QUARTERLY REPORT

at September 30, 2012

Contents

QUARTERLY REPORT AT SEPTEMBER 30, 2012

REPORT ON OPERATIONS AT SEPTEMBER 30, 2012 3

Simplified Structure of the Group at September 30, 2012 4
Key Events in the Third Quarter of 2012 5
Financial Highlights – Focus on Results 7
Performance and Results of the Group 9
Economic Framework 12
The Italian Energy Market 15
Legislative and Regulatory Framework 19
Performance of the Group's Businesses 26
- Electric Power Operations 26
- Hydrocarbons Operations 29
- Corporate Activities and Other Segments 33
- Discontinued Operations 33
Risks and Uncertainties 34
Related-party Transactions 34

REVIEW OF THE GROUP'S OPERATING PERFORMANCE AND FINANCIAL RESULTS AT SEPTEMBER 30, 2012 35

Income Statement and Other Components of the Comprehensive Income Statement 36
Balance Sheet 37
Cash Flow Statement 38
Changes in Consolidated Shareholders' Equity 39
Notes to the Quarterly Report at September 30, 2012 40
- Content and Presentation 40
- Segment Information 44
- Notes to the Income Statement 46
- Notes to the Balance Sheet 59
- Net Financial Debt 73
Disclosure Pursuant to IFRS 5 74
Commitments and Contingent Risks 77
Group Financial Risk Management 84
Intercompany and Related-party Transactions 94
Other Information 98
Significant Events Occurring After September 30, 2012 99
Scope of Consolidation at September 30, 2012 101

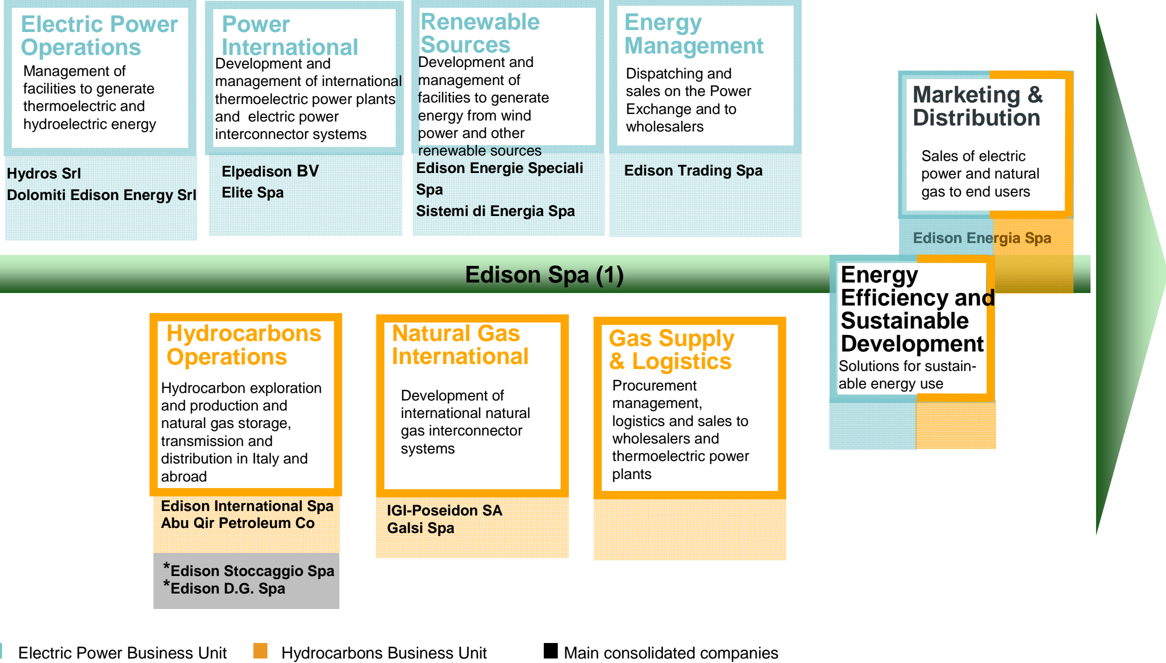
Certification Pursuant to Article 154-bis, Section 2, of Legislative Decree No. 58/1998 108

REPORT ON OPERATIONS

at September 30, 2012

Simplified Structure of the Group at September 30, 2012

Organization and Activities of the Business Units and main Consolidated Companies



* Companies subject to functional unbundling requirements.

(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.

Key Events

THIRD QUARTER OF 2012
Growing Our Business

Edison: Successful Outcome of the Price Revision Arbitration Proceedings for the Contract with RasGas for the Supply of Natural Gas from Qatar

On September 11, 2011, the London International Chamber of Commerce served notice of its award in the arbitration proceedings between Edison and RasGas for a revision of the price of liquefied natural gas (LNG) supplied from Qatar under a long-term contract.

The Court's decision upheld Edison's merit claims. The overall financial impact on Edison's 2012 reporting year is estimated at about 450 million euros.

The RasGas arbitration started in March 2011 as part of the process of renegotiating long-term gas contracts in Edison's portfolio.

Edison: Successful Outcome of the Price Revision Arbitration Proceedings for the Contract with ENI for the Supply of Natural Gas from Libya

On October 1, 2012, the Paris International Chamber of Commerce served notice of its award in the arbitration proceedings between Edison and ENI for a revision of the price of natural gas supplied from Libya under a long-term contract.

The Court of Arbitration found the price revision request put forth by Edison in 2010 to be valid both formally and substantively, thereby granting in full the Company's claims. The overall financial impact on Edison's 2012 reporting year is estimated at over 250 million euros.

The Court reserved the right to hand down a decision concerning interest, legal costs and the exact amount owed by ENI for the retroactive period based on the new contract price.

Other Key Events

Completion of Transalpina di Energia's Tender Offer for the Common Shares of Edison Spa, Which Were Officially Delisted on September 10, 2012

The Acceptance Period for the mandatory tender offer (the "Offer") launched by Transalpina di Energia Srl ("TdE") for all outstanding common shares of Edison Spa ended on August 3, 2012. A total of 904,822,259 common shares, equal to 90.208% of the shares subject of the Offer and 17.464% of the voting share capital of Edison Spa (Edison), were tendered in acceptance of the Offer.

On August 8, 2012, upon concurrently obtaining conveyance of full title to the common shares tendered in acceptance of the Offer, TdE paid in cash a total consideration of 805,291,810.51 euros.

Subsequently, TdE, having reached and exceeded the threshold of a 95% stake in Edison's voting share capital, began the procedure required to comply with the obligation to purchase the "Remaining Shares," which, pursuant to Article 108, Section One, of the Uniform Financial Code, was applicable to 98,223,039 Edison common shares, equal to 1.896% of Edison's voting share capital. The purchase price for each Remaining Share subject of the Purchase Obligation was the same as the consideration paid during the tender

offer for all of Edison's common shares, i.e., 0.89 euros per share; the period to request the sell-out started on August 13, 2012 and ended on September 4, 2012.
The requests to sell submitted by the holders of the Remaining Shares corresponded to 72.777% of the shares subject of the Purchase Obligation, equal to 71,483,886 Edison common shares. After the payment of the Purchase Obligation price, on September 7, 2012, TdE holds no. 4,151,359,972 Edison ordinary shares, equal to 80.124% of the ordinary share capital of Edison.
As a result of these transactions, Electricité de France Sa holds indirectly a total of 5,154,369,098 Edison common shares, equal to 99.483% of the voting share capital (counting the common share held by MNTC Holding Srl, a company whose share capital is wholly owned by Electricité de France Sa).

By Resolution No. 7544 of August 7, 2012, Borsa Italiana Spa delisted the Edison common shares form the Online Securities Market that it organized and operates, effective as of September 10, 2012.
Please note that the delisting of the Edison common shares does not entail the delisting of the savings shares, which, consequently, will continue to trade on the Online Securities Market.
It is also worth mentioning that, pursuant to Article 6 of Edison's Bylaws, by virtue of the delisting of the common shares, the savings shares may be converted into Edison common shares upon a simple request by their holder. Edison's Board of Directors of October 26, 2012, set from November 2 to November 30, 2012 the period for voluntary conversion; pursuant to the Bylaws, the conversion ratio is one common share for each savings share held. The ordinary shares that will be issued for the Conversion will be available on December, 3 2012 and won't be traded on the Online Securities Market as Edison's ordinary shares were delisted.

Significant Events Occurring After September 30, 2012

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, 2012."

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

2011 full year (*)	(in millions of euros)	**9 months 2012**	**9 months 2011 (*) (**)**	**% change**	**3rd quarter 2012**	**3rd quarter 2011 (*) (**)**	**% change**
11,381	Sales revenues	8,935	8,018	*11.4%*	3,126	2,693	*16.1%*
890	EBITDA	963	592	*62.7%*	662	178	*n.m.*
7.8%	*as a % of sales revenues*	*10.8%*	*7.4%*		*21.2%*	*6.6%*	
2	EBIT	440	152	*n.m..*	490	20	*n.m.*
n.m.	*as a % of sales revenues*	*4.9%*	*1.9%*		*15.7%*	*0.7%*	
(273)	Profit (Loss) from continuing operations	199	(65)	*n.m.*	299	(47)	*n.m.*
(605)	Profit (Loss) from discontinued operations	50	(24)	*n.m.*	-	18	*n.m.*
(871)	Group interest in profit (loss)	241	(93)	*n.m.*	290	(31)	*n.m.*
482	Capital expenditures of continuing operations	230	352	*(34.7%)*	73	124	*(41.2%)*
46	Investments in exploration	79	41	*92.7%*	23	34	*(32.4%)*
11,030	Net invested capital (A + B)(1)	10,410	12,119	*(5.6%)*			
3,884	Net financial debt (A)(1)(2)	3,011	4,104	*(22.5%)*			
7,146	Total Shareholders' equity (B)(1)	7,399	8,015	*3.5%*			
6,988	Total Shareholders' equity attributable to the parent company shareholders (1)	7,249	7,845	*3.7%*			
n.m.	ROI (3)	5.60%	2,02%				
n.m.	ROE (4)	4.51%	n.m.				
0.54	Debt / Equity ratio (A/B)	0.41	0.51				
35%	Gearing (A/A+B)	29%	34%				
3,764	Number of employees (1)(5)	3,248	3,907	*(13.7%)*			
	Stock market prices (in euros) (6)						
0.7954	• common shares (7)	-	0.8522				
0.7701	• savings shares	0.7541	0.8851				
	Earnings per share (in euros)						
(0.1692)	• basic earnings (loss) per common share	0.0448	(0.0188)				
0.0500	• basic earnings (loss) per savings share	0.0748	0.0375				
(0.1692)	• diluted earnings (loss) per common share	0.0448	(0.0188)				
0.0500	• diluted earnings (loss) per savings share	0.0748	0.0375				

(1) End-of-period data. The changes are computed against the data at December 31, 2011.
(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 of continuing operations.Net invested capital of continuing operations does not include the value of equity investments held as non-current assets and is computed as the arithmetic average of 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 the 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.
(7) The common shares were delisted on September 10, 2012.

(*) The 2011 amounts reflect a new presentation of the net change in fair value of derivatives.
(**) Edipower's integrated contribution was reclassified into discontinued operations, pursuant to IFRS 5.

Sales Revenues and EBITDA by Business Segment

2011 full year (*)	(in millions of euros)	9 months 2012	9 months 2011 (*) (**)	% change	3rd quarter 2012	3rd quarter 2011 (*) (**)	% change
	Electric Power Operations (1)						
7,437	Sales revenues	5,211	5,423	*(3.9%)*	1,994	1,928	*3.4%*
509	Reported EBITDA	383	435	*(12.0%)*	128	110	*16.4%*
702	Adjusted EBITDA (***)	362	508	*(28.7%)*	123	182	*(32.4%)*
	Hydrocarbons Operations (2)						
5,468	Sales revenues	4,960	3,756	*32.1%*	1,569	1,196	*31.2%*
487	Reported EBITDA	659	227	*n.m.*	560	88	*n.m.*
294	Adjusted EBITDA (***)	680	154	*n.m.*	565	16	*n.m.*
	Corporate Activities and Other Segments (3)						
50	Sales revenues	37	37	-	12	13	*(7.7%)*
(106)	EBITDA	(79)	(70)	*(12.9%)*	(26)	(20)	*(30.0%)*
	Eliminations						
(1,574)	Sales revenues	(1,273)	(1,198)	*(6.3%)*	(449)	(444)	*(1.1%)*
	EBITDA		-			-	
	Edison Group						
11.381	**Sales revenues**	**8,935**	**8,018**	***11.4%***	**3,126**	**2,693**	***16.1%***
890	**EBITDA**	**963**	**592**	***62.7%***	**662**	**178**	***n.m.***
7.8%	***as a % of sales revenues***	***10,8%***	***7,4%***		***21.2%***	***6.6%***	

(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.

(*) The 2011 amounts reflect a new presentation of the net change in fair value of derivatives.

(**) Edipower's integrated contribution was reclassified into discontinued operations, pursuant to IFRS 5.

(***) Adjusted EBITDA reflect the effect of the reclassification of the results of commodity and foreign exchange hedges executed in connection with the physical contracts in Edison's portfolio. The gains or losses generated by the instruments executed to hedge contracts to import natural gas and protect margins on sales of electric power, which are recognized by the Hydrocarbons Operations, were reclassified into the Electric Power Operations. This reclassification is being made to provide a homogeneous operational presentation of the Group's industrial results.

Performance and Results of the Group

Operating Performance

The Group reported sales revenues of 3,126 million euros in the third quarter of 2012, or 16.1% more than in the same period last year.
A breakdown by business segment shows gains of 3.4% for the Electric Power Operations and 31.2% for the Hydrocarbons Operations, driven mainly by higher average sales prices that reflected changes in the benchmark scenario and, in the case of the Hydrocarbons Operations, a rise in sales volumes.
Cumulative sales revenues for the first nine months of 2012 rose to a 8,935 million euros, or 11.4% more than the 8,018 million euros booked in the same period in 2011, due to the same factors that boosted the Group's performance in the third quarter.

Quarterly EBITDA totaled 662 million euros (an amount significantly larger than the 178 million euros earned in the third quarter of 2011) thanks to the gains resulting from the successful conclusion of the price revision arbitration proceedings concerning the long-term contracts with RasGas and Eni for the supply of natural gas from Qatar and Libya, respectively, which were recognized in September 2012 and amounted to about 600 million euros, including the one-off benefits for gas deliveries taken in previous years.

EBITDA for the first nine months of 2012 totaled 963 million euros, or 371 million euros more (+62.7%) than the 592 million euros reported at September 30, 2011. In addition to the abovementioned gain attributable to the gas merchant operations, the increase in EBITDA is also the combined result of the following factors:

- A negative change in the adjusted EBITDA(1) of the Electric Power Operations (-146 million euros) caused by the limited availability of water resources during the period and the reduced profitability of sales in the deregulated market segment, mitigated in part by the effects of the early termination of the CIP 6/92 contract for the Piombino power plant, and the impact of a change in scope of consolidation resulting from the divestment of the Taranto thermoelectric power plants in October 2011.
- A sharp increase in the adjusted EBITDA(1) generated by the exploration and production activities, which were significantly boosted by a favorable oil market scenario and benefitted from recent investments in Italy and abroad, which helped increase hydrocarbon production compared with the previous year, thereby offsetting the expected and natural decline in the output of existing production concessions.

More detailed information about the reporting period and the cumulative results at September 30, 2012 is provided in the section of this Report where the performance of the Group's businesses is analyzed.

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(1) See note on page 8.

For the reasons explained above, EBIT also improved, growing to 440 million euros at September 30, 2012, up sharply compared with 152 million euros in the first nine months of 2011. Additional factors that had an effect on EBIT included depreciation and amortization of non-current assets of 485 million euros, including 79 million euros for exploration costs (41 million euros in the first nine months of 2011), and writedowns of 38 million euros attributable mainly to the Piombino thermoelectric power plant due to the reduction in profitability that the early termination of the CIP 6/92 contract is expected to produce.

The net result from continuing operations, which also reflects the impact of net financial expense of 82 million euros and net charges of 26 million euros related to non-core activities, totaled 199 million euros (loss of 65 million euros in the first nine months of 2011).

The net profit attributable to the Group amounted to 241 million euros, for a significant improvement compared with the result for the first nine months of 2011 (net loss of 93 million euros). It includes the net result from discontinued operations, which was positive by 50 million euros in 2012, reflecting the benefit from the redefinition of the sales price for the equity stake in Edipower Spa, net of the negative margin realized by the Toller under the Tolling Agreement in effect until May 24, 2012. In the first nine months of 2011, it included, in addition to Edipower's integrated contribution, charges of 14 million euros mainly for writedowns of the Taranto thermoelectric power plants subject of a sales agreement with Riva.

At September 30, 2012, net financial debt totaled 3,011 million euros (4,104 at September 30, 2011), down from 3,884 million euros at December 31, 2011 thanks to the sale of the equity stake in Edipower Spa, which had an effect of 1.2 billion euros. Other items included the cash flow absorbed by an increase in working capital resulting mainly from the recognition of the uncollected proceeds from the two arbitrations mentioned earlier in this Report which will be collected in the next few months.

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:

2011 full year (*)	(in millions of euros)	September 30, 2012	September 30, 2011 (*) (**)
(3,708)	**A. NET FINANCIAL (DEBT) AT BEGINNING OF PERIOD**	**(3,884)**	**(3,708)**
890	EBITDA	963	592
(494)	Change in operating working capital	(835)	(455)
(184)	Income taxes paid (-)	(119)	(132)
(4)	Change in other assets (liabilities)	51	(6)
208	**B. CASH FLOW FROM OPERATING ACTIVITIES**	**60**	**(1)**
(528)	Investments in property, plant and equipment and intangibles (-)	(309)	(393)
(3)	Investments in non-current financial assets (-)	-	(3)
259	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	688	95
-	Repayment of shareholder loan	550	-
11	Capital distributions from equity investments	6	9
5	Dividends received	2	5
(48)	**C. FREE CASH FLOW**	**997**	**(288)**
(160)	Financial income (expense), net	(82)	(120)
(22)	Dividends paid (-)	(7)	(22)
(230)	**D. CASH FLOW AFTER FINANCING ACTIVITIES**	**908**	**(430)**
54	Discontinued operations	(35)	34
(176)	**E. NET CASH FLOW FOR THE PERIOD**	**873**	**(396)**
(3,884)	**F.NET FINANCIAL (DEBT) AT END OF PERIOD**	**(3,011)**	**(4,104)**

(*) The 2011 amounts reflect a new presentation of the net change in fair value of derivatives.

(**) Amounts reclassified in accordance with IFRS 5.

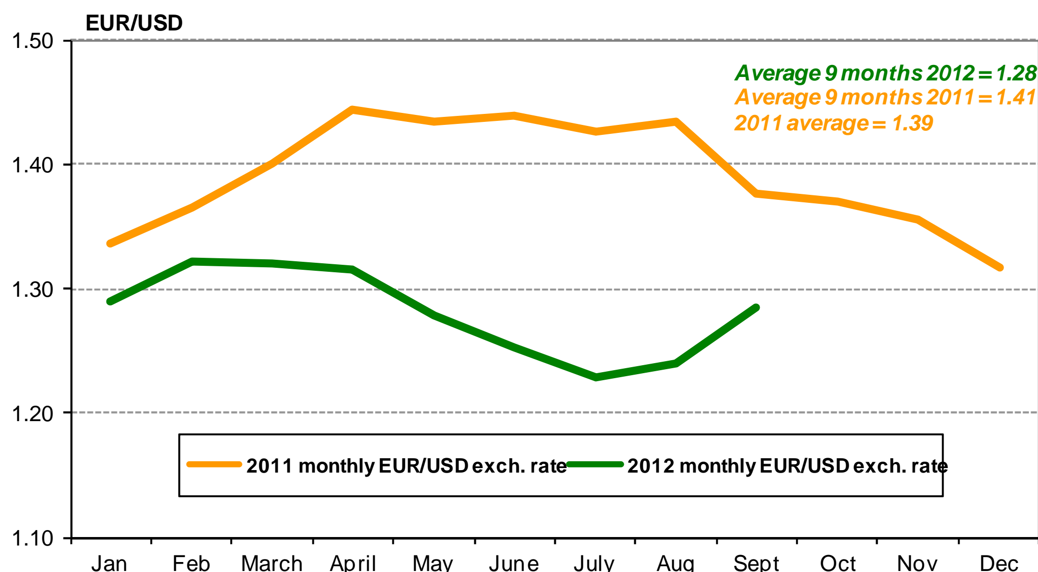
Outlook and Expected Year-end Results

The persistent weakness on the gas market in the fourth quarter 2012 is expected to continue to impact Edison Gas Supply and Sales business margins. Full year 2012 Group EBITDA are nevertheless forecast to be in the previously mentioned range between 1,100 and 1,200 million euros, including the contribution of the gas arbitrations.

Economic Framework

The deterioration of business conditions in the international economy that became apparent in the first half of the year persisted in the third quarter, with a negative impact on the growth rate of global trade.
The euro zone continued to be in a recession; the weakness that characterized the countries at Europe's periphery (Greece, Spain, Portugal, Italy) spread to several northern countries, such as Belgium and Finland, and even France and the German "locomotive" are beginning to show significant signs of slowing. There are a number of factors with a recessive effect including: a high unemployment rate that shows no sign of decreasing, which causes households to reduce consumption; in some economies, rigidity in the terms to access credit; and, last but not least, the restrictive budget policies adopted in many European countries. These policies, while necessary to bring government spending under control, had the effect of steadily slowing internal demand, thus depressing not only growth in the countries that enacted them, but also international trade, first within the European Union and later with the rest of the world, which, in the final analysis, contributed to slowing global commerce. In addition, in the euro zone, despite the encouraging results of the European Summit held at the end of June, uncertainty about a resolution of the sovereign debt crisis remains high; Spain also is inching towards a decision to ask for EU assistance, while the timing for implementing and making fully effective the ECB's anti-spread shield, necessary to contain the European sovereign debt crisis, remains uncertain.
The U.S. economy also lost some of the momentum that characterized it at the beginning of the year, with significant slowing of the investment growth rate and weakening of internal demand. Domestic consumption continued to be held down by adjustments to household budgets that are still taking place after the bursting of the consumer debt bubble; the uncertain outlook for income and jobs market trends; and fears about the introduction of higher taxes. In addition, concerns about the potential repercussions on the U.S. financial system of a deterioration of the European sovereign debt crisis and uncertainty about the country's fiscal policy after the November presidential election are contributing to depress expectations and, consequently, spending and investment decisions in the United States.
Signs of a slowing are also being mentioned with regard to the emerging countries, which, after being the engines that drove global growth in recent years, are feeling the effects of a continuation of the recession in the euro zone and a deceleration in the United States, resulting in a weak foreign demand, offset only in part by rising domestic demand, which appears to be supported by expansionary economic policies, particularly in Brazil and China.
Against this international backdrop, difficulties continue to characterize the Italian economy, which, in addition to being affected by a deterioration of economic conditions and international trade, appears to be caught between an increasingly sluggish internal demand and efforts to rebalance the government budget, which is hampered by the high cost of interest on government debt, made worse by a widening spread with the German Bund; a credit market with a rationed and costly access; a real estate sector in crisis; and conditions defined by high and persisting unemployment and high uncertainty about the general evolution of the situation. In this environment and despite the slowing of world trade, net foreign demand remains the only positive component of Italy's GDP, which is expected to contract by 2.4% in the current year.

