/1998), Massimiliano Masi, in his capacity as "Dirigente preposto alla redazione dei documenti contabili societari" of Edison Spa, declares that the accounting information contained in this Quarterly Report at September 30, 2011 is consistent with the data in documents, accounting records and other records.

Milan, October 28, 2011

Massimiliano Masi
"Il Dirigente Preposto alla redazione
dei documenti contabili societari"

This document is also available on the
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