REPORT ON OPERATIONS 2008

EDISON

EDISON
IN THE WORLD

12.1 **GW installed generating capacity**

27 **Thermoelectric Power Plants**

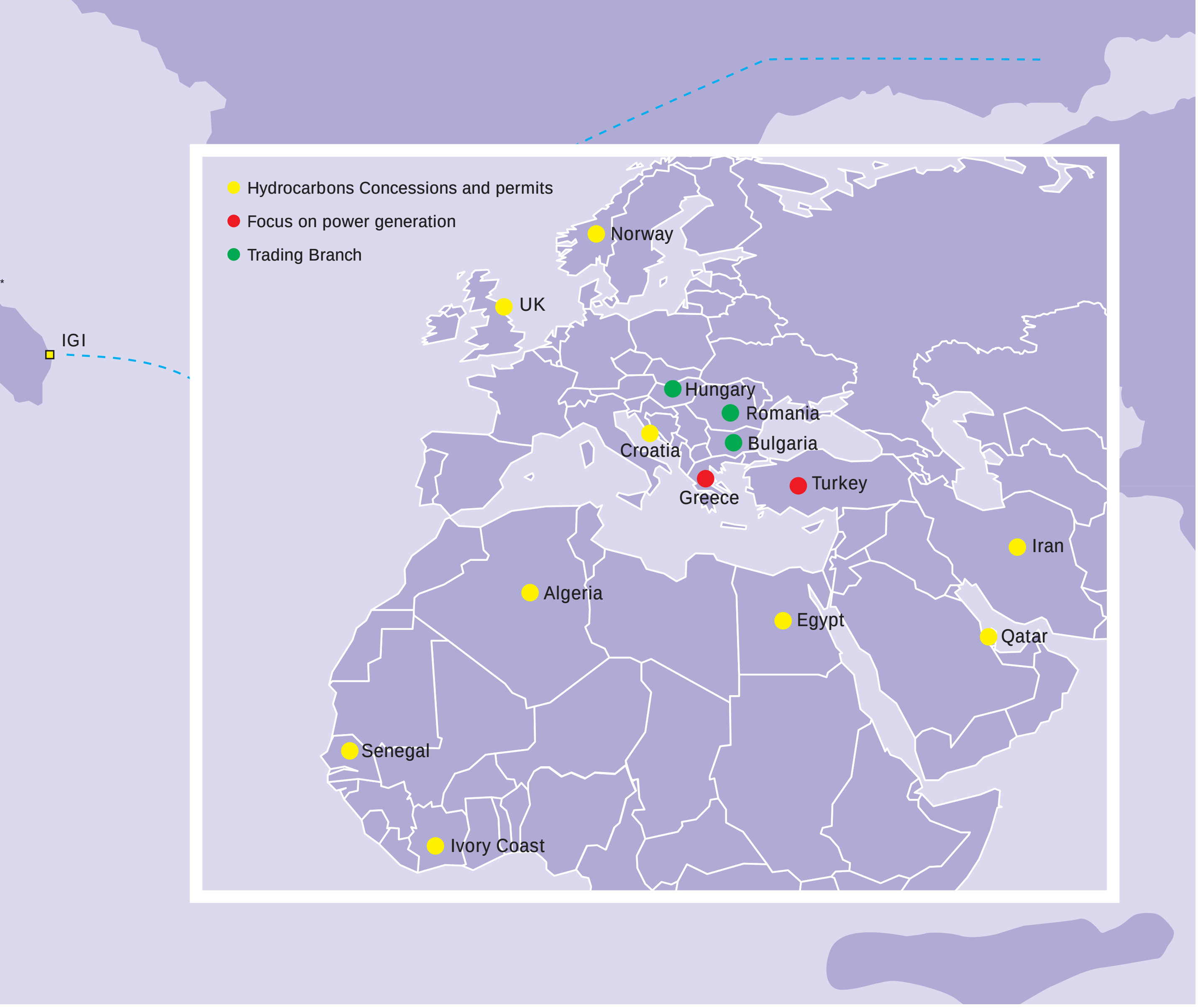
68 **Hydroelectric Power Plants**

28 **Wind Farms**

35.5 **bcme Hydrocarbons Reserves**

83 **Concessions and permits in Italy and abroad**

2 **Gas storage fields**



CONTENTS

REPORT ON OPERATIONS
2008

EDISON

EDISON TODAY

Edison is one of Italy's top energy operators. It produces, imports and sells electric power and hydrocarbons (natural gas and oil).

Electric Power

Italian Market in 2008		
Total Italian demand	337.6	TWh
incl.: - Deregulated market	206.2	TWh
Edison's net sales in Italy (*)	67.2	TWh
incl.: - Deregulated market (*)	28.4	TWh
- Power Exchange sales	21.1	TWh
- CIP 6/92 sales	13.1	TWh
- Sales to captive customers	4.5	TWh

Facilities and Production Capacity in 2008		
Edison's installed capacity + Edipower (50%) (**)	12.1	'000MW
Total Italian net production of electric power	305.5	TWh
Edison's net production of electric power *(including 50% of Edipower)*	50.2	TWh
Share of total Italian production	16.4	%

Number of direct end customers	45	'000

(*) Including sales to wholesalers and excluding exports.

(**) Including share of Edipower's installed capacity available to Edison under the current tolling contract.

Sources: Preliminary year-end data by AU and Terna and Edison estimates.