In the third quarter of the year, the exchange rate of the euro versus the U.S. dollar was characterized by steady appreciation, with the European single currency rising from a monthly average exchange rate of 1.23 U.S. dollars for one euro in July to an average exchange rate of 1.29 U.S. dollars for one euro in September. On a year-over-year basis, the euro lost about 11.4% of its value versus the U.S. dollar compared with the third quarter of 2011, with the average exchange rate falling from 1.41 U.S. dollars for one euro to 1.25 U.S. dollars for one euro. Overall, the average exchange rate for the first nine months of 2012 was 1.28 U.S. dollars for one euro, 8.9% lower than the average for the first nine months of 2011.



In the oil market, the price of crude oil followed an alternating quarterly trend, peaking at 126.2 USD per barrel in March and falling to a low of 95.9 USD per barrel in June 2012, before turning up again. Several factors contributed to these price fluctuations: while supply and demand dynamics played a bearish role (lower crude consumption caused by the crisis in Europe concurrently with a high level of production by OPEC countries), geopolitical tensions affecting Iran and Syria had the opposite effect.

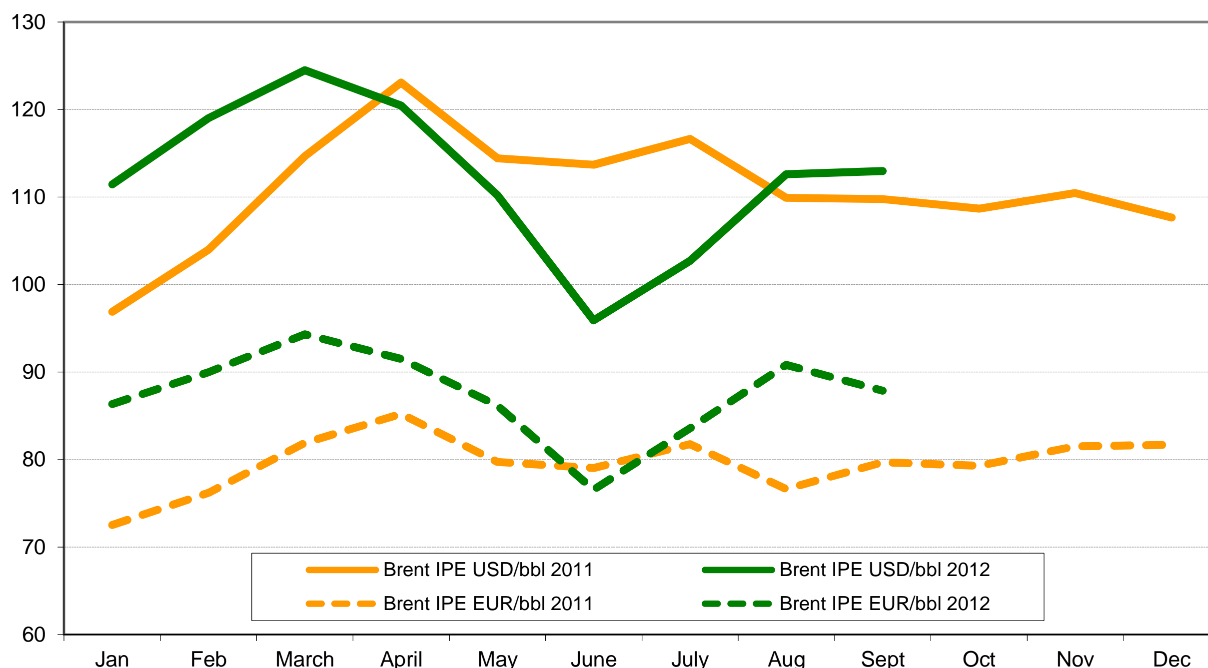
In the first nine months of 2012, crude oil prices were up on average by 0.7% compared with the same period last year, rising to an average of 112.2 U.S. dollars per barrel.

The fluctuation in the price of a barrel of Brent crude is more 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 2011, the euro price of crude oil rose by 10.4% between January and September 2012, for an average of 87.5 euros per barrel, peaking above 90 euros per barrel. The all-time high average of 94.3 euros per barrel was reached in March 2012.

The table and chart that follow show the quarterly data and the monthly trends for the current year and the previous year:

2011 full year		9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
110.8	Oil price in USD/bbl(1)	112.2	111.5	*0.7%*	109.4	112.1	*(2.4%)*
1.39	USD/EUR exchange rate	1.28	1.41	*(8.9%)*	1.25	1.41	*(11.4%)*
79.6	Oil price in EUR/bbl	87.5	79.3	*10.4%*	87.4	79.4	*10.1%*

Brent IPE



On the other hand, coal prices followed the opposite trend, falling by 24.2% compared with the first nine months of 2011. The same was true for the price of CO_2 emissions credits, which plummeted by 49.6%. The downward trend prevailing in both markets was the result of a decrease in thermoelectric production, which caused a reduction both in solid fuel consumption and CO_2 emissions. Coal prices were also affected by a new geography of demand: steadily growing demand from Asian countries drove sales of higher grade coal, including South African coal typically a supply source for Europe, towards India and China, where higher margins were available. On the other hand, the market for emissions credits, aside from a hardly noticeable price uptick that started in May 2012, continued to be adversely affected by regulatory uncertainty about the upcoming Phase III of the market (2013-2020).

The Italian Energy Market

Demand for Electric Power in Italy and Market Environment

2011 full year	TWh	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
291.4	Net production:	217.5	221.0	*(1.6%)*	76.1	77.0	*(1.2%)*
218.5	*- Thermoelectric*	*157.6*	*164.8*	*(4.3%)*	*54.6*	*56.8*	*(4.1%)*
47.2	*- Hydroelectric*	*31.5*	*37.6*	*(16.2%)*	*11.7*	*12.7*	*(7.7%)*
25.7	*- Other renewables (1)*	*28.4*	*18.6*	*52.3%*	*9.8*	*7.5*	*31.2%*
45.7	Net import/export balance	30.2	32.3	*(6.6%)*	8.2	9.5	*(13.6%)*
(2.5)	Pumping consumption	(2.0)	(1.8)	*13.9%*	(0.7)	(0.5)	*22.7%*
334.6	**Total demand**	**245.7**	**251.5**	***(2.3%)***	**83.6**	**86.0**	***(2.8%)***

Source: Analysis of 2011 data and pre-closing 2012 Terna data, before line losses.

(1) Includes production from geothermal, wind power and photovoltaic facilities.

In the third quarter of 2012, gross total demand for electric power from the Italian grid totaled 83,6 TWh (1 TWh = 1 billion kWh), or 2.8% less 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, hot weather in July and August boosted national consumption for air conditioning, but demand for electric power was down sharply in September (-9.6% compared with September 2011).

In the third quarter of 2012 net national production declined by 0.9 TWh as the combined result of a contraction of 2.4 TWh in demand for electric power, a reduction of 1.3 TWh in net electric power imports and an increase of 0.2 TWh in pumping consumption. In the third quarter of 2012, national production, net of pumping consumption, covered 90% of demand, up from 89% in the third quarter of 2011, with net imports accounting for the remaining 10%.

The decrease of 0.9 TWh in national production also reflects the impact of a contraction of 1.0 TWh in hydroelectric generation (-7.7%) and a strong increase in production from other renewable sources amounting to 2.3 TWh (+31.2%), with a resulting reduction of 2.2 TWh (-4.1%) in thermoelectric production.

Specifically with regard to the main renewable energy sources, in addition to the abovementioned decrease in hydroelectric generation (-1.0 TWh; -7.7%) caused by a reduced availability of water resources compared with 2011, there was a remarkable increase in production by photovoltaic facilities (+1.8 TWh) and wind farms (+0.5 TWh), thanks to a surge in installed capacity in 2011. The production of geothermal facilities was little changed compared with the same period last year.

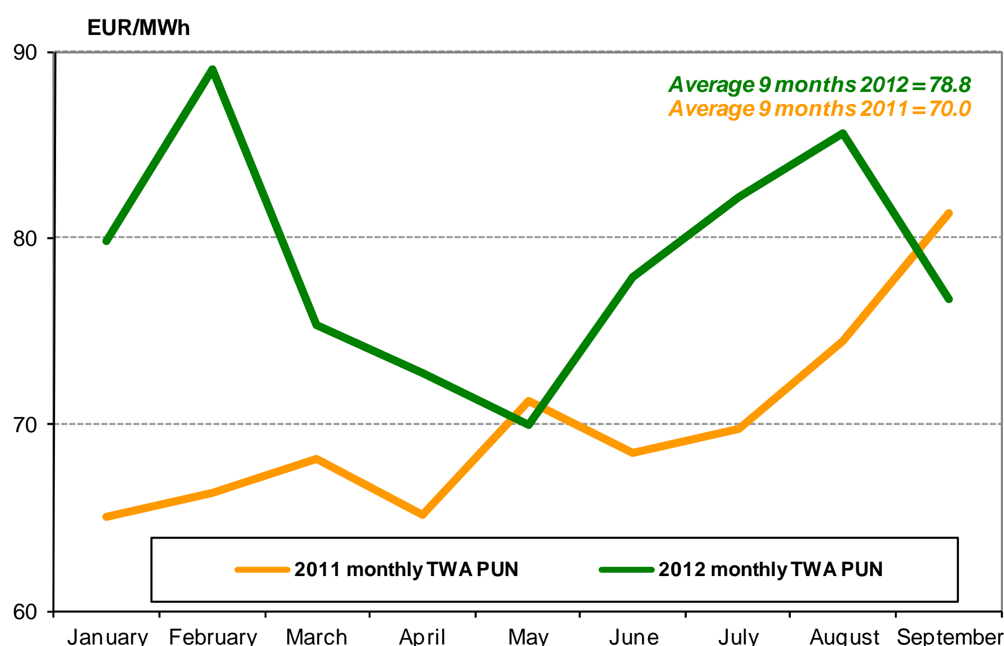
In the first nine months of 2012, gross total demand for electric power from the Italian grid totaled 245.7 TWh, or 2.3% less than in the same period last year, due to the factors discussed when commenting the quarterly data.

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) increased to 78.8 euros per MWh at September 30, 2012, for a gain of about 12.6% compared with the first nine months of 2011 (70 euros per MWh).

The higher level of the PUN can be explained by a steady rise in the price of gas, consistent with the upward trend of crude oil prices, which more than offset the impact of a demand for electric power that, on average, was lower than a the previous year. When looking at individual months, it is worth mentioning that, early in February 2012, exceptionally cold weather throughout Europe and a "gas emergency" in Italy contributed to driving up prices, which rose by about 23 euros per MWh compared with February 2011. On the other hand, September 2012 had fewer business days (20 vs 22) and an average weather temperature that was about 1.5 centigrades lower that in the same month last year causing adjusted demand (data adjusted for the combined impact of the calendar and weather effect) to fall by 7.3% and the PUN to decrease by about 5 euros per MWh.

An analysis by hourly periods shows that, compared with the same period last year, the increase was slightly greater at night and on weekends (+13.3%) than during daytime hours, Monday to Friday (+11.6%). A breakdown of the data by the F1, F2 and F3 hourly time periods shows that, starting in February, the monthly average demand during the F2 period was steadily higher than in the F1 period. This anomaly can be explained by the increase in production from renewable sources, photovoltaic manly, which helped lower prices during the central daytime hours, shifting peak prices to the early evening hours. The F1, F2 and F3 hourly periods showed increases of 10.1%, 20.1% and 10.2%, respectively. The impact of production from renewable source was particularly evident in August 2012, when, due in part to warmer than average weather and a structurally lower load than in other months of the year, hourly rates tended to follow a flatter pattern, with the differential between full and empty hours falling to the all-time low of 1.2 euros per MWh.

The chart below shows a year-over-year comparison of the monthly trend for the TWA PUN.



Demand for Natural Gas in Italy and Market Environment

2011 full year	in billions of m^3	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
30.8	Services and residential customers	20.9	20.3	*2.8%*	2.1	2.0	*3.8%*
17.0	Industrial users	12.9	12.6	*2.5%*	3.9	3.8	*0.9%*
27.8	Thermoelectric power plants	19.0	21.2	*(10.1%)*	6.7	7.2	*(6.5%)*
1.8	System usage and leaks	1.2	1.4	*(13.8%)*	0.4	0.5	*(18.6%)*
77.4	**Total demand**	**54.0**	**55.5**	***(2.6%)***	**13.1**	**13.5**	***(3.3%)***

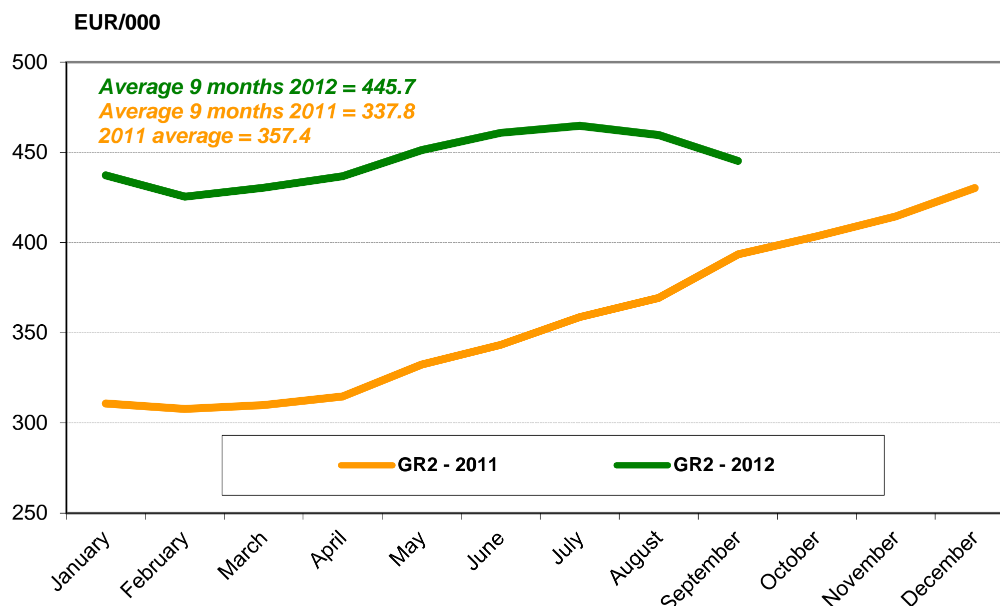
Source: 2011 data and preliminary 2012 data provided by Snam Rete Gas and the Ministry of Economic Development, and Edison estimates.

In the third quarter of 2012, Italian demand for natural gas contracted by 3.3% compared with the same period last year to a total of about 13.1 billion cubic meters, for an overall reduction of about 0.4 billion cubic meters.
The main reason for this decrease is a contraction in thermoelectric production from gas (thermoelectric usage down by about 0.5 billion cubic meters, or 6.5%, compared with the same period in 2011) that reflects the growing contribution of renewable-source generating facilities and lower demand for electric power.
Consumption by the industrial sector, the service sector and residential customers was substantially in line with last year's third quarter (industrial +0.1 billion cubic meters and services +0.1 billion cubic meters compared with 2011).
The following developments characterized supply sources in the third quarter of 2012:

- a slight increase in domestic production (+3.1%) compared with the third quarter of 2011;
- a decrease of 5.8% in gas imports compared with the third quarter of 2011 (-0.9 billion cubic meters);
- a reduction in inventories of stored gas compared with 2011 (-0.4 billion cubic meters; -9.6%).

The data for the first nine months of 2012 show that demand for natural gas totaled about 54.0 billion cubic meters, or 1.5 billion cubic meters less (-2.6%) than in the same period in 2011.

With regard to the pricing scenario at September 30, 2012, it is important to keep in mind that, because of the time lag with which the effect of the changes in the scenario discussed above is reflected in natural gas prices, the increase that it produced on indexed formulas was even greater than the gain shown by Brent crude priced in euros per barrel. Specifically, in the first nine months of 2012, natural gas prices, which were affected only to a limited extent by changes in crude prices during the same period, reflected to a greater extent the impact of the decline in value of the euro versus the U.S. dollar.
When the monthly price quotes of the Gas Release 2 (depicted in the chart provided below) are used as a benchmark for the trend in the cost of indexed natural gas imported under long-term contracts, the result is an increase of 32.0% for the Gas Release 2 formula compared with the first nine months of the previous year.



The rate component that corresponds to the Wholesale Distribution Charge (abbreviated as CCI in Italian), which is indicative of the prices charged in the residential market, reflects changes in the basket of benchmark fuels with a longer time lag than the Gas Release 2, due to a different indexing mechanism. The price determined in accordance with the computation method of Resolutions ARG/gas No. 77/11 and Resolution No. 1/7/12/R/gas was 391.80 euros per thousand cubic meters in the first nine months of 2012, for an increase of 26.3%, compared with 310.2 euros per thousand cubic meters in the same period of 2011, computed in accordance with Resolution ARG/gas No. 89/10. The increase in the CCI rate component was somewhat mitigated by the introduction of greater indexing to TTF gas prices, which had a weight of 3% in the second quarter and 4% in the third quarter.

In the first nine months of 2012, the different indexing mechanism and the use of the CCI formula as a quarterly yardstick, caused the differential between the two formulas to increase compared with the first nine months of 2011, widening the gap to 53.9 euros per thousand cubic meters.

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

2011 full year		9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
357.4	Gas Release 2 - euros/000 m³ (1)	445.7	337.8	*32.0%*	456.5	373.8	*22.1%*
323.6	CCI - euros/000 m³ (2)	391.8	310.2	*26.3%*	406.2	333.0	*22.0%*

(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 Resolutions ARG/gas No. 192/08, ARG/gas No. 40/09, ARG/gas No. 64/09, ARG/gas No. 89/10, ARG/gas No. 77/11 and No. 117/2012/R/gas. The price is the one quoted at the border.

The increase in European gas prices was in line with that of Brent crude in euros. On the TTF, Europe's main gas hub, prices were up 7.8% compared with the first nine months of 2011, while in Italy the price of gas on the Virtual Exchange Facility rose by 8.6%. The averages on both hubs were particularly affected by the cold weather in February, during the so-called "gas emergency" period, but were consistent with seasonal trends during the other months of the year.

Legislative and Regulatory Framework

The main legislative and regulatory measures enacted in the third quarter of 2012 that had an impact on the energy industry, both in Italy and at the E.U. level, are reviewed below.

Electric Power

Production

Hydroelectric concessions: Law No. 134 of August 7, 2012, which converted into a law, with amendments, Decree Law No. 83 of June 22, 2012 (the "Development" decree law) setting forth urgent measures for the country's development, was published on August 11, 2012 in Issue No. 187 of the *Official Gazette of the Italian Republic.*

Article 37 of this law, which amends the timing and award criteria of calls for bids provides the following:

- Award for consideration of the concession for a period ranging between 20 and 30 years, based on the size of the investments deemed necessary and taking into account the offer for improvement and environmental remediation of the relevant hydrographic basin, territorial compensating measures, the magnitude and quality of the plan of activities aimed at ensuring the preservation of the usable reservoir capacity and, most importantly, the consideration offered to acquire the right to use water resources and the increase in energy produced or installed capacity.
- For concessions that have already expired and those expiring on or before December 31, 2017, the new concession will begin satarting on January 1, 2016 and, under any circumstance, not later than December 31, 2017.
- Calls for bids shall be issued also for new concessions for large-scale diversion of water resources, with the same modalities and duration.
- To ensure continuity of the concession's operations, the rules of the call for bids shall require the outgoing concession holder to transfer to the new concession holder title to the business operations required to operate the concession, including all legal relationships inherent in the concession.
- The outgoing concession holder shall receive a consideration for the transfer of the abovementioned business operations. The consideration shall be determined based on market value, i.e., the replacement-to-new value, less ordinary wear and tear, for the so-called "dry assets," while in the case of the so-called "wet assets" the amount owed will be determined based on the inflation adjusted historical cost, less any government grants, also inflation adjusted, received by the concession holder for the construction of the assets in question, less ordinary wear and tear.
- The Ministry of Economic Development shall issue a decree setting forth the general criteria for the determination by the regional administration of the maximum amounts of concession fees for hydroelectric uses, consistent with the principles of profitability and reasonableness.

Environment

Two relevant decrees concerning renewable energy sources were published on July 10, 2012 in Regular Supplement No. 143 to Issue No. 159 of the *Official Gazette of the Italian Republic.*

Fifth Energy Account – Decree of July 5, 2012 – Implementation of Article 25 of Decree Law No. 28 of March 3, 2011, **setting forth incentives for the production of electric power from photovoltaic solar systems,** signed jointly by the Ministry of Economic Development and the Ministry of the Environment and the Protection of the Territory and the Sea, defines the incentives for the photovoltaic sector. These incentive call for government funding totaling 6.7 billion euros a year.
New development include the following:

- Establishment of a **Facilities Register**, as a tool to monitor the development of facilities for the purpose of establishing a ranking system maintained by the GSE in accordance with the rules of the Energy Account. The new ranking rules give priority to facilities concurrently erected on buildings classified in the best energy class or installed as replacements for asbestos roofing materials. Other priority criteria include: facilities built with UE/SEE components; facilities located at contaminated sites, sites belonging to the military, closed landfills, abandoned quarries and depleted mines; facilities of up to 200 kW dedicated to production facilities; and facilities installed on buildings, greenhouses, arbors, sheds, cantilevered roofs and sound barriers. The Registers will be allocated a predetermined budget amount: 140 million euros for the first Register, 120 million euros for the second Register and 80 million euros for subsequent Registers.
- **Exemption from listing in the Register** for all facilities with a capacity of up to 12 kW. Facilities that qualify as "innovative," those built by public administrations, system of up to 50 kW that replace asbestos and asbestos-based roofing materials (which will be awarded gradually decreasing tariff bonuses in 2013, 2014 and 2015) and systems between 12 kW and 20 kW that accept a 20% reduction in the incentive will also be exempt from listing in the Register.
- **All-inclusive tariff,** which replaces an earlier incentivizing modality. The length of time over which a facility may be depreciated will no longer depend exclusively in the energy produced by the facility but also on the portion of energy used for self-consumption. The reduction of the incentives and concurrent increase in the gross cost of electric power drawn from the grid will make facilities built for self consumption more advantageous, irrespective of size.

Decree of July 6, 2012, signed by the Ministry of Economic Development, the Ministry Environment and the Protection of the Territory and the Sea and the Ministry of Agriculture to implement Article 24 of Decree Law No. 28 of March 3, 2011, **establishing incentives for the production of electric power with renewable-source facilities other than photovoltaic systems**, which defines the tariffs and incentive access modalities for renewable-source facilities other than photovoltaic systems.
This decree projects an indicative cumulative annual cost for all types of incentives for renewables (excluding photovoltaic) of 5.8 billion euros. The notices and the calls for bids for Register listings (new facilities an renovations) for renewable-source projects were posted on the GSE website on September 8, 2012.

Decree Law No. 83 of June 22, 2012 "Development Decree," was **converted into a law, with amendments, on August 3, 2012 and published on August 11, 2012 in Issue No. 187 of the *Official Gazette of the Italian Republic* (Law No. 134 of August 7, 2012).**
As a result of the amendments introduced upon conversion, under this law:

- The 55% tax deduction for energy efficiency projects is extended to June 30, 2013.

- Article 33, Section 4, of Decree Law No. 28/2011 is amended to allow domestic and EU biofuel producers to implement the technological modifications required to produce next-generation biofuels for a period of time limited to December 31, 2014, in connection with the expected revision of Directive No. 2009/28/EC for promoting the use of energy from renewable sources.
- The deadline for implementation of the Waste Traceability Control System has been suspended until June 30, 2013.

Wholesale Market

Dispatching for renewable sources: By Resolution No. 281/12/R/efr of July 5, 2012, the Electric Power and Natural Gas Authority (AEEG) revised the fees for imbalances owed by renewable source facilities, introducing penalties payable for imbalances in excess of the exemption of 10% of the final cumulated program (20% until June). Only on-site exchange facilities, CIP 6/92 facilities and facilities that benefit from a single all-inclusive tariff (with the exception of those for the Decrees of June 5 and 6, 2012 that do not affect the choices of the regulator with regard to dispatching) are exempt from payment of the imbalance fees.
The Resolution on imbalances will go into effect on January 1, 2013, completing the revision of the dispatching framework for renewable source facilities, which, in 2012, included the cancellation of the CRT (since January 1) and a revision of the loss coefficients (since July 1).

Guarantees for grid capacity reservation for the connection of new production facilities in critical areas: At the end of July, the AEEG issued Resolution No. 328/12/R/eel by which it further clarified the criteria for capacity reservation by production facilities, specifying that the reservation shall be made when submitting the estimate for medium voltage (MT) and low voltage (BT) connections and when the authorization is issued for high voltage (AT) and special high voltage (AAT) connections. The Resolution also specifies the responsibilities of the various parties involved and the deadlines by which network operators must submit the new connection solutions within the framework of the authorization process.

Retail Market

Indemnification system: On October 4, 2012, the Regional Administrative Court held a hearing in the complaint filed against AEEG Resolutions No. 99/2012/R/eel and No. 195/2012/R/eel. A decision is expected in December 2012.

Unfair business practices: On September 20, 2012, the AEEG provided clarifications in response to the issues raised by operators with regard to Resolution No. 153/2012/R/com, which went into effect on June 1, 2012 (voluntary adoption of a Self-regulation Protocol, specific identification of sales personnel, new methods for confirming acceptance of the contract), thereby providing a virtually exhaustive answer to Edison's queries.

Delinquencies by natural gas customers: By Resolution No. 352/2012/R/gas, the AEEG defined the deadline for the implementation of the default service, starting on January 1, 2013.

Hydrocarbons

Infrastructures

Gas Storage: The so-called "Deregulations" Decree (converted into Law No. 27 of March 24, 2012) established that the storage capacities available following the redetermination of the strategic stored volume (0.5 billion standard cubic meters) and the adoption of new methods to compute modulation obligations will awarded, with the space determined and updated by the Ministry of Economic Development, for the purpose of offering integrated transmission services by means of foreign gas pipelines and regasification facilities, inclusive of natural gas storage, to industrial companies and regasification companies to guarantee compliance with the regasification programs of their users in the event of unforeseeable circumstances.
The "Growth" Decree Law (No. 83 of June 22, 2012, converted into Law No. 134 of August 7, 2012) determined the portion of the modulation storage space that must be awarded through competitive bidding and the portion of the same modulation storage space that must be awarded with the current allocation procedures. The same procedures (competitive bidding) shall be used for additional natural gas storage capacity available for other types of services, including any capacity that has not been awarded. The AEEG shall use any proceeds generated by the competitive bidding process in excess of the rates charged for modulation services to lower distribution rates, while those generated by the offer of storage space that becomes physically available due to facility expansions carried out pursuant to Legislative Decree No. 130/2010 must be used to lower transmission rates.

Gas Transmission: With regard to the obligation to segregate Edison Stoccaggio – Ramo Trasporto in accordance with Legislative Decree No. 93/2011, the Board of Directors of Edison Stoccaggio – Ramo Trasporto approved a proposal to spin off Edison Stoccaggio's transmission operations to a newly established company called Infrastrutture Trasporto Gas Spa (in practice, the abovementioned business operations are being transferred to the "beneficiary" company EDENS Calabria Spa., which adopted the new Bylaws approved for the transmission activity). The new company's articles of incorporation are effective vis-à-vis third parties as of October 1, 2012. The new company's purpose is to engage in the transmission and dispatching of natural gas and all instrumental and ancillary activities.
The governance model adopted is the so-called dualistic model allowed under the Italian Civil Code, with a Supervisory Board comprised of at least three but not more than five members (half less one of whom must be independent of the Parent Company) and a Managing Board comprised of at least two but not more than five members who meet the independence requirements.
The dualistic system also calls for the appointment of a Chairman of the Managing Board, a Chief Executive Officer and a General Manager (all three posts may be held by the same person).

Issues Affecting Multiple Business Segments

Law No. 134/2012 ("Development" Decree Law): Law No. 134 of August 7, 2012, which converted into a law, with amendments, Decree Law No. 83 of June 22, 2012 containing urgent measures for the country's development, was published in August 11, 2012 in Issue No. 187 of the *Official Gazette of the Italian Republic.*
The following provisions are relevant to the Group:

- **Hydrocarbon exploration and production (Article 35):** The law establish a single and more restrictive buffer zone for oil and gas, increasing the minimum distance from 5 miles to 12 miles from the coastline and the external perimeter of protected marine and coastal areas, for any new prospection, exploration and production activities. Permit application procedures in progress on the effective date of Legislative Decree No. 128/2010 and related and connected procedures are not affected. Lastly, activities to protect the sea and ensure the safety of offshore activities will be financed through a percentage increase of more than 40% of the offshore royalties (from 7% to 10% for gas and from 4% to 7% for oil).
- **Calls for tenders for the distribution of natural gas (Article 37):** With regard to natural gas distribution, the decree clarifies that any party can respond to a locally based call for tenders, except for parties that, at the corporate group level, operate at the time of the call for tenders local public services by virtue of a direct assignment or a procedure lacking public transparency, and specifies that this prohibition does not apply to companies listed on regulated markets or companies directly or indirectly controlled by them.
- **Energy infrastructures and the natural gas market (Article 38):**
  1. For the purpose of developing strategic energy infrastructures, if a regional administration fails to issue a ruling within 150 days from the date of an application, the Ministry of Economic Development shall ask the administration involved to take action within 30 days. If the lack of action by the regional administration continues, the Ministry shall refer the matter to the Office of the Prime Minister, which shall issue a decision within 60 days with the participation of the affected regional administration. The procedure for intervention by the central government to expedite authorization procedures for energy infrastructures shall be applied when a regional administration fails to take action with regard to issues under its jurisdiction.
  2. The possession of a permit to build and operate a liquefied natural gas regasification terminal at a site on government property, a port or an adjacent area constitutes a right to the issuance of the required concession.
  3. With regard to the modalities for allocation of storage services used to provide flexibility for the importation system and earmarked for the modulation service for residential customers and the storage service for industrial and thermoelectric customers, this law calls for switching from a pro rata system with volumes segmented by type of user to a competitive bidding system for all of the available capacities. The Ministry of Economic Development shall issue a decree by which it shall determine, in addition to the portion of the modulation storage space reserved for residential and non-residential customers with consumption of not more than 50,000 cubic meters a year, the portion of the modulation storage space to be awarded in accordance with the allocation procedures currently in effect. In addition, the offer of storage space through a competitive bidding process shall be made only to electric power producers, limited to their generating facilities that are fueled exclusively with natural gas. The AEEG shall adjust the natural gas transmission rates to benefit the parties with greater consumption.
  4. Lastly, this law introduces the possibility of setting limits to the storage capacities that a single operator or corporate group may acquire, so as to establish a more competitive access to them. This objective will be achieved with decrees issued by Ministry of Economic Development with the input of the AEEG.

- **Electric power generating facilities necessary for emergency situations Article 38-*bis*):** The Ministry of Economic Development has been assigned responsibility for determining each year the production capacity, from facilities fired with fuel oil and other fuels different from gas, the availability of which must be guaranteed. The rules concerning emissions limits applied to these facilities are less restrictive and the AEEG must define their dispatching modalities and the methods for reimbursing them for the costs incurred, such as general systems charges.
- **Inclusion of geothermal energy among strategic energy sources (Article 38-*ter*):** Facilities for the extraction of geothermal energy have been included among the strategic infrastructures and facilities.
- **Revision of the system of excise taxes on electric power and energy products (Article 39):** This law calls for a new definition of energy intensive companies based on E.U. regulations, with the aim of revising the excise taxes on energy and the general system costs incurred by these companies.
- **Flexibility services (Article 34):** Within 90 days, following an analysis of the needs of the electric power system performed by the Network Operator on a territorial basis, the AEEG shall define the modalities for the selection and remuneration of the flexibility services provided by qualified generating facilities, based on the different offers submitted by the abovementioned facilities, without any surcharges for electric power prices and rates.

Law No. 95/2012 (Spending Review): Law No. 135 of August 7, 2012, which converted into a law, with amendments, Decree Law No. 95 of July 6, 2012 containing urgent measures for a revision of public spending without change in public services, was published on August 14, 2012 in issue No. 189 of the *Official Gazette of the Italian Republic.* In order to reduce spending for purchases of goods and services and ensuring procedural transparency:

- Contracts executed in violation of the obligation to carry our purchases through the procurement tools provided by Consip Spa are null and void, constitute a violation of regulations and give rise to an administrative liability. This provision does not apply to regional purchasing hubs, which, however, shall take into account the quality and price parameters of the procurement tools provided by Consip.
- Public administrations and companies that are wholly owned, directly or indirectly, by a public entity, including those in the areas of electric power and natural gas, are required to carry out their purchases through the agreements or framework contracts made available by Consip and the relevant regional purchasing hubs or through their independent procedures, in compliance with the applicable regulations, using online purchasing systems on the electronic market. Orders may be awarded in a manner different from the abovementioned modalities, provided they constitute purchases from other procurement hubs and are at prices lower than those of the agreements or framework contracts made available by Consip and the regional purchasing hubs.
- Public administrations that have validly executed a contract for the supply of goods and services shall have the right to cancel the contract at any time, after giving formal notice to the supplier at least 15 days in advance and after paying for all services already received and one-tenth of the services not yet provided. Any stipulation contrary to this provision is null and void. The cancellation right shall be included automatically in the contracts already in effect, even if this is in violation of any differing clauses stipulated by the parties.

European Union Regulations

European Emission Trading Scheme – Proposals by the European Commission to reform the market operating mechanism (backloading) during Phase III: Due to the economic crisis, the second phase of the ETS was characterized by a large surplus of emissions rights. In July 2012, the European Commission (CLIMATE DG) presented a working document that accompanied various legislative proposals aimed at amending the ETS Directive in terms of the Commission's market intervention powers and, with regard to the timing of the release of volumes on the market during Phase III, with the primary objective of shifting past the current period the current market oversupply, postponing to 2016-2018 the release of volumes scheduled for 2013-2015. Three options are currently being considered with regard to the volumes affected by these actions: a reduction of 1.2 billion emissions rights, with possibly strong price support during the 2013-2015 period, but not the subsequent period; a reduction of 900 million emissions rights, which would probably cause prices to fall over the long term; and a reduction of 400 million emissions rights. Any decision about the abovementioned volumes will be made only after reviewing an impact assessment, expected in October, and an initial report on the condition of the CO_2 market in Europe.
As a result of the announced measured, the EUA Dec12 contract found support at the 7.20-euro level; however, lacking a political evolution to back the backloading proposal and with an extremely weak energy market, September will probably close lower.

European Union REMIT Regulation – New Rules for Insider Trading and market Abuse: The new Regulation No. 1227/2011 (REMIT) published by the European Commission on December 8, 2011 introduced, effective December 28, 2011, new provisions concerning the transparency and integrity of the wholesale energy markets (electric power and gas). The new Regulation prohibits the use of insider information and the practice of market abuse. It also introduces for market operators new obligations to disclose transaction data.
Responsibility for implementing this Regulation rests with the national regulatory authorities, which also have authority to levy fines, over whom the Agency for the Cooperation of Energy Regulators (ACER) has coordination responsibility with monitoring and reporting powers.
Consistent with the provisions of the abovementioned Regulation (Article 16.2), on September 27, 2012, ACER published a second draft (the first draft was published upon the adoption of the Regulation, in December 2011) of non-binding guidelines for the national regulatory authorities, which provide some interpretation guidance regarding the definitions of the terms contained in the Regulation. The European Commission will then adopt, through implementation measures, specific rules regarding the registration of market operators and data collection systems for market monitoring purposes (probable adoption in mid-2013). In this area, the European Commission is currently carrying a consultation process (schedule to end on December 7) to collect the input of the stakeholders with regard to the content of the implementation measures and ACER will probably publish by the end of October its recommendations to the Commission on these issues.

Performance of the Group's Businesses

Electric Power Operations

Quantitative Data

Sources

2011 full year	GWh (*)	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
26,416	**Edison's production:**	**16,960**	**21,228**	***(20.1%)***	**6,785**	**7,251**	***(6.4%)***
21,578	*- Thermoelectric power plants*	*13,538*	*17,424*	*(22.3%)*	*5,459*	*5,822*	*(6.2%)*
4,128	*- Hydroelectric power plants*	*2,785*	*3,316*	*(16.0%)*	*1,159*	*1,297*	*(10.6%)*
710	*- Wind farms and other renewables*	*637*	*488*	*30.4%*	*167*	*132*	*26.9%*
45,737	**Other sources:**	**20,936**	**32,852**	***(36.3%)***	**8,404**	**11,907**	***(29.4%)***
6,747	*- Edipower (up to 5/24/12)*	*2,391*	*5,546*	*(56.9%)*	*-*	*2,251*	*n.m.*
38,990	*- Other purchases* (1)	*18,545*	*27,306*	*(32.1%)*	*8,404*	*9,656*	*(13.0%)*
72,153	**Total sources in Italy**	**37,896**	**54,080**	***(29.9%)***	**15,189**	**19,158**	***(20.7%)***
2,172	**Production outside Italy**	**1,432**	**1,613**	***(11.2%)***	**492**	**576**	***(14.5%)***

(*) One GWh is equal to one million kWh (in physical terms).

(1) Before line losses and excluding the trading portfolio.

Uses

2011 full year	GWh (*)	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
4,738	**CIP 6/92 dedicated**	**1,220**	**4,249**	***(71.3%)***	**337**	**1,285**	***(73.8%)***
3,321	**Captive and other customers**	**715**	**3,007**	***(76.2%)***	**234**	**1,082**	***(78.4%)***
64,094	**Deregulated market** (Edipower up to 5/24/12)**:**	**35,961**	**46,824**	***(23.2%)***	**14,618**	**16,791**	***(12.9%)***
23,522	*End customers* (1)	*13,665*	*17,650*	*(22.6%)*	*4,568*	*6,086*	*(24.9%)*
2,807	*IPEX and mandates*	*5,829*	*1,875*	*n.m.*	*1,561*	*677*	*n.m.*
28,204	*Wholesalers and industrial portfolio*	*10,420*	*19,590*	*(46.8%)*	*5,181*	*6,904*	*(25.0%)*
9,561	*Other sales* (2)	*6,047*	*7,709*	*(21.6%)*	*3.308*	*3,124*	*5.9%*
72,153	**Total uses in Italy**	**37,896**	**54,080**	***(29.9%)***	**15,189**	**19,158**	***(20.7%)***
2,172	**Sales of production outside Italy**	**1,432**	**1,613**	***(11.2%)***	**492**	**576**	***(14.5%)***

(*) One GWh is equal to one million kWh.

(1) Before line losses.

(2) Excluding the trading portfolio.

Financial Highlights

2011 full year (*)	(in millions of euros)	9 months 2012	9 months 2011 (*) (**)	% change	3rd quarter 2012	3rd quarter 2011 (*) (**)	% change
7,437	**Sales revenues**	**5,211**	**5,423**	***(3.9%)***	**1,994**	**1,928**	***3.4%***
509	Reported EBITDA	383	435	*(12.0%)*	128	110	*16.4%*
702	Adjusted EBITDA (1)	362	508	*(28.7%)*	123	182	*(32.4%)*
168	Capital expenditures	48	128	*(62.5%)*	25	51	*(51.1%)*
1,275	Number of employees (2)	1,265	1,277	(0.8%)			

1) See note on page 8.

(2) End-of-period data. The changes are computed against the data at December 31, 2011.

(*) The 2011 amounts reflect a new presentation of the net change in fair value of derivatives.

(**) Edipower's integrated contribution was reclassified into discontinued operations, pursuant to IFRS 5.

Production and Procurement

In 2012, Edison's portfolio changed drastically compared with last year, due both to the effect on production of a change in the scope of consolidation and a different sources/uses optimization strategy.
In the third quarter of 2012, the Group's production in Italy totaled 6,785 GWh, or 6.4% less than in the same period in 2011. More specifically, the output of thermoelectric facilities decreased by 6.2% due mainly to the divestment, in October 2011, of the thermoelectric power plants serving ILVA's production facilities in Taranto and an across-the-board contraction in national demand for electric power that was particularly pronounced for generating facilities that use fossil fuels.
As for production from renewable sources, the third quarter of 2012 was characterized, on the one hand, by a reduction in hydroelectric production (-10.6%), in line with the national trend and reflective of a lower availability of water resources during the period, and, on the other hand, by an increase in the output of wind farms and other renewable-source facilities (+26.9%) thanks to the completion of repowering and expansion programs at the San Giorgio and Foiano (BN) wind farms and more windy conditions during the period.
Other purchases carried out to round out the sources portfolio were cut by 29.4% compared with the third quarter of 2011, reflecting both the termination of the Tolling Agreement with Edipower, effective May 24, 2012, and a decision to reduce outside purchases, particularly on the IPEX, a segment in which the Group was a net seller in 2012.
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.

Production outside Italy, consisting of the output of the facilities operated by Elpedison Power in Greece, show a decrease of 14.5% during the period, as national demand contracted in Greece as new production capacity was coming on stream.

Edison's net production for the first nine months of 2012 totaled 16,960 GWh, or about 4.3 TWh less (-20.1%) than in the first nine months of 2011, for the reasons explained above when reviewing the Group's performance in the third quarter of the year.

Sales and Marketing

In the third quarter of 2012, sales of electric power in Italy decreased to 15,189 GWh, or 20.7% less than in the same period last year (19,158 GWh), reflecting the impact of reductions in all sales segments and basically confirming the trend that characterized the first six months of 2012.

As a result, cumulative sales of electric power in Italy totaled 37,896 GWh at September 30, 2012, down 29.9% compared with the same period last year.
Sales in the CIP 6/92 and Captive Customer segments contracted sharply (more than 70%), due to the abovementioned divestment of the thermoelectric power plants located in Taranto.
The sales volume was also down in the deregulated market, falling by 23.2%. However, this decrease reflects the absence of Edipower's contribution, effective May 24, 2012. This negative performance is the net result of different dynamics in the individual segments. Specifically, while sales to end business customers and

wholesalers decreased, due to the compression of margins that severe competitive pressure is causing in this segment, sales to end residential customers and transactions on the IPEX increased.
As mentioned above in the section on procurement, other sales in the deregulated market include volumes generated with the production facilities operating in bidding mode.

Operating Performance

In the third quarter of 2012, sales revenues grew to 1,994 million euros, or 3.4% more than in the same period last year, thanks to the effect of higher average sales prices, driven by favorable conditions in the benchmark scenario, which more than offset the impact of lower unit sales.
Adjusted EBITDA totaled 123 million euros in the third quarter of 2012 (182 million euros in the third quarter of 2011). The decrease of 32.4% compared with the same period last year is attributable to the effect of sales in the deregulated market, where margins were down sharply due to a reduction in hydroelectric production, caused by a limited availability of water resources, and the compression of thermoelectric generation and distribution margins resulting from the unrelenting, severe competitive pressure that characterizes the national electric power market.

Cumulative sales revenues for the first nine months of the year totaled 5,211 million euros, or 3.9% less than in the same period last year, due to a decrease in unit sales and despite an increase in average sales prices, which cushioned in part the effect of lower sales volumes.
Adjusted EBITDA were down by 28.7% to 362 million euros in the first nine months of 2012 (508 million euros in the first nine months of 2011), due to the impact of sales in the deregulated market segment for the reasons explained above in the comment to the data for the third quarter. EBITDA for the first nine months of 2012 benefited from the net positive contribution resulting from the voluntary early termination of the CIP 6/92 contract for the CET 3 power plant in Piombino, effective as of January 1, 2013.

Capital Investments

Capital expenditures totaled 25 million euros in the third quarter of 2012, bringing to 48 million euros the cumulative amount at September 30, 2012. Investment projects focused on completing projects started in 2011 in the wind energy sector (20 million euros), with scheduled maintenance of thermoelectric and hydroelectric power plants accounting for the balance.

Hydrocarbons Operations

Quantitative Data

Sources of Natural Gas

2011 full year	in millions of cubic meters	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
520	Production in Italy [1]	473	365	*29.7%*	152	133	*14.3%*
11,812	Imports (Pipeline + LNG)	9,029	8,886	*1.6%*	2,902	2,495	*16.3%*
2,749	Domestic purchases	2,616	1,890	*38.5%*	824	833	*(1.1%)*
124	Change in stored gas inventory [2]	(441)	(71)	*n.m.*	(143)	(181)	*(20.7%)*
15,205	**Total sources in Italy**	**11,677**	**11,070**	***5.5%***	**3,735**	**3,280**	***13.9%***
1,726	**Production outside Italy** [3]	**1,438**	**1,236**	***16.3%***	**469**	**448**	***4.6%***

(1) Net of self-consumption and stated at Standard Calorific Power.

(2) Includes pipeline leaks. A negative change reflects additions to the stored gas inventory.

(3) Counting volumes withheld as production tax.

Uses of Natural Gas

2011 full year	in millions of cubic meters	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
2,152	Residential use	1,418	1,444	*(1.8%)*	160	159	*0.3%*
1,484	Industrial use	1,190	1,038	*14.7%*	306	270	*13.4%*
9,117	Thermoelectric fuel use	6,989	6,898	*1.3%*	2,597	2,259	*15.0%*
2,452	Other sales	2,080	1,690	*23.1%*	672	592	*13.6%*
15,205	**Total uses in Italy**	**11,677**	**11,070**	***5.5%***	**3,735**	**3,280**	***13.9%***
1,726	**Sales of production outside Italy**[1]	**1,438**	**1,236**	***16.3%***	**469**	**448**	***4.6%***

(1) Counting volumes withheld as production tax.

Crude Oil Production

2011 full year	in thousands of barrels	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
2,142	Production in Italy	1,412	1,606	*(12.1%)*	377	524	*(28.2%)*
1,366	Production outside Italy [1]	1,308	924	*41.6%*	465	368	*26.7%*
3,508	**Total production**	**2,720**	**2,530**	***7.5%***	**842**	**892**	***(5.6%)***

(1) Counting volumes withheld as production tax.

Financial Highlights

2011 full year (*)	(in millions of euros)	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
5,468	**Sales revenues**	**4,960**	**3,756**	***32.1%***	**1,569**	**1,196**	***31.2%***
487	Reported EBITDA	659	227	*n.m.*	560	88	*n.m.*
294	Adjusted EBITDA [1]	680	154	*n.m.*	565	16	*n.m.*
311	Capital expenditures	181	222	*(18.5%)*	47	72	*(34.7%)*
46	Investments in exploration	79	41	*92.7%*	23	34	*(32.4%)*
1,319	Number of employees[2]	1,323	1,342	*0.3%*			

(1) See note on page 8.

(2) End-of-period data. The changes are computed against the data at December 31, 2011.

(*) The 2011 amounts reflect a new presentation of the net change in fair value of derivatives.

Production and Procurement

In the third quarter of 2012, net production of natural gas, counting the combined output of the Italian and international operations, totaled 621 million cubic meters, up 6.8% compared with the same period last year. Production was up 14.3% in Italy, thanks to the sidetrack drilling projects implemented at some wells in 2011, and grew by 4.6% abroad, reflecting the contribution of wells that went on stream in 2011 at the Abu Qir concession in Egypt.
Crude oil production totaled 842,000 barrels, up from 892,000 barrels in the third quarter of 2011, as an increase in output abroad (Abu Qir concession, in Egypt) more than offset the impact of a reduction in Italy caused by the interruption of production from the Rospo field required to allow the replacement of the Alba Marina floating storage vessel.
Gas imports were up 16.3% (2,902 million cubic meters in the third quarter of 2012), reflecting the combined impact of an increase in uses during the period and the interruption of the supply of natural gas from Libya, starting in February 2011, caused by political unrest in that country.

Cumulative production of natural gas for the first nine months of the year rose to 473 million cubic meters (+29.7%) in Italy and 1,438 million cubic meters (+16.3%) abroad. Crude oil output was also up rising to 2,720,000 barrels (+7.5%), reflecting primarily the factors mentioned when commenting the Group's performance in the third quarter.

Sales and Marketing

In Italy, uses of natural gas rose to 3,735 million cubic meters in the third quarter of 2012, for a gain of 13.9% compared with the same period last year.
This improvement reflects primarily significant growth in the thermoelectric use segment, in which Edison increased deliveries to other non-Group operators. Substantial gains (+13.6%) were also recorded in the other sales segment, which included sales on the virtual trading facility and the balancing market totaling 672 million cubic meters (592 million cubic meters in the third quarter of 2011). Sales in the residential use segment held steady, but, when seasonal factors are taken into account, were less significant in absolute terms.

The trend commented for the third quarter of 2012 also applies to the cumulative data for the first nine months of the year, with unit sales on the domestic market rising to 11,677 million cubic meters, or 5.5% more than in the same period in 2011.
More specifically, sales to residential customers decreased by 1.8%, due to monthly temperature dynamics, while deliveries to thermoelectric users grew by 1.3% due to the abovementioned increase in demand from non-Group operators, which more than offset the effect of lower gas consumption by the Group's thermoelectric power plants. Sales to industrial users were also up, rising by 14.7% compared with the same period a year ago.

Operating Performance

In the third quarter of 2012, sales revenues grew to 1,569 million euros, up sharply (+31.2%) compared with the third quarter of 2011, thanks to favorable changes in the benchmark scenario and an increase in sales volumes. These same two trends characterized the data for the first nine months of 2012, causing sales revenues to rise to 4,960 million euros, up 32.1% compared with the same period in 2011.

Adjusted EBITDA totaled 565 million euros in the third quarter of 2012, for a gain of 549 million euros compared with the third quarter of 2011, when adjusted EBITDA amounted to 16 million euros. This improvement reflects the impact of the proceeds from the successful conclusion of the arbitration proceedings for a revision of the price charged by RasGas and Eni, respectively, under long-term contracts for the supply of LNG and natural gas from Qatar and Libya. The resulting gain, which was recognized in September 2012, amounted to about 600 million euros, including the one-off benefits for gas deliveries taken in previous years.

This exceptionally large gain boosted the adjusted EBITDA for the first nine months of 2012 to 680 million euros, or 526 million euros more than in the same period last year, which, in addition to the comments provided with regard to the gas merchant operations, also reflects the significant incremental contribution provided to EBITDA by the exploration and production activities thanks to positive price scenario effects and higher production volumes both in Italy and abroad.

Capital Investments

In the third quarter of 2012, capital investments totaled 47 million euros, bringing the total at September 30, 2012 to 181 million euros (-18.5% compared with 222 million euros in the same period last year).
Of these investments, about 130 million euros were earmarked for the E&P segment, with the remaining 51 million euros allocated to regulated activities in the areas of natural gas storage, transmission and distribution.
More specifically, in the E&P area, the main investments in Italy included 7.5 million euros to drill Well No. 7 in the Clara North field and the advances paid to purchase the Leonis floating storage vessel for the Rospo oil concession. Outside Italy, investments focused on the Abu Qir concession in Egypt (about 62 million euros), where work is continuing on the construction of the new NAQ PII platform and the upgrade and expansion of the existing NAQ PI platforms, and included the acquisition of new licenses in offshore areas north and south of the Falkland Islands (31.5 million euros).
In the area of regulated activities concerning gas infrastructures, gas storage in particular, the largest investment was devoted to expanding the capacity of the San Potito and Cotignola field, where a new storage well has been drilled (40 million euros).

Exploration Activities

In the third quarter of 2012, the Group invested a total of 23 million euros in exploration activities.

A total of about 79 million euros was invested during the first nine months of 2012, up from about 38 million euros in the same period last year. About 40 million euros were invested in the development of the Zidane 2 and Skarfjell 1 exploratory wells in Norway and about 31 million euros were allocated to exploration activities in the recently acquired licenses in the Falkland Islands.

Corporate Activities and Other Segments

Financial Highlights

2011 full year	(in millions of euros)	9 months 2012	9 months 2011	% change	3rd quarter 2012	3rd quarter 2011	% change
50	**Sales revenues**	**37**	**37**	**-**	**12**	**13**	*(7.7%)*
(106)	EBITDA	(79)	(70)	*(12.9%)*	(26)	(20)	*(30.0%)*
n.m.		*n.m.*	*n.m.*		*n.m.*	*n.m.*	
3	Capital expenditures	1	2	*(50.0%)*	1	1	-
642	Number of employees (1)	660	635	*2.8%*			

(1) End-of-period data. The changes are computed against the data at December 31, 2011.

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 2012 were about the same as in the corresponding periods of 2011. The deterioration in EBITDA, negative by 26 million euros in the third quarter and negative by 79 million euros in the first nine months of the year, reflects the impact of legal costs incurred to pursue the arbitrations proceedings to their successful conclusion and higher costs for sponsorships and communications.

Discontinued Operations

Financial Highlights

2011 full year	(in millions of euros)	9 months 2012	9 months 2011 (*)	% change	3rd quarter 2012	3rd quarter 2011 (*)	% change
(605)	**Net profit (loss) from discontinued operations**	**50**	**(24)**	***n.m.***	**-**	**18**	***n.m.***
21	Capital expenditures	-	13	*n.m.*	-	5	*n.m.*
528	Number of employees (1)	-	653	*n.m.*			

(1) End-of-period data. The changes are computed against the data at December 31, 2011.

(*) Edipower's integrated contribution was reclassified into discontinued operations, pursuant to IFRS 5.

The net profit of 50 million euros reported by the discontinued operations in the first nine months of 2012 is the result of an 80-million-euro increase in the sales price of the equity stake in Edipower Spa, net of the negative margin realized by the toller under the tolling agreement in effect until May 24, 2012. The first nine months of 2011 included, in addition to Edipower's integrated contribution, charges of 14 million euros mainly for writedowns of the Taranto thermoelectric power plants subject of a sales agreement with Riva and for the effect of a decision of the Council of State pursuant to which Edison was denied certain rate benefits attributable to assets divested in 2008.

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 risk management activities of the Edison Group.

Related-party Transactions

In the Review of the Group's Operating Performance, Financial Results and Financial Position, 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, 2012

Income Statement

(in millions of euros)

2011 full year (**)			See Note	9 months 2012		9 months 2011 (*) (**)		3rd quarter 2012	3rd quarter 2011 (*) (**)
	of which related parties				of which related parties		of which related parties		
11,381	337	Sales revenues	1	8,935	129	8,018	312	3,126	2,693
633	13	Other revenues and income	2	673	9	422	10	443	176
12,014	**350**	**Total net revenues**		**9,608**	**138**	**8,440**	**322**	**3,569**	**2,869**
(10,910)	(196)	Raw materials and services used (-)	3	(8,487)	(203)	(7,689)	(117)	(2,857)	(2,642)
(214)	-	Labor costs (-)	4	(158)	-	(159)	-	(50)	(49)
890		**EBITDA**	5	**963**		**592**		**662**	**178**
(3)		Net change in fair value of commodity derivatives	6	(1)		33		(6)	(7)
(885)		Depreciation, amortization and writedowns (-)	7	(522)		(473)		(166)	(151)
2		**EBIT**		**440**		**152**		**490**	**20**
(160)	-	Net financial income (expense)	8	(82)	-	(120)	-	(33)	(35)
(5)	1	Income from (Expense on) equity investments	9	6	-	(5)	-	4	(7)
(14)	-	Other income (expense), net	10	(26)	-	(10)	-	(5)	(4)
(177)		**Profit (Loss) before taxes**		**338**		**17**		**456**	**(26)**
(96)		Income taxes	11	(139)		(82)		(157)	(21)
(273)		**Profit (Loss) from continuing operations**		**199**		**(65)**		**299**	**(47)**
(605)	-	Profit (Loss) from discontinued operations	12	50	-	(24)	-	-	18
(878)		**Profit (Loss)**		**249**		**(89)**		**299**	**(29)**
		Broken down as follows:							
(7)		Minority interest in profit (loss)		8		4		9	2
(871)		**Group interest in profit (loss)**		**241**		**(93)**		**290**	**(31)**
		Earnings (Loss) per share (in euros)	13						
(0.1692)		Basic earnings (loss) per common share		0.0448		(0.0188)			
0.0500		Basic earnings per savings share		0.0748		0.0375			
(0.1692)		Diluted earnings (loss) per common share		0.0448		(0.0188)			
0.0500		Diluted earnings per savings share		0.0748		0.0375			

(*) Pursuant to IFRS 5, 9 months and 3rd quarter 2011 amounts are being reclassified.

(**) 2011 amounts reflect a new presentation of the effects of net change in fair value of commodity derivatives.

Other Components of the Comprehensive Income Statement

(in millions of euros)

2011 full year		See Note	9 months 2012	9 months 2011	3rd quarter 2012	3rd quarter 2011
(878)	**Profit (Loss)**		**249**	**(89)**	**299**	**(29)**
	Other components of comprehensive income:					
(83)	**A) Change in the Cash Flow Hedge reserve**	25	**21**	**(2)**	**4**	**(10)**
(132)	- Gains (Losses) arising during the period		36	5	9	(7)
49	- Income taxes (-)		(15)	(7)	(5)	(3)
4	**B) Change in reserve for available-for-sale investments**	25	**5**	**4**	**5**	**3**
-	- Gains (Losses) arising during the period not realized		5	-	5	(1)
4	- Reclassification to profit or loss		-	4	-	4
-	- Income taxes (-)		-	-	-	-
-	**C) Differences on the translation of assets in foreign currencies**		**-**	**-**	**(4)**	**(2)**
-	**D) Pro rata interest in other components of comprehensive income of investee companies**		**-**	**-**	**-**	**-**
(79)	**Total other components of comprehensive income net of taxes (A+B+C+D)**		**26**	**2**	**5**	**(9)**
(957)	**Total comprehensive profit (loss)**		**275**	**(87)**	**304**	**(38)**
	Broken down as follows:					
(7)	Minority interest in comprehensive profit (loss)		8	4	9	2
(950)	**Group interest in comprehensive profit (loss)**		**267**	**(91)**	**295**	**(40)**

Balance Sheet

(in millions of euros)

09.30.2011	of which related parties		See Note	09.30.2012	of which related parties	12.31.2011	of which related parties
		<u>ASSETS</u>					
6,928	-	Property, plant and equipment	14	4,969	-	5,113	-
10	-	Investment property	15	10	-	10	-
3,534	-	Goodwill	16	3,231	-	3,231	-
933	-	Hydrocarbon concessions	17	971	-	1,040	-
93	-	Other intangible assets	18	97	-	95	-
49	49	Investments in associates	19	51	51	49	49
201	-	Available-for-sale investments	19	196	-	198	-
82	-	Other financial assets	20	78	-	82	-
194	-	Deferred-tax assets	21	117	-	111	-
201	-	Other assets	22	125	-	40	-
12,225		**Total non-current assets**		**9,845**		**9,969**	
357	-	Inventories		398	-	252	-
2,711	82	Trade receivables		3,667	40	3,152	117
23	-	Current-tax assets		13	-	28	-
866	109	Other receivables		614	73	681	113
71	-	Current financial assets		121	-	628	-
261	-	Cash and cash equivalents		586	-	291	-
4,289		**Total current assets**	23	**5,399**		**5,032**	
151	**-**	**Assets held for sale**	24	**1**	**-**	**1,430**	**-**
-		**Eliminations of assets from and to discontinued operations**	34	**-**		**(594)**	
16,665		**Total assets**		**15,245**		**15,837**	
		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>					
5,292	-	Share capital		5,292	-	5,292	-
2,566	-	Reserves and retained earnings (loss carryforward)		1,691	-	2,568	-
80	-	Reserve for other components of comprehensive income		25	-	(1)	-
(93)	-	Group interest in profit (loss)		241	-	(871)	-
7,845		**Total shareholders' equity attributable to Parent Company shareholders**		**7,249**		**6,988**	
170	-	Shareholders' equity attributable to minority shareholders		150	-	158	-
8,015		**Total shareholders' equity**	25	**7,399**		**7,146**	
61	-	Provision for employee severance indemnities and provisions for pensions	26	35	-	36	-
480	-	Provision for deferred taxes	27	166	-	215	-
896	-	Provisions for risks and charges	28	906	-	828	-
1,793	-	Bonds	29	1,795	-	1,793	-
1,604	-	Long-term financial debt and other financial liabilities	30	185	-	1,334	-
32	-	Other liabilities	31	31	-	29	-
4,866		**Total non-current liabilities**		**3,118**		**4,235**	
62	-	Bonds		109	-	71	-
1,053	15	Short-term financial debt		1,702	15	1,167	15
2,060	85	Trade payables		2,183	40	2,357	131
54	-	Current taxes payable		28	-	23	-
551	55	Other liabilities		706	128	603	86
3,780		**Total current liabilities**	32	**4,728**		**4,221**	
4	**-**	**Liabilities held for sale**	33	**-**	**-**	**829**	**-**
-		**Eliminations of liabilities from and to discontinued operations**	34	**-**		**(594)**	
16,665		**Total liabilities and shareholders' equity**		**15,245**		**15,837**	

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 2012. 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.

2011 full year			(in millions of euros)		9 months 2012		9 months 2011 (*)	
	of which related parties			See Note		of which related parties		of which related parties
(177)			**Profit (Loss) before taxes**		**338**		**17**	
885	-		Depreciation, amortization and writedowns	7	522	-	473	-
13	-		Net additions to provisions for risks		76	-	7	-
(1)	(1)		Interest in the result of companies valued by the equity method (-)		(2)	-	-	-
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		1	-	(6)	-
(3)	-		Change in the provision for employee severance indemnities and provisions for pensions	26	(1)	-	(1)	-
15	-		Change in fair value recorded in EBIT		2	-	(29)	-
(494)	34		Change in operating working capital		(835)	(14)	(455)	23
141	-		Financial income (expense)	8	99	-	102	-
(111)	-		Net financial expense paid		(77)	-	(88)	-
(184)	-		Income taxes paid		(119)	-	(132)	-
(18)	37		Change in other operating assets and liabilities		(21)	82	4	10
61		**A.**	**Cash flow from continuing operations**		**(16)**		**(107)**	
(528)	-		Additions to intangibles and property, plant and equipment (-)	14-18	(309)	-	(393)	-
(3)	-		Additions to non-current financial assets (-)		-	-	(3)	-
14	-		Proceeds from the sale of intangibles and property, plant and equipment		4	-	13	-
245	-		Proceeds from the sale of non-current financial assets (**)		684	-	82	-
11	-		Repayment of capital contribution by non-current financial assets		6	-	9	-
(559)	6		Change in other current financial assets		507	-	(2)	6
(820)		**B.**	**Cash used in investing activities from continuing operations**		**892**		**(294)**	
1,215	-		Receipt of new medium-term and long-term loans	29/30	403	-	775	-
(1,099)	-		Redemption of medium-term and long-term loans (-)	29/30	(810)	-	(531)	-
555	-		Change in short-term net financial debt		(167)	-	20	-
(22)	-		Dividends paid to controlling companies or minority shareholders (-)		(7)	-	(22)	-
649		**C.**	**Cash used in financing activities from continuing operations**		**(581)**		**242**	
-		**D.**	**Cash and cash equivalents from changes in the scope of consolidation**		**-**		**-**	
-		**E.**	**Net currency translation differences**		**-**		**-**	
(110)		**F.**	**Net cash flow for the period from continuing operations (A+B+C+D+E)**		**295**		**(159)**	
(36)		**G.**	**Net cash flow for the period from discontinued operations**		**(35)**		**(52)**	
(146)		**H.**	**Net cash flow for the period (continuing and discontinued operations) (F+G)**		**260**		**(211)**	
472		**I.**	**Cash and cash equivalents at the beginning of the year from continuing operations**		**291**		**472**	
-		**L.**	**Cash and cash equivalents at the beginning of the year from discontinued operations**		**35**		**-**	
326		**M.**	**Cash and cash equivalents at the end of the period (continuing and discontinued operations) (H+I+L)**		**586**		**261**	
35		**N.**	**Cash and cash equivalents at the end of the period from discontinued operations**		**-**		**-**	
291		**O.**	**Cash and cash equivalents at the end of the period from Continuing Operations (M-N)**		**586**		**261**	

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

(**) 2012 amount referred to proceeds from the sale of Edipower Spa.

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital	Reserves and retained earnings (loss carry-forward)	Reserve for other components of comprehensive income				Group interest in profit (loss)	Total shareholders' equity attributable to Parent Company shareholders	Shareholders' equity attributable to minority shareholders	Total shareholders' Equity
			Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other com-ponents of comprehen-sive income of investee companies				
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 (loss)	-	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**
Dividends distributed	-	-	-	-	-	-	-	**-**	(1)	*(1)*
Other changes	-	2	-	-	-	-	-	*2*	-	*2*
Total comprehensive profit (loss)	-	-	(81)	-	-	-	(778)	*(859)*	(11)	*(870)*
of which:										
- Change in comprehensive income for the period	-	-	(81)	-	-	-	-	*(81)*	-	*(81)*
- Profit (Loss) from 10.01.2011 to 12.31.2011	-	-	-	-	-	-	(778)	*(778)*	(11)	*(789)*
Balance at December 31, 2011	**5,292**	**2,568**	**(8)**	**-**	**7**	**-**	**(871)**	**6,988**	**158**	**7,146**
Appropriation of the previous year's profit (loss)	-	(871)	-	-	-	-	871	**-**	-	**-**
Dividends distributed	-	-	-	-	-	-	-	**-**	(16)	*(16)*
Other changes	-	(6)	-	-	-	-	-	*(6)*	-	*(6)*
Total comprehensive profit (loss)	-	-	21	5	-	-	241	*267*	8	*275*
of which:										
- Change in comprehensive income for the period	-	-	21	5	-	-	-	*26*	-	*26*
- Profit (Loss) from 01.01.2012 to 09.30.2012	-	-	-	-	-	-	241	*241*	8	*249*
Balance at September 30, 2012	**5,292**	**1,691**	**13**	**5**	**7**	**-**	**241**	**7,249**	**150**	**7,399**

NOTES TO THE QUARTERLY REPORT AT SEPTEMBER 30, 2012

Content and Presentation

Declaration of Conformity and Group Accounting Policies

The Edison Group's Quarterly Report at September 30, 2012 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.).*

Methods Applied to the Preparation of the Financial Statements

The presentation formats of the financial statements (except for which described in Section "Comparability" below), 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, 2011, which should be consulted for more detailed information.

An amendment to the international accounting principles governing the disclosures required by IFRS 7 was adopted as of January 1, 2012. The amendment requires additional quantitative and qualitative analyses for fully or partly derecognized financial assets in which the Company retains a residual involvement.

For the sake of complete information, it is worth mentioning that some amendments to the international accounting principles published in the *O.J.E.U.* in the first nine months of 2012 will be applicable starting in 2013:

- **IAS 1**: some amendments requiring new disclosures and some other accounting principles;
- **IAS 19 "Employee Benefits"**: the main change made to this standard involves the elimination of the optional "corridor" method (not applied by Edison), which made it possible to defer the recognition of actuarial losses. The elimination of the "corridor" method required minor changes to the disclosures provided about defined benefit plans and multi-employer plans and the revision of some other international accounting principles to make them consistent with the amended version of IAS 19.

These amendments had no impact on the Group's results.

The publication of the Quarterly Report at September 30, 2012, which has not been audited, was authorized by the Board of Directors on October 26, 2012.

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

Comparability

New presentation of "Net Change in Fair Value of Commodity derivatives"

Starting with the Condensed Consolidated Semiannual Financial Statements at June 30, 2012, the Group changed the presentation in the Income Statement of the change in fair value for the period on commodity and foreign exchange derivatives, except for those used in Trading Activities.

This change, which consists of segregating the volatility effect of derivatives from the EBITDA line and showing it separately in the line item "Net change in fair value of commodity derivatives", provides a better understanding of the Group's operating performance. This income statement line item reflects the change in fair value accrued during the period on derivatives executed as economic hedges of purchases or sales of commodities and, if the commodities are denominated in a foreign currency, of the corresponding foreign exchange risk. It also includes the ineffective portion of Cash Flow Hedge derivatives on commodities and foreign exchange.

Reclassification pursuant IFRS 5

On May 24, 2012 Edison Spa sold its 50% equity stake in Edipower Spa for 684 million euros. Please note that in the 2011 Financial Report and in the Quarterly Report at March 31, 2012 this transaction was recognized as involving assets and liabilities held for sale because it was deemed to be highly probable. Moreover, given the significance of the assets that were being divested, the transaction was presented as part of discontinued operations.

The following items were included into "Profit (Loss) from discontinued operations":

- in 2012 the positive effect of the redefinition of the sale price following the agreement executed in May 2012 (80 million euros) and the negative margin attributable to Edipower's tolling operations (30 million euros, net of tax effect);
- in 2011 the contribution provided by Edipower's CGUs to the integrated net Group results of the Edison system.

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

The following tables show the abovementioned effects in the first nine months of 2011 and 2011 full year Edison Group Income Statement and Cash Flow Statement.

Income Statement – 9 months 2011

(in millions of euros)	9 months 2011 Published	IFRS 5	Reclassification of the net change in fair value of commodity derivatives	**9 months 2011 Reclassified (*) (**)**
Sales revenues	8,591	(573)	-	8,018
Other revenues and income	493	(19)	(52)	422
Total net revenues	**9,084**	**(592)**	**(52)**	**8,440**
Raw materials and services used (-)	(8,177)	469	19	(7,689)
Labor costs (-)	(190)	31	-	(159)
EBITDA	**717**	**(92)**	**(33)**	**592**
Net change in fair value of commodity derivatives	-	-	33	33
Depreciation, amortization and writedowns (-)	(568)	95	-	(473)
EBIT	**149**	**3**	**-**	**152**
Net financial income (expense)	(134)	14	-	(120)
Income from (Expense on) equity investments	(1)	(4)	-	(5)
Other income (expense), net	(10)	-	-	(10)
Profit (Loss) before taxes	**4**	**13**	**-**	**17**
Income taxes	(79)	(3)	-	(82)
Profit (Loss) from continuing operations	**(75)**	**10**		**(65)**
Profit (Loss) from discontinued operations	(14)	(10)	-	(24)
Profit (Loss)	**(89)**	**-**		**(89)**
Broken down as follows:				
Minority interest in profit (loss)	4	-	-	4
Group interest in profit (loss)	**(93)**	**-**	**-**	**(93)**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Cash Flow Statement – 9 months 2011

(in millions of euros)	9 months 2011 Published	IFRS 5	Reclassification of the net change in fair value of commodity derivatives	9 months 2011 Reclassified (*)
A. Cash flow from continuing operations	**(64)**	**(43)**	**-**	**(107)**
B. Cash used in investing activities	**(303)**	**9**	**-**	**(294)**
C. Cash used in financing activities	**156**	**86**	**-**	**242**
D. Cash and cash equivalents from changes in the scope of consolidation	**-**	**-**	**-**	**-**
E. Net currency translation differences	**-**	**-**	**-**	**-**
F. Net cash flow for the period (A+B+C+D+E)	**(211)**	**52**	**-**	**(159)**
G. Net cash flow for the period from discontinued operations	**-**	**(52)**	**-**	**(52)**
H. Net cash flow for the period (continuing and discontinued operations) (F+G)	**(211)**	**-**	**-**	**(211)**
I. Cash and cash equivalents at the beginning of the year	**472**	**-**	**-**	**472**
L. Cash and cash equivalents at the end of the period (continuing and discontinued operations) (H+I)	**261**	**-**	**-**	**261**
M. Cash and cash equivalents at the end of the period from discontinued operations	**-**	**-**	**-**	**-**
N. Cash and cash equivalents at the end of the period from continuing operations (L-M)	**261**	**-**	**-**	**261**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

Income Statement 2011

(in millions of euros)	2011 full year Published	Reclassification of the net change in fair value of commodity derivatives	**2011 full year Reclassified** (*)
Sales revenues	11,381	-	11,381
Other revenues and income	652	(19)	633
Total net revenues	**12,033**	**(19)**	**12,014**
Raw materials and services used (-)	(10,932)	22	(10,910)
Labor costs (-)	(214)	-	(214)
EBITDA	**887**	**3**	**890**
Net change in fair value of commodity derivatives	-	(3)	(3)
Depreciation, amortization and writedowns (-)	(885)	-	(885)
EBIT	**2**	**-**	**2**
Net financial income (expense)	(160)	-	(160)
Income from (Expense on) equity investments	(5)	-	(5)
Other income (expense), net	(14)	-	(14)
Profit (Loss) before taxes	**(177)**	**-**	**(177)**
Income taxes	(96)	-	(96)
Profit (Loss) from continuing operations	**(273)**		**(273)**
Profit (Loss) from discontinued operations	(605)	-	(605)
Profit (Loss)	**(878)**	**-**	**(878)**
Broken down as follows:			
Minority interest in profit (loss)	(7)	-	(7)
Group interest in profit (loss)	**(871)**	**-**	**(871)**

(*) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Changes in the Scope of Consolidation Compared with December 31, 2011

The changes in the Group's scope of consolidation that occurred in the first nine months of 2012 are reviewed below:

Electric Power Operations:

- The merger by absorption of Sarmato Energia Spa in Edison Spa, already fully controlled, effective vis-à-vis third parties as of March 1, 2012.
- In April a new company called Edison Gas and Power Romania Srl, which is fully controlled by Edison Group, was established. This company, which is being consolidated line by line, is initially engaging in the development and construction of wind farms in Romania.

Corporate Activities and Other Segments:

- The merger by absorption of Montedison Srl in Edison Spa, already fully controlled, effective vis-à-vis third parties as of July 1, 2012.

Held for Sale:

- Deconsolidation of Edipower Spa's balance sheet amounts, formerly classified as Held for Sale at December 31, 2011, as of the date of its sale on May 24, 2012.

SEGMENT INFORMATION

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

INCOME STATEMENT (in millions of euros)	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
	9 months 2012	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*
Sales Revenues	5,211	5,423	4,960	3,756	37	37	-	-	(1,273)	(1,198)	8,935	8,018
- third parties sales revenues	5,201	5,418	3,728	2,594	6	6			-	-	8,935	8,018
- Intra-Group sales revenues	10	5	1,232	1,162	31	31			(1,273)	(1,198)	-	-
EBITDA	383	435	659	227	(79)	(70)	-	-	-	-	963	592
as a % of sales revenues	*7.3%*	*8.0%*	*13.3%*	*6.0%*	*n.m.*	*n.m.*					*10.8%*	*7.4%*
Net change in Fair Value of Commodity derivatives	2	(1)	(3)	34	-	-	-	-	-	-	(1)	33
Depreciation, amortization and writedowns	(246)	(319)	(265)	(144)	(11)	(10)	-	-	-	-	(522)	(473)
EBIT	139	115	391	117	(90)	(80)	-	-	-	-	440	152
as a % of sales revenues	*2.7%*	*2.1%*	*7.9%*	*3.1%*	*n.m.*	*n.m.*					*4.9%*	*1.9%*
Net financial income (expense)											(82)	(120)
Interest in result of companies valued by equity method											2	-
Income taxes											(139)	(82)
Profit (Loss) from continuing operations											199	(65)
Profit (Loss) from discontinued operations							50	(24)			50	(24)
Minority interest in profit (loss)											8	4
Group interest in profit (loss)											241	(93)

BALANCE SHEET (in millions of euros)	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
	09.30.2012	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*
Total assets	9,483	9,350	5,615	5,293	5,216	5,568	1	1,430	(5,070)	(5,804)	15,245	15,837
Total liabilities	3,657	3,787	3,300	3,060	4,763	5,102	-	829	(3,874)	(4,087)	7,846	8,691
Net Financial Debt							-	515			3,011	3,884

OTHER INFORMATION (in millions of euros)	*Electric Power Operations*		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
	9 months 2012	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*	*9 months 2012*	*9 months 2011 (**)*
Capital expenditures	48	128	144	218	1	2	-	11	-	-	193	359
Investments in exploration	-	-	79	41	-	-	-	-	-	-	79	41
Investments in intangibles	-	-	37	4	-	-	-	2	-	-	37	6
Total capital investments	48	128	260	263	1	2	-	13	-	-	309	406

	Electric Power Operations		*Hydrocarbons Operations*		*Corporate Activities and Other Segments*		*Discontinued Operations*		*Adjustments*		*EDISON GROUP*	
	09.30.2012	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*	*09.30.2012*	*12.31.2011*
Number of employees (*)	1,265	1,275	1,323	1,319	660	642	-	-	-	-	3,248	3,236

(*) 2011 amounts not included employees of Edipower Spa.

(**) 2011 amounts, pursuant to IFRS 5, are being reclassified and reflect a new presentation of the effects of net change in fair value of commodity derivatives.

Thus far, the Group has not viewed **geographic area** segment information as meaningful, since it is mainly located and operating in Italy. However, over the past years, 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 1,588 million euros, including 1,402 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt, and 186 million euros for assets of the Electric Power Operations, mainly in Greece for thermoelectric power activities. At September 30, 2012, the contribution of foreign operations, owing to the combined impact of Edipower's divestment, important growth by the exploration and production activities and the partial effect of the renegotiations of gas contracts, accounted for about 15% of net invested capital and about 20% of EBITDA.
The evolution of the Group, resulting in part from the recent corporate restructuring and any eventual impacts on medium and long term strategies, could result in the future in a new presentation of Segment Information.

As for the disclosure about the so-called "**major customers**", the Group's sales are generally non concentrated, except for the Electric Power Operations, where one major customer, as defined by IFRS 8, generated sales revenues totaling 1,099 million euros in the period, equal to about 21% of the total sales revenues of Electric Power Operations and to about 12% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

The first nine months of 2012, viewed in comparison with the same period last year, were characterized by concurrent contractions in national consumption of electric power (-2.3%; -2.7% on a seasonally adjusted basis) and in demand for natural gas (-2.6%), the latter due mainly to lower thermoelectric uses. Moreover, the effects of these developments intensified in September 2012.

This situation, which is due to a worsening of the Italian economic conditions, exacerbated the negative effects of a continuing gas "bubble" situation and excess capacity in the electric power market, causing the pressure on margins to increase steadily. In natural gas market continued the misalignment between the price of spot gas and the cost paid under long-term contracts, which are indexed to oil prices, where the latter is higher. On the other hand, in the electric power market, an increase in the production from renewable and photovoltaic sources generated, due to the decrease on national demand, an excess of supply and a consequential pressure on margins, especially in the peak hours.

Against this backdrop, the Group's **EBITDA** rose to 963 million euros, or 371 million euros more (+62.7%) than the 592 million euros earned in the same period last year, thanks to the beneficial effects of the successful renegotiations of long-term procurement contracts for natural gas from Qatar and Libya (598 million euros, including 347 million euros attributable to previous years). Please also note that in the same period last year EBITDA reflected the positive impact of the successful renegotiations of long-term procurement contracts for natural gas from Russia and Norway.

The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 680 million euros, up sharply compared with the previous year (154 million euros). This increase is due to the abovementioned beneficial impact of the successful renegotiations of contracts to import natural gas from Qatar and Libya, even if the activities engaged in buying and selling natural gas continue to be penalized by a growing compression of sales margins; on the other hand to a positive performance by the exploration and production operations, both in volume and prices.

It is also worth mentioning that the Group is in the process of renegotiating it contract to import natural gas from Algeria with the aim of restoring also for it adequate operating margins.

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[1] Adjusted EBITDA is the product of the reclassification of the results of commodity and foreign exchange hedges executed in connection with the physical contracts of the Edison portfolio. The results of the contracts that hedge natural gas importation contracts, which were executed with the aim of protecting the margins of the sales of electric power but recognized by the Hydrocarbons Operations, are being reclassified into the Electric Power Operations (-21 million euros in 2012; +73 million euros in 2011). This reclassification is being made to provide a consistent operational presentation of the Group's industrial results.

The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 362 million euros in the first nine months of 2012, down 28.7% compared with the same period last year (508 million euros). This decrease reflects strong competitive pressure in Italian market that reduced sales margins, a decline of the Group's sales volumes to industrial customers and wholesalers and a reduction in the availability of water resources for the period, which caused a lower hydroelectric production (-16%). These effects are partially offset by a net gain of 28 million euros (benefit for 85 million euros net of a provision for future charges for 57 million euros), recognized for the early termination of CIP 6/92 contract for the Piombino thermoelectric power plant.

The **Group's interest in the net result** was a profit of 241 million euros, against a loss of 93 million euros in first nine months of 2011. In addition to the negative effect of the industrial margins mentioned above, the result for the period reflects the impact of the following contrasting factors:

- writedowns of property, plant and equipment for 33 million euros, mainly related to the early termination of CIP 6/92 contract for the Piombino thermoelectric power plant and to startup delays of a hydrocarbon production facility;
- higher exploration costs, up from 41 million euros in the first nine months 2011 to 79 million euros in the first nine months of 2012, mainly for activities in Norway and the Falkland Islands;
- a reduction of 38 million euros in financial expense, mainly attributable to net foreign exchange gains on fuel procurement transactions;
- an addition (15 million euros) to a provision for risks on tax disputes;
- the redefinition of the sales price of Edipower Spa generated a benefit of 80 million euros, net of cost to sell, which was recognized in the "Profit (Loss) from discontinued operations".

1. Sales Revenues

Sales revenues totaled 8,935 million euros, or 11.4% more than the 8,018 million euros reported at September 30, 2011, 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 2012	9 months 2011 (*)	Change	% change
Revenues from the sales of:				
- Electric power	4,241	4,476	(235)	(5.3%)
- Natural gas	3,408	2,339	1,069	45.7%
- Steam	90	95	(5)	(5.3%)
- Oil	196	155	41	26.5%
- Green certificates	91	98	(7)	(7.1%)
- CO_2 emissions rights	11	50	(39)	(78.0%)
- Other sales revenues	36	27	9	33.3%
Total sales revenues	**8,073**	**7,240**	**833**	**11.5%**
Revenues from services provided	14	15	(1)	(6.7%)
Storage services	42	39	3	7.7%
Margin on physical trading activities	14	26	(12)	(46.2%)
Transmission revenues	772	677	95	14.0%
Other revenues from sundry services	20	21	(1)	(4.8%)
Total for the Group	**8,935**	**8,018**	**917**	**11.4%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

Breakdown by Business Segment

(in millions of euros)	9 months 2012	9 months 2011 (*)	Change	% change
Electric Power Operations	5,211	5,423	(212)	(3.9%)
Hydrocarbons Operations	4,960	3,756	1,204	32.1%
Corporate Activities and Other Segments	37	37	-	-
Eliminations	(1,273)	(1,198)	(75)	6.3%
Total for the Group	**8,935**	**8,018**	**917**	**11.4%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

An analysis of sales revenues is provided below:

- The **Electric Power Operations** reported a decrease (-3.9%) in sales revenues compared with the first nine months of 2011, as a result of a slump in sales volumes (-30%) caused by:
  - lower sales to end customers (-23%) and wholesalers (-47%), which reflected in part national demand dynamics;
  - the sale of two thermoelectric power plants in the last quarter of 2011.

  The effect of these developments was offset in part by an increase in unit sales prices, driven by conditions in the benchmark scenario, and by the growing contribution provided by the renewable energy activities, thanks to the commissioning of new wind farms.
- The sales revenues of the **Hydrocarbons Operations** were up, rising by 32.1% compared with the first nine months of 2011, as the combined result of higher sales prices, driven by conditions in the benchmark scenario, and sales volumes (+5%), bucking the downward trend of national demand. More specifically, sales were up for wholesalers and industrial customers. The contribution of the

exploration and production activities increased thanks to oil and natural gas higher production (respectively +8% and +19%), made possible by the startup in 2011 of new production facilities in Italy and abroad that more than offset the natural depletion of production fields, and to scenario effect, also due to a weakening of the euro versus the dollar.

2. Other Revenues and Income

Other revenues and income totaled 673 million euros (422 million euros in the first nine months of 2011). A breakdown is as follows:

(in millions of euros)	**9 months 2012**	9 months 2011 (*) (**)	Change	% change
Realized commodity derivatives	117	209	(92)	(44.0%)
Margin on financial trading activities	18	-	18	n.a.
Out-of-period income	370	112	258	n.m.
Recovery of costs from partners in hydrocarbon exploration projects	23	18	5	27.8%
Net reversals in earnings of provisions for risks on receivables and other risks	10	12	(2)	(16.7%)
Income from early termination of CIP 6/92 contracts	85	14	71	n.m.
Sundry items	50	57	(7)	(12.3%)
Total for the Group	**673**	**422**	**251**	**59.5%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.
(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Out-of-period income (370 million euros) includes the effects attributable to previous years from the successful renegotiations of the contracts for the supply of natural gas from Qatar and Libya (352 million euros), while in 2011, the effects related to the successfully renegotiation of the contract for the supply of natural gas from Russia amounted to 66 million euros.

The income from **realized commodity derivatives**, which should be analyzed together with the corresponding cost item included in "**Raw materials and services used**" (which increases from 93 million euros to 117 million euros) and "**Net change in fair value of commodity derivatives** " (which decreases from positive 33 million euros to negative 1 million euros), reflect primarily the results of commodities and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used in the Edison Group portfolios and gas earmarked for direct sales.
This performance is due to the scenario effect on the hedged physical commodities: in the first nine months of 2012, a spike in commodity prices in the benchmark markets had a net positive effect on the underlying physical commodities, offset by the negative results reflected in the performance of commodity derivatives.
A comprehensive review of the economic effects of derivatives is provided in a special disclosure, reported in the Section entitled "Group Financial Risk Management".

Income from early termination of CIP 6/92 contracts of 85 million euros refers to the early termination of CIP 6/92 contract for the Piombino thermoelectric power plant. This benefit was offset by provisions for future charges (57 million euros) and writedowns of property, plant and equipment

(21 million euros). Please note that the amount for the first nine months of 2011 included the benefit of the early termination of CIP 6/92 contract for the Taranto thermoelectric power plant.

Sundry items in the first nine months 2011 included insurance settlements totaling 11 million euros, mainly related to Italian extraction wells.

3. Raw Materials and Services Used

Raw materials and services used totaled 8,487 million euros, or 10.4% more than in the same period in 2011 (7,689 million euros) affected by the price and volume trends already mentioned in the note on "Sales revenues."

The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	**9 months 2012**	9 months 2011 (*) (**)	Change	% change
Purchases of:				
- Natural gas	4,182	3,078	1,104	35.9%
- Electric power	2,258	2,156	102	4.7%
- Blast-furnace, recycled and coke-oven gas	38	358	(320)	(89.4%)
- Oil and fuel	2	10	(8)	(80.0%)
- Demineralized industrial water	5	29	(24)	(82.8%)
- Green certificates	35	94	(59)	(62.8%)
- CO_2 emissions rights	8	69	(61)	(88.4%)
- Coal, utilities and other materials	54	60	(6)	(10.0%)
Total	**6,582**	**5,854**	**728**	**12.4%**
- Facilities maintenance	98	105	(7)	(6.7%)
- Transmission of electric power and natural gas	1,285	1,166	119	10.2%
- Regasification fee	78	74	4	5.4%
- Professional services	110	95	15	15.8%
- Writedowns of trade and other receivables	36	28	8	28.6%
- Realized commodity derivatives	117	93	24	25.8%
- Margin on financial trading activities	-	1	(1)	(100.0%)
- Additions to provisions for miscellaneous risks	77	25	52	n.m.
- Change in inventories	(156)	(14)	(142)	n.m.
- Use of property not owned	80	68	12	17.6%
- Sundry items	180	194	(14)	(7.2%)
Total for the Group	**8,487**	**7,689**	**798**	**10.4%**

(*) Pursuant to IFRS 5, 9 months of 2011 amounts are being reclassified.
(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

Breakdown by Business Segment

(in millions of euros)	**9 months 2012**	9 months 2011 (*) (**)	Change	% change
Electric Power Operations	4,952	5,027	(75)	(1.5%)
Hydrocarbons Operations	4,732	3,793	939	24.8%
Corporate Activities and Other Segments	80	73	7	9.6%
Eliminations	(1,277)	(1,204)	(73)	6.1%
Total for the Group	**8,487**	**7,689**	**798**	**10.4%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

The increase in the amount shown for **natural gas** (1,104 million euros more than in the first nine months of 2011) is due to the higher prices paid for natural gas (both in the spot market and under long-term procurement contracts) and an increase on volumes. This item reflects the effects of the successfully renegotiations of the contracts for the supply of natural gas from Qatar and Libya and the adoption of policies to optimize supply sources and should be analyzed together with the item "**Change in inventories**". The amount of natural gas purchases also reflects the negative impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (40 million euros), however offset by a benefit shown in commodity prices.

The increase in costs paid for **electric power** (102 million euros compared with the first nine months of 2011) reflects primarily the effect of higher prices in the electric power market, offset in part by a reduction in volumes.

The divestment of thermoelectric power plants in the fourth quarter of 2011 is the reason for the decrease in purchases of **blast-furnace, recycled and coke-oven gas**, decreased from 358 million euros in the first nine months of 2011 to 38 million euros in the first nine months of 2012.

The decrease of 59 million euros in the cost of **green certificates** reflects the combined effect of a reduction in Group requirements, caused by a decrease in output by thermoelectric systems and the abovementioned sale of two thermoelectric power plants, and an increase in green certificate production by renewable-source facilities.

The decrease in the cost of **CO_2 emissions rights** (61 million euros compared with the same period last year), which should be analyzed concurrently with the decrease in the corresponding revenue item (39 million euros), reflects primarily a reduction in the Group's need for these certificates due to the lower production by thermoelectric power plants compared with the previous year and the sale of some thermoelectric power plants in the fourth quarter of 2011.

The **regasification fee** (78 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (36 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. In addition, surplus allowances for doubtful accounts totaling 2 million euros, were reversed in earnings in the first nine months of 2012. 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**.

Additions to provisions for miscellaneous risks (77 million euros) mainly include the abovementioned addition of 57 million euros to a provision for future charges recognized for the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant. A breakdown of additions to provisions for miscellaneous risks is provided in the note to provisions for risks and charges (Note 28).

Margin on Trading Activities

The table below shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios included in revenues and in raw materials and services used.

Compared with the same period of previous year, volumes increased, mainly due to the growth of natural gas trading activities.

(in millions of euros)	*See Note*	**9 months 2012**	9 months 2011	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		3,454	2,723	731	26.8%
Raw materials and services used		(3,440)	(2,697)	(743)	27.5%
Total included in sales revenues	*1*	**14**	**26**	**(12)**	**(46.2%)**
Margin on financial contracts included in trading portfolios					
Other revenues and income		66	82	(16)	(19.5%)
Raw materials and services used		(48)	(83)	35	(42.2%)
Total included in Other revenues and income / Raw materials and services used	*2/3*	**18**	**(1)**	**19**	**n.m.**
Total margin on trading activities		**32**	**25**	**7**	**28.0%**

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 158 million euros, or 0.6% less than in the same period in 2011, when they amounted to 159 million euros.

This decrease is chiefly the net result of a reduction in the Group's average staff compared with the same period last year, due mainly to the divestment of some thermoelectric power plants in the last quarter of 2011, and of payroll dynamics.

5. EBITDA

EBITDA totaled 963 million euros, or 371 million euros more (+62.7%) than the 592 million euros earned in the first nine months of 2011.

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. 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 2012	as a % of sales revenues	9 months 2011 (*) (**)	as a % of sales revenues	EBITDA % change
Reported EBITDA					
Electric Power Operations	383	7.3%	435	8.0%	(12.0%)
Hydrocarbons Operations	659	13.3%	227	6.0%	n.m.
Corporate Activities and Other Segments	(79)	n.m.	(70)	n.m.	(12.9%)
Total for the Group	**963**	**10.8%**	**592**	**7.4%**	**62.7%**
Adjusted EBITDA					
Electric Power Operations	362	6.9%	508	9.4%	(28.7%)
Hydrocarbons Operations	680	13.7%	154	4.1%	n.m.
Corporate Activities and Other Segments	(79)	n.m.	(70)	n.m.	(12.9%)
Total for the Group	**963**	**10.8%**	**592**	**7.4%**	**62.7%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commody derivatives.

The performance of the individual business segments is reviewed below:

- At 680 million euros, the adjusted EBITDA of the **Hydrocarbons Operations** were up sharply in the first nine months of 2012 thanks to the beneficial effects of the successful renegotiations of long-term procurement contracts for natural gas from Qatar and Libya (598 million euros, including 347 million euros attributable to previous years). Please also note that in the same period last year EBITDA reflected the positive impact of the successful renegotiation of long-term procurement contracts for natural gas from Russia (115 million euros). In addition, the exploration and production operations performed particularly well, thanks to increased production (+8% for oil and +19% for natural gas) and higher sales prices, but the sales margins of the activities engaged in buying and selling natural gas remained under pressure.
- The adjusted EBITDA of the **Electric Power Operations** decreased, falling by 28.7%, from 508 million euros in the first nine months of 2011 to 362 million euros in the first nine months of 2012. This decrease reflects the combined impact of a compression of sales margins caused by heightened competitive pressure in Italian market, a decline of the Group's sales volumes to industrial customers and wholesalers and a drop in hydroelectric production (-16%) due to a reduced availability of water resources during the period. These effects were partially offset by a net gain of 28 million euros (benefit of 85 million euros net of a provision for future charges for 57 million euros) recognized for the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant and by the positive performance of renewable energy activities, thanks to the commissioning of new wind power plants. Please note that, in 2011, EBITDA included a benefit for 14 million euros from the early termination of the CIP 6/92 contract for the Taranto thermoelectric power plant.

6. Net Change in Fair Value of Commodity Derivatives

A breakdown of this item, which decreased from positive 33 million euros in first nine months of 2011 to negative 1 million euros in first nine months of 2012, is provided below:

(in millions of euros)	9 months 2012	9 months 2011 (**)	Change	% change
Change in fair value in hedging the price risk on energy products:	**1**	**37**	**(36)**	**(97.3%)**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(1)	8	(9)	n.m.
- not definable as hedges pursuant to IAS 39	2	29	(27)	(93.1%)
Change in fair value in hedging the foreign exchange risk on commodities:	**(2)**	**(4)**	**2**	**(50.0%)**
- definable as hedges pursuant to IAS 39 (CFH) (*)	(6)	-	(6)	n.a.
- not definable as hedges pursuant to IAS 39	4	(4)	8	n.m.
Total for the Group	**(1)**	**33**	**(34)**	**n.m.**

(*) Referred to the ineffective portion.

(**) 2011 amounts reflect the new presentation of the effects of net change in fair value of commodity derivatives.

This line item reflects the change in fair value for the period of commodity and foreign exchange derivatives, excluding those that are part of the Trading Activities, executed as economic hedges of the Industrial Portfolio.

The purpose of this presentation is to segregate the effects of the volatility of derivatives from the EBITDA line.

7. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 522 million euros, is provided below:

(in millions of euros)	9 months 2012	9 months 2011 (*)	Change	% change
Depreciation and amortization of:	**485**	**426**	**59**	**13.8%**
- property, plant and equipment	302	322	(20)	(6.2%)
- hydrocarbon concessions	69	52	17	32.7%
- other intangible assets (**)	114	52	62	n.m.
Writedowns of:	**38**	**63**	**(25)**	**(39.7%)**
- property, plant and equipment	33	62	(29)	(46.8%)
- other intangible assets	5	1	4	n.m.
Utilization of the provisions for risks and charges	**(1)**	**(16)**	**15**	**n.m.**
Total for the Group	**522**	**473**	**49**	**10.4%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

(**) It is included the exploration costs.

Breakdown by Business Segment

(in millions of euros)	**9 months 2012**	9 months 2011 (*)	Change	% change
Electric Power Operations:	**246**	**319**	**(73)**	**(22.9%)**
- depreciation and amortization	219	262	(43)	(16.4%)
- writedowns of property, plant and equipment	22	57	(35)	(61.4%)
- writedowns of other intangible assets	5	-	5	n.a.
Hydrocarbons Operations:	**265**	**144**	**121**	**84.0%**
- depreciation and amortization	258	155	103	66.5%
- utilization of the provisions for risks and charges	(1)	(16)	15	(93.8%)
- writedowns of property, plant and equipment	8	5	3	60.0%
Corporate Activities and Other Segments:	**11**	**10**	**1**	**10.0%**
- depreciation and amortization	8	9	(1)	(11.1%)
- writedowns of property, plant and equipment	3	-	3	n.a.
- writedowns of investment property	-	1	(1)	(100.0%)
Total for the Group	**522**	**473**	**49**	**10.4%**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

The decrease of 73 million euros for the **Electric Power Operations** is the combined result of:

- lower depreciation and amortization, reflecting to the effect of writedowns and divestments of facilities carried out in 2011;
- lower writedowns of property, plant and equipment for 35 million euros. Writedowns of the period include 21 million euros for the early termination of CIP 6/92 contract for the Piombino thermoelectric power plant.

The increase of 121 million euros for the **Hydrocarbons Operations** is essentially the combined result of:

- a rise of 38 million euros in exploration costs, up from 41 million euros in the first nine months of 2011 to 79 million euros in the first nine months of 2012, due essentially to increased exploration activities in Norway and new projects in the Falkland Islands;
- an increase in depreciation and amortization mainly due to the startup of new production facilities and different hydrocarbon production profiles.

In **Corporate Activities and Other Segments**, a writedown of 3 million euros was recognized to adjust the carrying amount of some plots of land to the market value shown in an appraisal prepared by an outside company.

8. Net Financial Income (Expense)

Net financial expense totaled 82 million euros, or 38 million euros less than in the first nine months of 2011 (120 million euros).

A breakdown of net financial expense is as follows:

(in millions of euros)	**9 months 2012**	9 months 2011 (*)	Change
Financial income			
Financial income from financial derivatives	74	69	5
Interest earned on finance leases	10	10	-
Interest earned on bank and postal accounts	2	1	1
Interest earned on trade receivables	8	1	7
Other financial income	20	10	10
Total financial income	**114**	**91**	**23**
Financial expense			
Interest accrued on bond issues	(53)	(56)	3
Fair Value Hedge adjustment on bonds	(32)	(33)	1
Financial expense from financial derivatives	(48)	(32)	(16)
Interest accrued to banks	(26)	(27)	1
Bank fees	(14)	(13)	(1)
Financial expense on decommissioning projects and provisions for risks	(19)	(18)	(1)
Financial expense in connection with employee severance benefits	(1)	(1)	-
Interest accrued to other lenders	(10)	(10)	-
Other financial expense	(10)	(3)	(7)
Total financial expense	**(213)**	**(193)**	**(20)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	89	83	6
Foreign exchange translation losses	(72)	(101)	29
Net foreign exchange translation gains (losses)	**17**	**(18)**	**35**
Net financial income (expense) for the Group	**(82)**	**(120)**	**38**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

The main reason for the 38-million-euro decrease in net financial expense for the period is an improvement in the results from foreign exchange transactions (net gains of 17 million euros, as against a net losses of 18 million euros in the first nine months of 2011), due mainly to the foreign exchange gains generated by derivative transactions executed to hedge purchases of natural gas in foreign currencies and to the lower net foreign exchange losses incurred on commercial transactions.
The decrease in net financial debt for the period, due mainly to the benefits from the sale of Edipower Spa, enabled the Edison Group to contain net financial expense in the period.

9. Income from (Expense on) Equity Investments

A breakdown of the positive balance of 6 million euros is shown below:

(in millions of euros)	**9 months 2012**	9 months 2011 (*)	Change
Income from equity investments			
Dividends	3	5	(2)
Revaluations and valuations of investments by the equity method	2	1	1
Revaluations of trading securities	2	-	2
Gains on the sale of equity investments	-	6	(6)
Total income from equity investments	**7**	**12**	**(5)**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	-	(1)	1
Writedowns of investments available for sales	(1)	(12)	11
Writedowns of trading securities	-	(4)	4
Total expenses on equity investments	**(1)**	**(17)**	**16**
Total Group income from (expense on) equity investments	**6**	**(5)**	**11**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

10. Other Income (Expense), Net

Net other expense of 26 million euros (expense of 10 million euros in the first nine months of 2011) is the result of nonrecurring items that are not directly related to the Group's industrial operations. Please note that in the first nine months of 2012 an addition (15 million euros) was made to a provision for risks on tax disputes.

11. Income Taxes

The income-tax expense increased to 139 million euros, or 57 million euros more than the amount owed in the first nine months of 2011 (82 million euros). A breakdown of income taxes is provided below:

(in millions of euros)	**9 months 2012**	9 months 2011 (*)	Change
Current taxes	208	131	77
Net deferred-tax liabilities (assets)	(70)	(40)	(30)
Income taxes attributable to previous years	1	(9)	10
Total for the Group	**139**	**82**	**57**

(*) Pursuant to IFRS 5, 9 months 2011 amounts are being reclassified.

Current taxes include 186 million euros for corporate income taxes (IRES) and 31 million euros for regional taxes (IRAP), offset only in part by a tax benefit of 9 million euros generated by filing a consolidated income tax return and by the recovery of foreign taxes.

The tax burden for the period reflects primarily the adoption of an average tax rate of less than 34% by Edison Spa, the Group's Parent Company, which is not required to pay the corporate income tax surcharge this year.

12. Profit (Loss) from Discontinued Operations

The net profit from discontinued operations in the first nine months of 2012, which totaled 50 million euros, reflects the effect of the redefinition of the sales price of the equity stake in Edipower Spa (80 million euros) and the margin attributable to Edipower's tolling operations (negative by 30 million euros, net of tax effect).

The data for the first nine months of 2011 include the contribution provided by Edipower's CGUs to the integrated net Group result of the Edison system (negative by 10 million euros).

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

13. Earnings (Loss) per Share

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

2011 full year		(in millions of euros)	**9 months 2012**		9 months 2011	
Common shares	Savings shares (1)		**Common shares**	**Savings shares (1)**	Common shares	Savings shares (1)
(871)	(871)	Group interest in profit (loss)	241	241	(93)	(93)
(877)	6	Profit (Loss) attributable to the different classes of shares (A)	238	3	(97)	4
		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)				
(0.1692)	0.0500	- basic (A/B)	0.0448	0.0748	(0.0188)	0.0375
(0.1692)	0.0500	- diluted (A/C) (2)	0.0448	0.0748	(0.0188)	0.0375

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

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

The tables below show earnings (loss) per share for continuing and discontinued operations:

2011 full year		(in millions of euros)	**9 months 2012**		9 months 2011	
Common shares	Savings shares		**Common shares**	**Savings shares**	Common shares	Savings shares
(266)	(266)	Group interest in profit (loss) from continuing operations	191	191	(69)	(69)
(272)	6	Profit (Loss) attributable to the different classes of shares (A)	188	3	(73)	4
		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)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
		Earnings (Loss) per share from continuing operations (in euros)				
(0.0524)	0.0500	- basic (A/B)	0.0354	0.0654	(0.0142)	0.0375
(0.0524)	0.0500	- diluted (A/C)	0.0354	0.0654	(0.0142)	0.0375

2011 full year		(in millions of euros)	**9 months 2012**		9 months 2011	
Common shares	Savings shares		**Common shares**	**Savings shares**	Common shares	Savings shares
(605)	(605)	Group interest in profit (loss) from discontinued operations	50	50	(24)	(24)
(605)	-	Profit (Loss) attributable to the different classes of shares (A)	50	-	(24)	-
		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)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
		Earnings (Loss) per share from discontinued operations (in euros)				
(0.1168)	n.a.	- basic (A/B)	0.0094	0.0094	(0.0046)	n.a.
(0.1168)	n.a.	- diluted (A/C)	0.0094	0.0094	(0.0046)	n.a.

NOTES TO THE BALANCE SHEET

Assets

14. 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 12.31.2011 (A)	**498**	**4,022**	**168**	**36**	**5**	**8**	**376**	**5,113**
Changes in the first nine months of 2012:								
- Additions	-	45	1	-	-	1	146	193
- Disposals (-)	-	(5)	-	-	-	-	-	(5)
- Depreciation (-)	(13)	(265)	(20)	(1)	(1)	(2)	-	(302)
- Writedowns (-)	(4)	(28)	(1)	-	-	-	-	(33)
- Decommissioning costs	-	3	-	-	-	-	-	3
- Other changes	7	86	(1)	-	-	-	(92)	-
Total changes (B)	**(10)**	**(164)**	**(21)**	**(1)**	**(1)**	**(1)**	**54**	**(144)**
Balance at 09.30.2012 (A+B)	**488**	**3,858**	**147**	**35**	**4**	**7**	**430**	**4,969**

A breakdown by business segment of **additions** totaling 193 million euros is as follows:

(in millions of euros)	9 months 2012	9 months 2011
Electric Power Operations	**48**	**128**
broken down as follows:		
- Thermoelectric area	*18*	*38*
- Hydroelectric area	*10*	*20*
- Renewable sources area (wind power, photovoltaic, etc.)	*20*	*70*
Hydrocarbons Operations	**144**	**218**
broken down as follows:		
- Hydrocarbon fields in Italy	*29*	*65*
- Hydrocarbon fields outside Italy	*67*	*114*
- Transmission and storage infrastructures	*48*	*39*
Corporate Activities and Other Segments	**1**	**2**
Total for Continuing Operations	**193**	**348**
Discontinued Operations	**-**	**11**
Total for the Group	**193**	**359**

Projects carried out during the period included the following:

- for the **Electric Power Operations**: the putting into service of the new San Giorgio wind farm;
- for the **Hydrocarbons Operations**: in the exploration and production area, start of production from the new fields in Italy and, abroad, drilling of production wells at Abu Qir, in Egypt. In the gas storage area, further investment in the current projects for the San Potito and Cotignola field, in Italy.

Capitalized borrowing costs recognized in the period as part of property, plant and equipment, as required by IAS 23 Revised, amounted to less than one million euros.

Writedowns of 33 million euros reflect essentially the effects of early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant and startup delays of a hydrocarbon production facility.

The change in **decommissioning cost** (3 million euros) reflects mainly the putting into service of the abovementioned new wind farm.

Assets transferable at no cost are attributable to the concession held by the Edison Group (38 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 29 million euros, is shown part under "Long-term financial debt and other financial liabilities" (26 million euros) and part under "Short-term financial debt" (3 million euros).

15. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, had a total carrying amount of 10 million euros, unchanged compared with December 31, 2011.

16. Goodwill

Goodwill totaled 3,231 million euros, unchanged compared with December 31, 2011.

The table below provides a breakdown of goodwill by business segment:

(in millions of euros)	**09.30.2012**	12.31.2011
Electric Power Operations	2,528	2,528
Hydrocarbons Operations	703	703
Total for the Group	**3,231**	**3,231**

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.

Please see the next paragraph (Note 18) for comments about the impairment test in accordance with IAS 36.

17. Hydrocarbons Concessions

Concessions for the production and extraction of hydrocarbons, which consist of 86 mineral leases in Italy and abroad (including 3 storage concessions), were valued at 971 million euros. The net decrease of 69 million euros, compared with December 31, 2011, reflects the amortization for the period. In the first nine months of 2012 the Group was awarded three new hydrocarbon exploration concessions in Norway but three exploration permits expired, two in Italy and one in Iran.

18. Other Intangible Assets

The table below shows the main changes that occurred in the first nine months of 2012:

(in millions of euros)	Concessions, licenses, patents and similar rights	CO_2 emissions rights	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2011 (A)	**84**	**4**	**-**	**7**	**-**	**95**
Changes in the first nine months of 2012:						
- Additions	36	-	79	-	1	116
- Amortization (-)	(35)	-	(79)	-	-	(114)
- Writedowns (-)	-	(5)	-	-	-	(5)
- Other changes	(2)	6	-	-	1	5
Total changes (B)	**(1)**	**1**	**-**	**-**	**2**	**2**
Balance at 09.30.2012 (A+B)	**83**	**5**	**-**	**7**	**2**	**97**

Please note that, in the first nine months of 2012, the Group entered into a farm-in agreement by which it acquired an interest in some licenses in the Falkland Island Basin.
This agreement resulted in the recognition of:

- the acquisition value of the licenses, amounting to about 31 million euros, under **Concessions, licenses, patents and similar rights**; this amount is being amortized systematically on a straight-line basis over the remaining lives of the licenses and generated amortization expense in the period of about 24 million euros;
- **exploration costs** attributable to prior period activities of about 13 million euros, amortized in full during the period.

Furthermore, in the first nine months of 2012 the exploration costs incurred and amortized in full totaled about 17 million euros.
Please note that the item **Concessions, licenses, patents and similar rights** includes the infrastructures used by the Group to distribute natural gas, under the 62 concessions it holds in this area of business, as required by IFRIC 12.

CO_2 emissions rights (5 million euros) include the rights exceeding the Group's requirements. This amount reflects a valuation at market prices, which required a writedown of 5 million euros.

The **exploration costs** incurred in the first nine months of 2012 totaled 79 million euros, up from 41 million euros in the same period of 2011. 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

In the first nine months of 2012, 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.
Insofar as goodwill is concerned, waiting a new medium/long term strategic plan, taking also into account the recent corporate restructuring, an analysis of the short-term economic and scenario variables failed to produce, also with regard to the 2012 budget, specific triggers pointing to issues impacting the recoverability of goodwill.
Consistent with the estimates applied at the end of 2011, 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 2011, 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 2011.

As for the Greece Thermoelectric CGU (41 million euros for Edison's pro rata interest), no macroeconomic elements indicating a deterioration compared with the end of 2011 were detected. In such a highly complex context, the achievement of medium and long-term economic results is based on future hypotheses and assumptions currently characterized by a high degree of uncertainty. Therefore, considering the country's contingent political/economic and financial context, management concluded that it would be best to confirm the results of the tests performed at the end of 2011, while monitoring future evolutions.

The tests performed using the process described above showed that values of a thermoelectric CGU and a hydrocarbon production field were impaired, requiring a writedown of 29 million euros.

Specifically with regard to the **thermoelectric CGU**, the writedown (21 million euros) was required by the effects of the early termination of CIP 6/92 contract for the Piombino thermoelectric power plant.

In the case of the **hydrocarbons CGU**, the writedown recognized in the amount of 8 million euros was required due to a delay in the startup of a production field outside Italy.

Other writedowns of property, plant and equipment recorded in addition to those listed above, include 4 million euros recognized to adjust the carrying amount of some plots of land to their market value.

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

The total includes 51 million euros in investments in associates and unconsolidated subsidiaries and affiliated companies and 196 million euros in available-for-sale investments. The latter amount includes investments in Terminale GNL Adriatico Srl (181 million euros) and RCS Mediagroup Spa (10 million euros).

The table below shows the main changes that occurred in the first nine months of 2012:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2011 (A)	**49**	**198**	**247**
Changes in the first nine months of 2012:			
- Changes in shareholders' equity reserves	-	(6)	(6)
- Valuations at equity	2	-	2
- Valuations at fair value	-	4	4
Total changes (B)	**2**	**(2)**	**-**
Balance at 09.30.2012 (A+B)	**51**	**196**	**247**

Changes in shareholders' equity reserves, negative by 6 million euros, refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

Valuations at fair value, positive by 4 million euros, refer to Terminale GNL Adriatico Srl (-1 million euros) and RCS Mediagroup Spa (5 million euros). 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.

20. 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)	**09.30.2012**	12.31.2011	Change
Loan receivables from Ibiritermo (IFRIC 4) (*)	73	77	(4)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	1	1	-
Total other financial assets	**78**	**82**	**(4)**

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

21. Deferred-tax Assets

Deferred-tax assets, which were valued based on the assumption that they would be probably realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 117 million euros (111 million euros at December 31, 2011). They reflect differences in the valuation of:

- taxed provisions for risks of 56 million euros;
- property, plant and equipment and intangibles of 46 million euros;
- a tax-loss carryforward of 10 million euros;

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

22. Other Assets

Other assets totaled 125 million euros, or 85 million euros more than December 31, 2011. This account includes:

- 110 million euros for the non-current portion of advances paid under long-term natural gas supply contracts for gas volumes that Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses. Please note that, in the first nine months of 2012, the Group paid advances totaling 85 million euros, due to activation of the abovementioned clauses in 2011 (77 million euros) and in 2012 (8 million euros). In the period the Group also recovered the 42 million euros in advances paid in previous years on the Norway long-term contract that expired on March 31, 2012 (please see Note 23).
- 5 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through September 30, 2012.
- 10 million euros in sundry receivables, consisting mainly of security deposits.

23. Current Assets

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

(in millions of euros)	09.30.2012	12.31.2011	Change
Inventories	398	252	146
Trade receivables	3,667	3,152	515
Current-tax assets	13	28	(15)
Other receivables	614	681	(67)
Current financial assets	121	628	(507)
Cash and cash equivalents	586	291	295
Total current assets	**5,399**	**5,032**	**367**

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	Green certificates	CO_2 emission rights	Other	Total at 09.30.2012	Total at 12.31.2011	Change
Electric Power Operations	13	-	1	1	8	19	42	45	(3)
Hydrocarbons Operations	33	315	8	-	-	-	356	207	149
Total for the Group	**46**	**315**	**9**	**1**	**8**	**19**	**398**	**252**	**146**

The increase for the period refers mainly to stored natural gas (158 million euros). Inventories also include 84 million euros of natural gas, the use of which is restricted either as strategic reserve or to secure performance under the balancing system.

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

(in millions of euros)	09.30.2012	12.31.2011	Change
Electric Power Operations	2,344	1,959	385
Hydrocarbons Operations	1,336	1,273	63
Corporate Activities and Other Segments and Eliminations	(13)	(80)	67
Total trade receivables	**3,667**	**3,152**	**515**
Of which Allowance for doubtful accounts	**(166)**	**(141)**	**(25)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 136 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios, attributable for 110 million euros to the Electric Power Operations and for 26 million euros to Hydrocarbons Operations.

The higher amount shown for trade receivables compared with December 31, 2011 (515 million euros) reflects the temporary impact of the abovementioned successfully renegotiations of the contracts for the supply of natural gas, of the price and volume trends discussed in the note to "Sales revenues", as well as a lengthening of the time to collection resulting from a change in the customer mix and the expansion of the Group's international activities.

In the first nine months of 2012, the Hydrocarbons Operations recovered a receivable recognized in 2011 pursuant to the make-up capacity clause of the long-term contracts for the importation of natural gas.

During the period, the Electric Power Operations recognized a receivable of 85 million euros originating from the early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant.

Lastly, transactions involving the irrevocable assignment of receivables without recourse on a revolving (monthly and quarterly) and spot basis, totaled 3,527 million euros (3,696 million euros at September 30, 2011). As required by its credit policies, the Group uses these transactions on a regular basis to control and minimize credit risks. The residual risk of recourse associated to trade receivables is about 1 million euros.

- **Current-tax assets** of 13 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 614 million euros, is provided in the table below:

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Receivables arising from the valuation of derivatives	234	175	59
Amounts owed by partners and associates in hydrocarbon exploration projects	66	85	(19)
Advances to suppliers	4	10	(6)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	63	100	(37)
Advances for take-or-pay contracts	-	42	(42)
VAT credit	3	64	(61)
Sundry items	244	205	39
Total other receivables	**614**	**681**	**(67)**

The increase 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 179 million euros to 202 million euros), primarily reflects changes in the market price scenario compared with December 31, 2011, specifically regarding Brent crude and 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”.

The Group’s ability to accept increased deliveries of natural gas enabled it to recover in full the **advances for take-or-pay contract** paid in previous years and recorded in this account.

- 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)	**09.30.2012**	12.31.2011	Change
Loans receivable	18	571	(553)
Derivatives	97	53	44
Equity investments held for trading	6	4	2
Total current financial assets	**121**	**628**	**(507)**

The repayment of 550 million euros by Edipower Spa to Edison Spa for a shareholder loan provided in December 2011 is the main reason for the decrease in **Loans receivable**.

- **Cash and cash equivalents** of 586 million euros (291 million euros at December 31, 2011) consist of short-term deposits in bank and postal accounts and other short-term investments.

24. Assets held for sale

Assets held for sale totaled 1 million euros, down from 1,430 million euros at December 31, 2011. The sale of Edipower Spa, which closed on May 24, 2012, accounts for this decrease.

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

Liabilities and Shareholders' Equity

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

The shareholders' equity attributable to Parent Company shareholders amounted to 7,249 million euros, or 261 million euros more than at December 31, 2011 (6,988 million euros). This increase is mainly due to the net profit for the period (241 million euros) and to the positive change in the Cash Flow Hedge reserve (21 million euros).

The shareholders' equity attributable to minority shareholders decreased to 150 million euros, or 8 million euros less than at December 31, 2011 (158 million euros), due mainly to the effect of dividend distribution resolutions by companies with minority shareholders (16 million euros) partially offset by the net profit for the period (8 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".

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 Cash Flow Hedge reserve, established upon the adoption of IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Cash Flow Hedge reserve (in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2011	(11)	3	(8)
Changes in the first nine months of 2012	36	(15)	21
Reserve at September 30, 2012	**25**	**(12)**	**13**

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, 2011	-	-	-
Changes in the first nine months of 2012	5	-	5
Reserve at September 30, 2012	**5**	**-**	**5**

26. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 35 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 first nine months of 2012:

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2011 (A)	**36**	**-**	**36**
Changes in the first nine months of 2012:			
- Financial expense	1	-	1
- Utilizations (-) / Other changes	(2)	-	(2)
Total changes (B)	**(1)**	**-**	**(1)**
Total at 09.30.2012 (A+B)	**35**	**-**	**35**

27. Provision for Deferred Taxes

The balance of 166 million euros (215 million euros at December 31, 2011) 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)	09.30.2012	12.31.2011	Change
Deferred-tax liabilities:			
- Valuation differences of property, plant and equipment and intangibles	211	263	(52)
- Adoption of IAS 17 to value finance leases	24	24	-
- Adoption of IAS 39 to value financial instruments with impact on shareholders' equity	16	-	16
- Other deferred-tax liabilities	16	9	7
Total deferred-tax liabilities (A)	**267**	**296**	**(29)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	87	65	22
- Tax-loss carryforward	3	7	(4)
- Adoption of IAS 39 to value financial instruments with impact on shareholders' equity	3	3	-
- Valuation differences of property, plant and equipment and intangibles	8	1	7
- Other deferred-tax assets	-	5	(5)
Total deferred-tax assets (B)	**101**	**81**	**20**
Total provision for deferred taxes (A-B)	**166**	**215**	**(49)**

28. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 906 million euros, for an increase of 78 million euros compared with December 31, 2011 (828 million euros).

The table below shows the changes that occurred in the first nine months of 2012:

(in millions of euros)	12.31.2011	Additions	Utili-zations	Other changes	09.30.2012
Disputed tax items	69	26	(2)	-	93
Risks for disputes, litigation and contracts	138	5	(4)		139
Charges for contractual guarantees on sale of equity investments	80	-	-	-	80
Provisions for decommissioning and remediation of industrial sites	385	13	-	4	402
Environmental risks	39	-	(2)	-	37
Other risks and charges	117	70	(11)	(21)	155
Total for the Group	**828**	**114**	**(19)**	**(17)**	**906**

More specifically:

- The main components of **additions** of 114 million euros include an addition to a provision for future charges in connection with the early termination of a CIP 6/92 contract (57 million euros), additions to provisions for tax disputes (26 million euros), financial expense on decommissioning provisions (13 million euros), statutory and tax interest accrued on existing provisions (6 million euros) and legal and tax related risks for the balance.
- **Utilizations** of 19 million euros refer essentially to the settlement of legal disputes and tax disputes (6 million euros), the coverage of costs incurred for the remediation and decommissioning of some industrial sites (2 million euros) and the reversals of the portions of provisions for risks that exceeded the actual charges (8 million euros).
- **Other changes**, negative by 17 million euros, include 16 million euros for the reclassification into liabilities of the remaining balance in the provision recognized upon Purchase Price Allocation for the Deep Horizon exploration project in Abu Qir (in Egypt).

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the Section of these Notes entitled "Update of the Status of the Main Pending Legal and Tax Disputes Compared with Semiannual Report at June 30, 2012" and in the Semiannual Report at June 30, 2012.

29. Bonds

The balance of 1,795 million euros (1,793 million euros at December 31, 2011) represents the noncurrent portion of the bonds valued at amortized cost.

The table below shows the balance outstanding at September 30, 2012 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Cur-rency	Par value outstand-ing	Coupon	Rate	Maturity	Carrying value			Fair value
							Non-current portion	Current portion	Total	
Edison Spa	Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	07.22.2014	699	28	727	746
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	499	18	517	532
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	597	63	660	665
Total for the Group			**1,800**				**1,795**	**109**	**1,904**	**1,943**

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.

30. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows.

(in milions of euros)	**09.30.2012**	12.31.2011	Change
Due to banks	144	1,290	(1,146)
Due to other lenders	41	44	(3)
Total for the Group	**185**	**1,334**	**(1,149)**

The decrease in the amount due to banks refers mainly to a reclassification to current liabilities of a syndicated standby credit line held by Edison Spa (face amount of 1,500 million euros and expiring in April 2013) that had been drawn for 1,050 million euros at December 31, 2011, and of the financial liabilities owed by Elpedison Power Sa.

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

31. Other Liabilities

Other liabilities of 31 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.

32. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Bonds	109	71	38
Short-term financial debt	1,702	1,167	535
Trade payables	2,183	2,357	(174)
Current taxes payable	28	23	5
Other liabilities	706	603	103
Total current liabilities	**4,728**	**4,221**	**507**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 109 million euros, including the total accrued interest at September 30, 2012.

- **Short-term financial debt**, which totaled 1,702 million euros, includes:
  - 1,597 million euros due to banks, 28 million euros of which represent the effect of measuring interest rate derivatives at fair value. The total amount includes 1,450 million euros for the utilization of a committed credit line held by Edison Spa. Please note that the club-deal credit line (face value of 700 million euros) was repaid in full in the period, thanks to the proceeds collected from the divestment of Edipower Spa;
  - 84 million euros due to other lenders;
  - 18 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.
- **Trade payables** totaled 2,183 million euros. A breakdown by business segment is provided below:

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Electric Power Operations	1,344	1,652	(308)
Hydrocarbons Operations	832	763	69
Corporate Activities and Other Segments and Eliminations	7	(58)	65
Total trade payables	**2,183**	**2,357**	**(174)**

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 129 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios, attributable for 104 million euros to the Electric Power Operations and for 25 million euros to Hydrocarbons Operations.

The decrease in trade payables compared with December 31, 2011 (174 million euros) is mainly attributable to the temporary impact of the abovementioned successfully renegotiations of the contracts for the supply of natural gas and to the price and volume trends commented earlier in these notes.

- **Current taxes payable** of 28 million euros represent the income tax 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 706 million euros, is as follows:

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Amounts owed to shareholders	19	10	9
Amount owed to the controlling company in connection with the filing of a consolidated tax return	127	85	42
Amounts owed to joint holders of permits for hydrocarbon exploration	151	160	(9)
Payables for consulting and other services	40	32	8
Payables owed to Tax Administration (other than current tax payables)	43	11	32
Amount owed to employees	25	26	(1)
Liabilities stemming from the measurement at fair value of derivatives	202	179	23
Payables owed to social security institutions	19	21	(2)
Sundry items	80	79	1
Total other liabilities	**706**	**603**	**103**

33. Liabilities Held for Sale

This account, which totaled 829 million euros at the end of 2011, had a zero balance at September 30, 2012. The sale of Edipower Spa on May 24, 2012 accounts for this decrease.

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

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

The amounts recorded in December 31, 2011 were related to transaction with Edipower Spa, company sold on May 24, 2012.

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Eliminations of assets			
Trade receivables	-	(15)	15
Other receivables	-	(1)	1
Current financial assets	-	(550)	550
Assets held for sale	-	(28)	28
Total eliminations of assets	**-**	**(594)**	**594**
Eliminations of liabilities			
Trade payables	-	(16)	16
Liabilities held for sale	-	(578)	578
Total eliminations of liabilities	**-**	**(594)**	**594**

NET FINANCIAL DEBT

At September 30, 2012, net financial debt totaled 3,011 million euros, or 873 million euros less than the 3,884 million euros owed at the end of 2011. Please note that about 684 million euros in proceeds from the sale of 50% of Edipower and 550 million euros from the repayment of a shareholders loan, provided by Edison Spa to Edipower at the end of December 2011, were collected in May 2012.

Consistent with the practice followed at the end of 2011, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	*See note*	**09.30.2012**	12.31.2011	Change
Bonds - non-current portion	*29*	1,795	1,793	2
Non-current bank loans	*30*	144	1,290	(1,146)
Amounts due to other lenders - non-current portion	*30*	41	44	(3)
Other non-current financial assets (*)	*20*	(73)	(77)	4
Medium/long-term net financial debt		**1,907**	**3,050**	**(1,143)**
Bonds - current portion	*32*	109	71	38
Short-term financial debt	*32*	1,702	1,167	535
Current financial assets (**)	*23*	(121)	(628)	507
Cash and cash equivalents	*23*	(586)	(291)	(295)
Short-term net financial debt		**1,104**	**319**	**785**
Financial debt held for sale	*33*	-	550	(550)
Financial asset held for sale	*24*	-	(35)	35
Net financial debt		**3,011**	**3,884**	**(873)**

(*) Included the long-term portion of financial receivables by the adoption of IFRIC 4.
(**) At December 31, 2011 included a loan of 550 million euros owed to Edison Spa by Edipower Spa.

In addition to being driven by the collection of the proceeds from the sale of Edipower, the decrease in net financial debt (873 million euros) reflects the combined effect of the following factors:

- outlays for the period's capital expenditures (309 million euros);
- tax payments (119 million euros);
- net advances paid due to the activation of take-or-pay clauses in natural gas procurement contracts (43 million euros).

An additional factor was an increase in operating working capital (835 million euros) due to the receivables related to the successful renegotiations of long-term contracts for the supply of natural gas and a lengthening of the time to collection from customers that reflects both a change in customer mix and the conditions of the economy.
These effects could be offset in part by the period's cash flow from operating activities.

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

DISCLOSURE PURSUANT TO IFRS 5

Edipower Spa

Please note that, further to the agreement in principle for the corporate restructuring of Edison and Edipower reached by A2A, EDF, Delmi and Edison on December 26, 2011, Edison executed a preliminary agreement to sell its 50% equity interest in Edipower at a price of about 600 million euros.

This sale transaction, which, pursuant to the relevant CONSOB Regulation qualifies as a highly material related-party transaction, is part of a more complex restructuring project that concerns Edison's control structure. One of the purposes of this transaction is the acquisition of control of Edison by EDF, through the purchase of the remaining equity stake in Transalpina di Energia. Basically, the transaction called for:

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

The execution of the agreement, following the approval of the sale of Edipower by the Board of Directors on January 24, 2012 and February 13, 2012, based on the favorable opinion rendered by the Independent Directors, who, in turn, relied on a fairness opinion provided by independent advisors, is conditional, in addition to receiving the approval of the relevant Antitrust Authorities, on the concurrent purchase by EDF of Delmi's 50% equity interest in Transalpina di Energia.

Please note that on April 4, 2012, the CONSOB addressed the issue of the restructuring transaction, recommending that the price of the tender offer for the Edison shares be set within an interval ranging between 0.84 euros per share and 0.95 euros per share, in the belief that the midpoint provides a useful reference point for balancing the interest of both parties.

Consequently, on May 5, 2012, the partners of Transalpina di Energia reconsidered the terms of the agreement and—having obtained a favorable ruling by the CONSOB, which, in a new communication dated May 3, 2012, found the choice of a price of 0.89 euros per share for the tender offer for the Edison shares "consistent with the adoption of the statutory criterion for the determination of the price for mandatory tender offers"—finalized an agreement calling for:

- A redefinition of Edipower's price, as result of which the consideration for the transfer to Delmi of the equity stake held by Edison in Edipower was set at about 684 million euros.
- The acquisition of a 50% stake in Transalpina di Energia at a price corresponding to 0.89 euros per Edison share.

Following the approval of the restructuring transaction by the relevant Antitrust Authorities on May 24, 2012, Edison sold its equity stake in Edipower to Delmi and, concurrently, EDF gained control of Edison through the acquisition of the entire capital of Transalpina di Energia, due to Delmi's sale of its equity stake in this company.

The redefinition of the sales price generated an economic benefit of 80 million euros, net of cost to sell, already recognized in the first half 2012 in "Profit (Loss) from discontinued operations." The balance in this account also reflects the impact of the negative contribution from the tolling operations of Edipower Spa. The following table shows the "Profit (loss) from discontinued operations" at September 30, 2012.

Income Statement – 9 months 2012

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	**9 months 2012**	of which related and significant parties (*)
Sales revenues	238	-	238	-
Other revenues and income	-	-	-	-
Total net revenues	**238**	**-**	**238**	**-**
Raw materials and services used (-)	(290)	-	(290)	-
Labor costs (-)	-	-	-	-
EBITDA	**(52)**	**-**	**(52)**	
Net change in fair value of commodity derivatives	-	-	-	
Depreciation, amortization and writedowns (-)	80	-	80	
EBIT	**28**	**-**	**28**	
Net financial income (expense)	-	-	-	-
Income from (Expense on) equity investments	-	-	-	-
Other income (expense), net	-	-	-	-
Profit (Loss) before taxes	**28**	**-**	**28**	
Income taxes	22	-	22	
Profit (Loss) from discontinued operations	**50**	**-**	**50**	
Broken down as follows:				
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**50**	**-**	**50**	

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

The table that follows shows the contribution of the Edipower CGUs to the Group's interest in the net aggregate result of the Edison system in the first nine months of 2011.

Income Statement – 9 months 2011

(in millions of euros)	Discontinued Operations	Eliminations from and to Continuing Operations	**9 months 2011**	of which related and significant parties (*)
Sales revenues	578	(5)	573	-
Other revenues and income	20	(1)	19	-
Total net revenues	**598**	**(6)**	**592**	**-**
Raw materials and services used (-)	(475)	6	(469)	-
Labor costs (-)	(31)	-	(31)	-
EBITDA	**92**	**-**	**92**	
Net change in fair value of commodity derivatives	-	-	-	
Depreciation, amortization and writedowns (-)	(95)	-	(95)	
EBIT	**(3)**	**-**	**(3)**	
Net financial income (expense)	(14)	-	(14)	-
Income from (Expense on) equity investments	4	-	4	-
Other income (expense), net	-	-	-	-
Profit (Loss) before taxes	**(13)**	**-**	**(13)**	
Income taxes	3	-	3	
Profit (Loss) from discontinued operations	**(10)**	**-**	**(10)**	
Broken down as follows:			-	
- Minority interest in profit (loss) from discontinued operations	-	-	-	
- Group interest in profit (loss) from discontinued operations	**(10)**	**-**	**(10)**	

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

Cash Flow Statement – 9 months 2011

(in millions of euros)	**9 months 2011**	of which related and significant parties (*)
A. Cash flow from discontinued operations	**43**	
B. Cash used in investing activities from discontinued operations	**(9)**	
C. Cash used in financing activities from discontinued operations	**(86)**	(8)
D. Net cash flow from discontinued operations (A+B+C)	**(52)**	

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

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	**09.30.2012**	12.31.2011	Change
Guarantees provided	1,237	1,312	(75)
Collateral provided	195	231	(36)
Other commitments and risks	338	473	(135)
Total for the Group	**1,770**	**2,016**	**(246)**

Guarantees provided totaled 1,237 million euros at September 30, 2012. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes 89 million euros (113 million euros at December 31, 2011) 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 is also due in part to the cancellation of some guarantees provided in connection with sales of equity investments executed in previous years.

Collateral provided, which amounted to 195 million euros, reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing.

Other commitments and risks, which totaled 338 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad.

Insofar as this item is concerned, also please note that with regard to long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated minimum quantities and the quantity actually used, at September 30, 2012, the Company carried advances to suppliers included in "Other assets" (Note 22) for 110 million euros. Commitments include 26 million euros (79 million euros at December 31, 2011) for accrued amounts owed to but not yet paid to counterparties stemming from the activation of the clauses in 2012. Risk profiles updating and the economic recoverability of these receivables are periodically verified during the year.

Unrecognized Commitments and Risks

In the third quarter of 2012, material commitments and risks faced by the Group that are not included among those listed above did not change significantly compared with the disclosure provided in the Condensed Consolidated Semiannual Financial Statements at June 30, 2012, 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, Algeria and Qatar. The contract to import natural gas from Norway expired during the period. 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	13.5	53.9	153.2	**220.6**

The economic data are based on prospective pricing formulas.

Update of the Status of the Main Pending Legal and Tax Disputes Compared with Semiannual Report at June 30, 2012

A review, based on information currently available, of the **developments that occurred in the third quarter of 2012** 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, 2012. Legal disputes were subdivided further between those that could give rise to a probable liability, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and those that could give rise to a contingent liability, which is dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the notes to the financial statements.

Legal disputes that could give rise to a probable liability for which a provision for risks was recognized in the balance sheet are reviewed below.

A) Edison Spa

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

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

The oral argument phase started in the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989. At the latest hearing held on June 19, 2012, the Public Prosecutor introduced new facts, never mentioned before, either in the preliminary hearing phase or during oral arguments, that have the potential of altering the charges against the defendants. In response to this development, the Company objected stating that this request was inadmissible, asking instead that the proceedings revert to the preliminary hearing phase and, if appropriate, with redefined charges. The court reserved the right to rule on this issue and adjourned the proceedings to a hearing scheduled for December 2012.

Industrial Site in Bussi sul Tirino

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they filed a series of administrative complaints with the Regional Administrative Court of Latium – Rome seeking, among other remedies, a stay and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities

to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. In March 2011, the Regional Administrative Court of Latium handed down a decision ruling that part of the complaints filed by Solvay Chimica Bussi and Solvay Solexis were inadmissible and dismissed other complaints. In June 2011, Solvay Chimica Bussi and Solvay Solexis appealed this decision to the Council of State and Edison joined these proceedings putting forth the objections it already raised before the lower court. In the meantime, in the criminal proceedings filed by the Public Prosecutor of the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer, which is also used as a supply of drinking water, the Preliminary Hearing Judge, by a decision dated May 10, 2011, revised some the charges against the defendants (specifically, stating that they should be charged with polluting the aquifer and not with poisoning it) and ordered that they stand for trial before the Court of Pescara (instead of the Court of Chieti).

The first hearing, during which preliminary motions were filed, was held on March 12, 2012. At that hearing, the Public Prosecutor, concurring with the motion filed by the defendants, argued that the Court lacked jurisdiction with regard to these specific proceedings, due to fact that in the decree authorizing the trial there appear to be a contradiction between the section describing the actions of the defendants, with seem to be consistent with the charge of poisoning the aquifer, and the dispositive section, in which the same actions were defined as consistent with the charge of polluting it.

The Court ruled affirmatively with regard to the merit of Public Prosecutor's motion and, in finding that there was a contradiction, recognized its lack of jurisdiction.

Consequently, the Court handed down a decision ordering that the records of the proceedings be provided to the Public Prosecutor, so that, in order to ensure that the right of the defendants to defend themselves is fully protected, he may reword the motion for indictment and a new preliminary hearing be held. This hearing was been scheduled for October 4, 2012.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger by absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as a liable (or jointly liable) party in the abovementioned proceedings. Further to understandings reached earlier, Edison participates in the Service Conferences, as they are convened from time to time.

Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.

In these proceedings, the Preliminary Hearings Judge, by a decree dated January 16, 2012, indicted several individuals, including three former Montedison (now Edison) executives, for crimes against public safety and environmental crimes, ordering them to stand for trial before the Court of Alessandria. The trial's initial hearing, originally scheduled for July 2012, was postponed to October 17, 2012.
The same judge, by a decision handed down on the same date, denied a motion to introduce evidence developed during the discovery phase filed by the defense counsel of some defendants.

Solvay – Edison Arbitration

On May 7, 2012, Edison received a notice that Solvay Sa and Solvay Speciality Polimers Italy Spa were filing for arbitration due to alleged violations of certain representations and environmental guarantees provided by Montedison Spa regarding the industrial sites of Bussi sul Tirino and Spinetta Marengo in the contract for the sale of Agorà (Ausimont) to Solvay executed in 2002. The first hearing in these proceedings was scheduled for October 9, 2012. The arbitration proceedings will be conducted in accordance with the procedure required by the Geneva International Chamber of Commerce and decided pursuant to the Italian laws applicable to the contract.

Property in Bussi sul Tirino (formerly owned by Montedison Srl)

Within the framework of the administrative proceedings launched with regard to the state of contamination of an industrial property owned by Edison Spa (formerly by Montedison Srl, a company merged into Edison effective as of July 1, 2012) adjacent to the industrial site in Bussi sul Tirino operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, negotiations with the Delegated Commissioner appointed by the Council of Ministers, without Montedison Srl (now Edison Spa) altering its claim to the status of guiltless owner, resulted in an agreement regarding the financial contribution provided for the emergency projects required to ensure the safety of the property. There were no noteworthy developments concerning the two separate appeals that Montedison Srl (now Edison Spa), a company that never operated any activity at the property in question, filed with the Regional Administrative Court against the actions taken by the Delegated Commissioner.

B) Other Group Companies

Multiutility vs Edison Energia Spa

In the lawsuit filed by Multiutility Spa against Edison Energia Spa for alleged failure to comply with multiple obligations arising from contracts executed by the two companies in 2004, 2005 and 2006 involving the wholesale supply of electric power, the Court of Milan handed down a decision, on April 12, 2012, denying the claims put forth by the plaintiff and ordering the plaintiff to pay all court costs. Further to this decision, Multiutility officially waived its right to appeal and, consequently, this dispute can be considered as having been successfully concluded.

* * * * *

The principal legal disputes that have arisen from past events which are dependent on the occurrence of events that are possible, but non probable, or are probable but their impact cannot be quantified reliably

and that are likely to result in a cash outlay of an amount that cannot reasonably be estimated as a result of obligations that existed on the balance sheet date, based on available information, is reviewed below:

A) Edison Spa

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

By a decision the conclusions of which were read and published on July 19, 2011, the Court of Verbania acquitted of all charges the defendants charged with the crimes of involuntary manslaughter and involuntary personal injuries caused in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory. The Public Prosecutor appealed this decision but the court has not yet set a hearing date.

ACEA Unfair Competition

There were no significant developments requiring disclosure in the lawsuit filed by ACEA Spa and pending before the Court of Rome against several parties, including AEM Spa (now A2A Spa), EdF Sa, Edipower Spa and Edison Spa, which is still in the discovery phase. ACEA alleges that the acquisition of joint control of Edison by EdF and AEM constitutes a violation of the 30% ceiling in the ownership of Edipower by a government-owned company, as set forth in the Prime Minister Decree dated November 8, 2000. Such ownership would constitute an instance of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, and is injurious to ACEA, which is asking that AEM and EdF be ordered to pay damages and take the actions necessary to void the consequences of their actions (such as the proportional divestment of equity interests held in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower in excess of the corresponding allowable quantity).

Vega Offshore Hydrocarbon Field – Vega Oil Vessel

In the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel, the preliminary hearing phase ended on June 6, 2012 with a decree indicting the defendants.
The first hearing for oral arguments has been scheduled for October 15, 2012.

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

The arbitration proceedings activated by Cooperativa Fabbri Meccanici a r.l., in composition with creditors proceedings, against Edison are continuing. The complainant is asking that Edison be ordered to pay about 950,000 euros for alleged receivables arising from the performance of a contract for the construction of a building at the Torviscosa power plant. Edison countersued asking that the cooperative be ordered to pay it about 560,000 euros. Having completed the discovery phase, the Board of Arbitrators postponed the filing of final motions to a hearing scheduled for November 30, 2012.

* * * * *

The developments that affected the status of the main tax disputes in the third quarter of 2012 are reviewed below. The Consolidated Financial Statements at December 31, 2011 and the 2012 Semiannual Financial Report should be consulted for a complete description and for additional updated concerning 2012.

Old Calcestruzzi Spa – Income Tax Assessments for 1991 and 1992

In July 2012, the Regional Tax Commission of Emilia Romagna, before which the proceedings concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years were reinstated following a ruling handed down by the Court of Cassation in 2008, filed decisions that were substantially unfavorable to the Company. Specifically, in addition to allowing some minor recoveries, the Regional Commission found that the transaction involving the beneficial ownership of shares executed at the intercompany level could not be used a shield against the Revenue Administration and upheld in full the penalties, diverging from recent rulings by the Supreme Court of Cassation, which acknowledged that administrative penalties are not applicable to "abuse of law" situations, when objections to such situations are raised in the course of judicial proceedings.
In September 2012, the Revenue Agency served the Company with a notice of the Commission's decisions and, consequently, the Company will file by December 1, 2012 a new appeal with the Court of Cassation, asking it to review the Regional Commission's decisions, specifically with regard to the penalties.
The existing provision was increased to cover all of the effects of the abovementioned decisions, even though they have not yet become final. On October 12, 2012, the Company was served with a payment notice requesting settlement of the tax liability, which is currently the subject of an appropriate review, it being understood that payment will be made on a provisional basis while litigation is pending.

Edison Spa – Disputed Municipal Property Taxes on Offshore Hydrocarbon Production Platform

In the third quarter of 2012, there were no noteworthy developments in the pending disputes concerning the claims by municipal administrations on the Adriatic coast for payment of municipal property taxes on some hydrocarbon production platforms located in the Adriatic Sea.
In September 2012, new notices of assessment for municipal property taxes were notified by the municipalities of Termoli (for the 2011 tax year) and Porto Sant'Elpidio (2007-2011 tax years). Appeals contesting these assessments will be filed in due course.

Edison Spa – IRES and IRAP Assessments for 2005 and 2006

Appeals challenging the corporate income tax (IRES) and regional tax (IRAP) assessments for the 2005 and 2006 tax years have been filed with the Milan Provincial Tax Commission. A hearing for oral arguments has not yet been scheduled.
On October 12, 2012, the Company was served with payment notices requesting settlement of IRES and IRAP taxes while litigation is pending. The Company intends to seek a court injunction suspending payment of these taxes.
A provision for risks has been established to cover potential charges resulting from these assessments.

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

The appeals challenging the first-level IRES and IRAP assessments for 2005 notified in December 2010, which concern mainly expenses found to be "not attributable" to the year in which they were recognized and deducted, but were nevertheless inherent and effective, are still pending before the Milan Provincial Tax Commission, which has not yet scheduled a hearing for oral arguments.

The deadline by which the Revenue Agency may appeal the decision favorable to the Company handed down with regard to second-level assessments for 2005 has not yet expired.

There were no developments requiring disclosure with regard to the VAT assessments concerning the alleged failure to issue invoices for green certificates delivered for offsetting purposes by Edison Trading Spa to Edipower Spa in order to meet the requirements applicable to the energy produced pursuant to the Tolling Contract. Moreover, a decision concerning the 2006 tax year has not yet been filed.

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, 2011.
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[2]) — 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 by the *Gestore dei Mercati Energetici* (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.
Consequently, market price data obtained from those markets 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, 2012, which is 204.4 million euros (46.5 million euros at September 30, 2011).

[2] 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.

Profit at Risk (PaR)	**9 months 2012**		9 months 2011	
	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%**	**204.4**	97.5%	46.5

The corresponding value at December 31, 2011 was 85.6 million euros.

In other words, compared with the fair value determined for hedging derivatives contracts outstanding at September 30, 2012, the probability of a negative variance greater than 204.4 million euros by the end of 2012 is limited to 2.5% of the scenarios.

The increase compared with the level measured at September 30, 2011 is due mainly to an increase in the net volume of financial contracts executed to hedge forward sales for 2012 and 2013.

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 first nine months of 2012 by the Industrial Portfolio would have been equal to 53% of the approved limit, with a peak of 80% in January 2012. With hedging, the average amount of Economic Capital absorbed in the first nine months of 2012 by the Industrial Portfolio was 42%, with a peak of 74% in January 2012.

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[3]) limit with a 95% probability on the Trading Portfolios is 3.9 million euros at September 30, 2012, with a stop loss limit of 20.2 million euros. The VaR limit was 32% utilized at September 30, 2012, with an average utilization of 44% 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 60.5 million euros. This limit was 36% utilized at September 30, 2012, with an average utilization of 49% for the period.

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

2. Foreign Exchange Risk

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

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

3. Interest Rate Risk

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

Gross Financial Debt	**09.30.2012**			12.31.2011		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with deriv.	without derivatives	with derivatives	% with deriv.
- fixed rate portion (included structures with CAP)	1,849	1,286	34%	1,855	1,297	30%
- variable rate portion	1,942	2,505	66%	2,510	3,068	70%
Total gross financial debt (*)	**3,791**	**3,791**	**100%**	**4,365**	**4,365**	**100%**

(*) This amount at December 31, 2011 does not include the current financial debt of Edipower Spa, amounting to 550 million euros, classified under "Liabilities held for sale".

Considering that, at September 30, 2012, the Group held 586 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial debt, including outstanding derivative transactions, they become about 40% (fixed rate) and about 60% (variable rate), respectively.

The interest risk exposure analyzed in the preceding table can be explained when one takes into account the policy pursued by the Group to manage its financial structure and corresponding costs as it relates to the trend in market interest rates. The Group's strategy is to combine fixed-rate bond issues, which are the most stable source for the procurement of financial resources, a brief description of which is provided later in these Notes in the table included in the paragraph "Default Risk and Debt Covenants", with interest rate swaps, negotiated with a six-month Euribor benchmark and classified as Fair Value Hedges. In addition, in order to have a source of funds protected from a rise in interest rates without giving up the benefits provided by short-term rates, the Group negotiated derivative structures that currently enable it to stay floating within a contractually established cap and floor.

This strategy made it possible to benefit from lower borrowing costs, as the variable short-term rate was lower than the fixed coupon rate of the outstanding bond issues.

It is worth mentioning that in the third quarter of 2012 a total notional amount of 500 million euros in derivative structures reached maturity.

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 the first nine months of 2012 and provides a comparison with the same period in 2011.

Sensitivity analysis (in millions of euros)	9 months 2012 Impact on the income statement (P&L)			09.30.2012 Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	101	85	69	-	-	-

Sensitivity analysis (in millions of euros)	9 months 2011 (*) Impact on the income statement (P&L)			12.31.2011 Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	109	97	85	-	-	-

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

4. Credit Risk

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

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

Edison Group is currently a party to contracts assigning receivables without recourse on a monthly and quarterly revolving basis. The receivables assigned without recourse during the first nine months of 2012 totaled 3,527 million euros. At September 30, 2012, the amount of receivables that were exposed to the risk of recourse was not material.

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, 2012, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table below provides an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. It is worth mentioning that trade receivables at September 30, 2012 include the temporary impact of the successfully renegotiations of the long term contracts for the supply of natural gas. Furthermore, the increase in receivables outstanding at September 30, 2012, compared with December 31, 2011, is largely due to the price effect, the time required to collect receivables from customers in the Retail and Public Administration segments, which continues to be longer than contractually stipulated, and to the growth of the Group's international activities in Egypt and Greece, albeit penalized by the local economic and political situation.

(in millions of euros)	**09.30.2012**	12.31.2011
Gross trade receivables	3,833	3,293
Allowance for doubtful accounts (-)	(166)	(141)
Trade receivables	**3,667**	**3,152**
Guarantees held (*)	673	718
Receivables 9 to 12 months in arrears	77	68
Receivables more than 12 months in arrears	337	205

(*) Including 142 million euros to hedge receivables outstanding at September 30, 2012.

Specifically with regard to the past-due receivables owed in Egypt at September 30, 2012 by the Egyptian General Petroleum Corporation (EGPC) (162 million euros), the Group is currently negotiating extended payment terms with EGPC. Moreover, management decided that it was appropriate to discount these trade receivables to present value using a rate that adequately reflects the country risk for Egypt, with a total effect of 10 million euros, including about 6 million euros recognized as financial expense.

As for the activities operated in Greece, which show gross trade receivables of 102 million euros (Edison's pro rata share, including 57 million euros past due), even though at the operating working capital level the situation is balanced by the level of trade payables (Edison's pro rata share of 88 million euros at September 30, 2012), management decided that it was appropriate to recognize an allowance for doubtful accounts of 5 million euros (Edison's pro rata share).

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. Specifically, the liabilities reflect all future cash outflows, in addition to principal and accrued interest, including all interest payments estimated for the entire length of the underlying debt obligation, and taking into account the effect of interest rate derivatives. As a result, the aggregate liability amount is larger 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 (in millions of euros)	09.30.2012			12.31.2011		
	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	1,979	16	53	2,025
Financial debt and other financial liabilities	31	1,543	130	39	834	1,330
Trade payables	2,155	28	-	2,252	105	-
Total	**2,209**	**1,617**	**2,109**	**2,307**	**992**	**3,355**
Guarantees provided to third parties (*)	**664**	**273**	**300**	760	203	349

(*) 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.

Financial debt due within one year, which amounted to 1,643 million euros, includes mainly a syndicated standby credit line with a face amount of 1,500 million euros provided to Edison Spa that matures in April 2013 which at September 30, 2012 is drawn for 1,450 million euros.

Financial debt due after one year totaled 2,109 million euros, including mainly 1,979 million euros for bond issues (with a face amount of 1,800 million euros).

At September 30, 2012, the Group held liquid assets totaling 586 million euros and had access to unused committed credit lines amounting to 755 million euros, of which 700 million euros expiring in December 2012.

Based on the considerations made above, the structure by maturity of the Group's financial commitments and the availability of cash and credit lines should suffice to conclude that the liquidity risk is virtually non-existent, at least for the last quarter of 2012. As for the major financial commitment faced next year, when Edison's main bank credit line comes to maturity (Edison's syndicated loan of 1,500 million euros, due in April 2013), Edison, working in concert with its reference shareholder EDF, is already preparing a medium/long-term refinancing plan that will be implemented in the early months of 2013.

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).

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, 2012:

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 872 million euros (including a 700-million-euro facility provided to Edison on a club-deal basis in June 2011 and fully available at September 30, 2012) and syndicated facilities amounting to 1,585 million euros, the unused portion of which was 55 million euros at September 30, 2012.

With regard to the transactions currently outstanding, including the corresponding loan agreements and bond indentures and the covenants they include, nothing changed compared with December 31, 2011. Additional information can be found in the extensive remarks provided in the notes to the Consolidated Financial Statements at December 31, 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 EBIT. 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 included in EBIT, 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, unchanged compared with December 31, 2011.

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 2012

The disclosure below provides an analysis of the financial results generated by derivative hedging and trading transactions at September 30, 2012, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the period	Fair value recognized for contracts outstanding at 12.31.2011	*Portion of (B) contracts realized during the period*	Fair value recognized for contracts outstanding at 09.30.2012	Change in fair value in the period	Amounts recognized in earnings
	(A)	(B)	*(B1)*	(C)	(D)=(C-B)	(A+D)
Sales revenues, Other revenues and income and Net change in fair value of commodity derivatives (see Notes 1, 2 and 6 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	104	1	1	-	(1)	103
- not definable as hedges pursuant to IAS 39	10	21	21	10	(11)	(1)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	3	-	-	1	1	4
Margin on trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	3,477	159	117	136	(23)	3,454
- Other revenues and income from derivatives included in the Trading Portfolios (****)	70	78	28	74	(4)	66
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(3,456)	(145)	(100)	(129)	16	(3,440)
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(58)	(70)	(32)	(60)	10	(48)
Total margin on trading activities	*33*	*22*	*13*	*21*	*(1)*	*32*
Total (A)	**150**	**44**	**35**	**32**	**(12)**	**138**
Raw materials and services used and Net change in fair value of commodity derivatives (see Note 3 and 6 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(95)	-	-	-	-	(95)
- not definable as hedges pursuant to IAS 39	(15)	(19)	(19)	(6)	13	(2)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(40)	-	-	(6)	(6)	(46)
- not definable as hedges pursuant to IAS 39	(7)	(5)	(4)	(2)	3	(4)
Total (B)	**(157)**	**(24)**	**(23)**	**(14)**	**10**	**(147)**
TOTAL INCLUDED IN EBIT (A+B)	**(7)**	**20**	**12**	**18**	**(2)**	**(9)**
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)	18	48	7	94	46	64
- not definable as hedges pursuant to IAS 39	12	5	1	3	(2)	10
Total financial income (C)	**30**	**53**	**8**	**97**	**44**	**74**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(20)	-	-	-	-	(20)
- not definable as hedges pursuant to IAS 39	(13)	(13)	-	(28)	(15)	(28)
Total financial expense (D)	**(33)**	**(13)**	**-**	**(28)**	**(15)**	**(48)**
Margin on interest rate hedging transactions (C+D)=(E)	**(3)**	**40**	**8**	**69**	**29**	**26**
Foreign exchange rate hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	37	1	1	1	-	37
Total foreign exchange gains (F)	**37**	**1**	**1**	**1**	**-**	**37**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(32)	-	-	(5)	(5)	(37)
Total foreign exchange losses (G)	**(32)**	**-**	**-**	**(5)**	**(5)**	**(37)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**5**	**1**	**1**	**(4)**	**(5)**	**-**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 8 to the Income Statement)	**2**	**41**	**9**	**65**	**24**	**26**

(*) 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 "Other revenues and income" (Note 2 to the Income Statement) under margin on financial trading activities.
(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was virtually nil at September 30, 2012.

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)	**09.30.2012**		12.31.2011	
	Receivables	**Payables**	Receivables	Payables
Foreign exchange transactions	17	(103)	23	(61)
Interest rate transactions	97	(28)	53	(13)
Commodity transactions	353	(228)	311	(263)
Fair value recognized as current assets or current liabilities	**467**	**(359)**	**387**	**(337)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	136	(129)	159	(145)
- recognized as "Other receivables and payables"	234	(202)	175	(179)
- recognized as "Current financial assets" and "Short-term financial debt"	97	(28)	53	(13)
Broken down on fair value hierarchy:				
- Level 1	28	(29)	26	(25)
- Level 2	425	(319)	349	(300)
- Level 3 (*)	14	(11)	12	(12)

(*) The fair value classified at Level 3 is recognized in the amount of -1 million euros as part of the physical trading margin (10 million euros of revenues and 11 million euros of costs), in the amount of +4 million euros as part of the financial trading margin.

With regard to these items, please note that a positive Cash Flow Hedge reserve amounting to 25 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 and balance sheet that were outstanding at September 30, 2012 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.

Please note that, as a result of the corporate restructuring of the Edison Group completed on May 24, 2012, the Group's reference related parties have changed. More specifically, following the sale of Edipower Spa to Delmi and EDF's acquisition of the entire share capital of Transalpina di Energia through its purchase of the equity stake held by Delmi, EDF gained control of Edison and is now its reference shareholder. For further information, please see the section entitled "Disclosure pursuant to IFRS 5".

Consequently, the table below shows:

- income statement transactions executed with companies of the A2A Group, the IREN Group, the SEL Group, the Dolomiti Energia Group, Banca Popolare di Milano and Mediobanca only up to May 24, 2012;
- income statement and balance sheet transactions executed through September 30, 2012 with companies of the EDF Group, Transalpina di Energia and other unconsolidated Group companies.

(in milions of euros)	*Related Parties pursuant to IAS 24*					*Other Related and Significant Parties*						Total for related and significant parties	Total for financial statem. line item	Impact %
	With unconsolidated Group companies	*With the controlling company*	*EDF Group*	*A2A Group (**)*	***Sub total***	*IREN Group (**) (***)*	*SEL Group (**) (***)*	*Dolomiti Energia Group (**) (***)*	*Banca Popolare di Milano (**)*	*Mediobanca (**)*	***Sub total***			
Balance Sheet transactions:														
Investments in associates	51	-	-	-	**51**	-	-	-	-	-	**-**	**51**	**51**	**100.0%**
Trade receivables	1	-	39		**40**	-	-	-	-	-	**-**	**40**	**3,667**	**1.1%**
Other receivables	1	63	9	-	**73**	-	-	-	-	-	**-**	**73**	**614**	**11.9%**
Trade payables	1	-	39		**40**	-	-	-	-	-	**-**	**40**	**2,183**	**1.8%**
Other payables	-	127	1	-	**128**	-	-	-	-	-	**-**	**128**	**706**	**18.1%**
Short-term financial debt	15	-	-	-	**15**	-	-	-	-	-	**-**	**15**	**1,702**	**0.9%**
Income Statement transactions:														
Sales revenues	1	-	93	35	**129**	200	-	29	-	-	**229**	**358**	**8,935**	**4.0%**
Other revenues and income	-	-	8	1	**9**	1	-	-	-	-	**1**	**10**	**673**	**1.5%**
Raw materials and services used	6	-	147	50	**203**	65	18	-	-	-	**83**	**286**	**8,487**	**3.4%**
Financial expense	-	-	-	-	**-**	-	-	-	-	1	**1**	**1**	**213**	**0.5%**
Commitments and contingent risks:														
Other commitments and risks	-	-	22	-	**22**	-	-	-	-	-	**-**	**22**	**338**	**6.5%**

(*) Please see "2011 Corporate Governance".

(**) Income statement amounts from January 1, 2012 to May 24, 2012.

(***) Considered, before the corporate restructuring, as Related Party in the "Procedure Governing Related-Party Transactions".

A) Intercompany Transactions

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

- commercial transactions involving the buying and selling of electric power, natural gas, green certificates and CO_2 certificates;
- transactions involving the provision of services (technical, organizational and general) by headquarters staff;
- financial transactions involving lending and current account facilities established within the framework of the Group's centralized cash management system;
- transactions required to file a consolidated VAT return for the Group (so-called VAT Pool);
- transactions with its controlling company required to file the consolidated IRES return.

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for September 30, 2012 showed a debt of 23 million euros.

Consolidated IRES Return

For the three-year period from 2012 to 2014, Edison Spa and its principal subsidiaries again agreed to be included in the consolidated corporate income tax (IRES) return filed by Transalpina di Energia, their controlling company. The relationships between the filers of the consolidated tax return are governed by special agreements. The terms of the abovementioned agreements are in line with those applied for the previous three-year period, having been amended only to the extent necessary to comply with new provisions of the tax laws.

Consequently, the companies that agreed to be included in the consolidated IRES return will determine their IRES liability in coordination with Transalpina di Energia, their parent company.

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 corporate income tax surcharge, which has been set at 10.5% for 2012 (regular rate of 6.5% increased to 10.5% for 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 30 million euros, mainly from sales of natural gas and recovery of maintenance costs for about 6 million euros.
- With EDF Trading Ltd, sales revenues of 58 million euros and costs of 145 million euros stemming from sales and purchases of commodities. In addition, were booked 2 million euros for recovery of costs incurred and 2 million euros for corporate services provided to EDF.
- With EDF Trading Ltd revenues of 226 million euros and costs of 221 million euros stemming from transactions executed during the period as part of the Trading Activity; these amounts are included in sales revenues on a net basis.
- With EDF Trading Ltd, commitments of up to 22 million euros within the EDF Carbon Fund to purchase CER/ERU.

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

As described above, transactions with other related and significant parties listed below referred only to income statement transactions executed from January 1, 2012 to May 24, 2012.

A2A Group

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

- Sales revenues of 35 million euros from contracts to supply electric power and steam to A2A Trading Srl and A2A Calore e Servizi Spa.
- Other revenues and income of 1 million euros from A2A Trading Srl, for the recovery of costs incurred.
- Materials and services used totaling 50 million euros, broken down as follows: 14 million euros for purchases of electric power by A2A Trading Srl, 34 million euros for electric power transmission services by A2A Reti Elettriche Spa and 2 million euros other utilities.
- With A2A Trading Srl, revenues of 19 million euros and costs of 19 million euros from transactions executed during the period as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

IREN Group

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

- Sales revenues of 195 million euros from contracts to supply electric power and natural gas to Iren Mercato Spa.

- Other revenues and income of 1 million euros from Iren Mercato Spa, for the recovery of costs incurred.
- Raw material and services used of 65 million euros, mainly from the purchase of electric power and natural gas.
- With Iren Mercato Spa, revenues of 13 million euros and costs of 8 million euros from transactions executed during the period as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

SEL Group

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

- Sales revenues of 2 million euros and costs for 18 million euros from contracts to supply electric power to SEL Spa.
- With SEL Spa, revenues of 1 million euros and costs of 3 million euros from transactions executed during the period as part of the Trading Activity; these amounts are included in sales revenues on a net basis.

Dolomiti Energia Group

Transactions executed pursuant to contracts for the supply of electric power resulted in sales revenues of 29 million euros, of which 25 million euros with Trenta Spa.

2) Financial Transactions

Please note that no financial transactions with related parties were outstanding at September 30, 2012. However, on September 27, 2012, EDF Sa and Edison Spa executed a framework agreement for centralized cash management services, pursuant to which EDF will manage Edison surplus cash and cash needs, with the aim of optimizing short-term cash flows.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

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

- On February 7, 2012, Edison Spa agreed to the voluntary early termination of the CIP 6/92 contract for the Piombino thermoelectric power plant, recognizing a net positive impact of 28 million euros at the EBITDA level (due to an income of 85 million euros net of a provision for future charges of 57 million euros) and writedowns of property, plant and equipment totaling 21 million euros.
- The sale to Delmi of the equity stake held in Edipower Spa closed on May 24, 2012 at a price of 684 million euros. Edison recognized a positive effect of 80 million euros in the income statement, net of transaction costs, in the line item "Profit (Loss) from discontinued operations" and a financial benefit of about 1.2 billion euros.
- On September 11, 2012, the London International Chamber of Commerce notified to Edison the award related to the dispute between Edison and RasGas for the revision of the price of LNG (liquefied natural gas) supplied under a long-term contract from Qatar, which generated a positive effect of 408 million euros at the EBITDA level.
- On October 1, 2012, the Paris International Chamber of Commerce notified to Edison the award related to the dispute between Edison and ENI for the revision of the price of natural gas supplied under a long-term contract from Libya. Because this was an adjusting event, pursuant to IAS 10, the resulting effects were recognized in the Quarterly Report at September 30, 2012, which reflects a benefit of 190 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 2012, as defined in the CONSOB Communication No. DEM/6064293 of July 28, 2006.

SIGNIFICANT EVENTS OCCURRING AFTER SEPTEMBER 30, 2012

No significant events after September 30, 2012 occurred.

Milan, October 26, 2012

The Board of Directors
By Bruno Lescoeur
Chief Executive Officer

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SCOPE OF CONSOLIDATION

at September 30, 2012

SCOPE OF CONSOLIDATION AT SEPTEMBER 30, 2012

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 09/30/12	Consolidated Group interest (a) 12/31/11	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 09/30/12	Consolidated Group interest (a) 12/31/11	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Group Parent Company											
Edison Spa	Milan (IT)	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) Electric Power Activities	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 Gas and Power Romania Srl Electric Power Activities	Bucuresti (RO)	RON	8,400,000	100.000	-	99.00	Edison International Holding Nv	-	-	S	-
						1.00	Edison Spa				
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)
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa - (single shareholder) Hydrocarbons Activities	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Gas and Power Romania Srl Hydrocarbons Activities	Bucuresti (RO)	RON	8,400,000	100.00	-	99.00	Edison International Holding Nv	-	-	S	-
						1.00	Edison Spa				
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	90,000,000	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) 09/30/12	Consolidated Group interest (a) 12/31/11	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	-
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) 09/30/12	Consolidated Group interest (a) 12/31/11	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	37.89	75.78	Elpedison Bv	-	-	JV	-
Elpedison Energy Sa ex Elpedison Trading Sa	Marousi Athens (GR)	EUR	1,435,600	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.	Zagreb (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa (single shareholder)	-	-	JV	-
Fayoum Petroleum Co - Petrofayoum	Cairo (ET)	EGP	20,000	30.00	30.00	30.00	Edison international Spa (single shareholder)	-	-	JV	-
ICGB AD	Sofia (BG)	BGL	8,605,660	25.00	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	1,000,000	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) 12/31/11	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	-	-	3.1	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	-	-	3.3	AC	-
GTI Dakar Ltd	George Town Gran Caiman (KY)	EUR	14,686,479		30.00	Sondel Dakar Bv	-	-	-	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Edison Spa	-	-	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	Milan (IT)	EUR	37,242,300		20.81	Edison Spa	-	-	17.5	AC	-
Total investments in companies valued by the equity method									**48.5**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/11	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)	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	Edison Spa	-	-	-	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) 12/31/11	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	-	-	3.9	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.0	NG	-
Amsc-American Superconductor	Devens (US)	USD	508,687		0.31	Edison Spa	-	-	0.6	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	-	-	0.6	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	(iv)
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.76	Edison Spa	-	-	0.4	NG	-
Rashid Petroleum Company - Rashpetco	Cairo (ET)	EGP	20,000		10.00	Edison International Spa (single shareholder)	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.02	Edison Spa	1.06	1.06	10.4	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	-	-	181.1	NG	-
Total investments in other companies valued at fair value									**201.7**		
Total equity investments									**252.6**		

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.

(iv) Company for which cancellation has been requested but not yet removed from Dutch Trade Register

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

BGL Bulgarian lev

BRL Brazilian real

CHF Swiss franc

EGP Egyptian pound

EUR Euro

GBP British pound

HRK Croatian kuna

PTE Portuguese escudo

RON Romanian leu

USD U.S. dollar

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), Roberto Buccelli, 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, 2012 is consistent with the data in documents, accounting records and other records.

Milan, October 26, 2012

“Il Dirigente Preposto alla redazione dei documenti contabili societari”
Roberto Buccelli