Hydrocarbons

Italian Market in 2008		
Total Italian market	83.1	Bill. m^3
Edison's available supply in Italy	13.5	Bill. m^3
Edison's available supply/Total Italian market	16.2	%
Edison's sales outside Italy	0.3	Bill. m^3

Facilities and Production Capacity in 2008		
Total Italian production	9.1	Bill. m^3
Edison's production in Italy	0.7	Bill. m^3
Share of total production	7.3	%
Number of concessions and permits in Italy	59	n.
Number of concessions and permits outside Italy	24	n.
Number of storage centers in Italy	2	n.
Hydrocarbon reserves	35.5	Bill. m^3
Production outside Italy	0.3	Bill. m^3
Gas transmission network (low- and medium- pressure pipelines)	3.42	'000/Km
Gas transmission network (high pressure pipelines)	0.08	'000/Km
Number of direct end customers	170	'000

Sources: Preliminary year-end data by the Ministry of Economic Development and Edison estimates.

SIMPLIFIED STRUCTURE OF THE GROUP AT DECEMBER 31, 2008

Organization and activities of the Business Units and main consolidated companies

EDISON Spa [1]

Electric Power Operations

Management of facilities to generate thermoelectric and hydroelectric energy

Edipower Spa [2]

Hydros Srl

Dolomiti Edison Energy Srl

Renewable Sources

Development and management of facilities to generate energy from wind power and other renewable sources

Edison Energie Speciali Spa

Energy Management

Dispatching and sales on the Power Exchange and to wholesalers

Edison Trading Spa

Hydrocarbons Operations

Hydrocarbon exploration and production and natural gas storage, transmission and distribution

Edison International Spa

Edison Stoccaggio Spa

Edison D.G. Spa

Gas Supply & Logistics

Procurement management, logistics and sales to wholesalers and thermoelectric power plants

Marketing & Distribution

Sales of electric power and natuaral gas to end users

Edison Energia Spa

- Electric Power Business Units
- Hydrocarbons Business Units
- Main consolidated companies

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

(2) Edipower Spa are joint venture consolidated at 50% by the proportional method.

A LETTER TO SHAREHOLDERS

Dear Shareholders:
In 2008, there was a sharp reversal from the trends that shaped the global economy in the past. Over a few short months, the economy swung sharply from an expansion period in these years to a severe recession, triggered by the subprime mortgage crisis and magnified by the serious difficulties experienced by some of the main banking institutions in the United States and Europe.

In Italy, for the first time since the crisis of 1981, the demand for energy reversed its positive trend in the fourth quarter of 2008, with a negative impact on the results of the energy industry for the full year. From October to December, demand for electric power decreased by 5% on average, with consumption in the industrial sector plummeting by 15%. As a result, the decrease for the full year was 1% for total demand and 9% for industrial demand.
During the year, raw material prices were characterized by unprecedented fluctuations: in a few short weeks, the price of oil swung from an all-time high in July to a low that had not been seen since 2004. In Italy, the impact of these unfavorable business conditions on the traditional stability of the electric power market was compounded by a series of changes in the regulatory framework and the tax laws that further affected the year's results.

In this environment, Edison's results for 2008 were substantially in line with those achieved in 2007, with a slight improvement at the operating level and a deterioration at the earnings level caused by a higher tax burden.
Sales revenues were up significantly (+33.7%), rising to 11,066 million euros. This improvement reflects positive contributions both by the electric power operations (+28.1%) and in the natural gas area (+29.4%), attributable mainly to the upward trend that characterized the reference parameters.

In 2008, EBITDA increased 2.4% to 1,643 million euros and the profit before taxes increased 6.3% to 730 million euros. The Group's net profit totaled 346 million euros. Unfavorable changes in the tax laws, such as the Robin Hood Tax (Law No. 133) and the Anti-Crisis Decree (Decree Law No. 185), and the absence of the nonrecurring tax benefit of 135 million euros recognized in 2007 are the main reasons for this negative comparison.
Net financial debt totaled 2,920 million euros (2,687 million euros in 2007). Even after the effect of the important acquisition of the Abu Qir fields, in Egypt, which closed on January 15, 2009, the Group's debt/equity ratio is still one of the absolute best in the energy industry.
The positive operating results achieved in 2008 will enable the Company to confirm the same dividend paid in the previous year.

A series of events, each of which represents a fundamental step forward in the implementation of Edison's growth strategy, both in the electric power and the natural gas businesses, characterized 2008. In the natural gas area, the goal is to build new infrastructures that will provide Edison and Italy with new supply sources, improve the choice of offers and diversify geographical risks.
In September, the offshore regasification terminal arrived off the coast of Rovigo. When fully operational, this facility will be used to import 8 billion cubic meters of natural gas from Qatar, 6.4 million cubic meters of which will be available to Edison. The Cavarzere-Minerbio natural gas pipeline, which will connect the terminal to the national transmission network, was also brought on stream in 2008.
In addition to this infrastructure, the only one of its kind in the world, other Edison projects made progress during the year: the GALSI pipeline (connecting Algeria to Sardinia and Tuscany) and the ITGI pipeline (connecting Turkey, Greece and Italy).
In 2008, the GALSI project began the process of filing the required permit applications and an agreement was reached with Snam Rete Gas to build the connecting link for the new pipeline between Sardinia and the national network.

At the beginning of 2009, the European Union reaffirmed ITGI's designation as a key infrastructure, thereby making it eligible for E.U. funding within the framework of the European program for the development of strategically significant infrastructures. This natural gas pipeline, which will link Italy with the Caspian Sea Basin by way of Turkey and Greece, will have a transport capacity that will include 8 billion cubic meters of gas a year available to Italy. Edison has secured use of 80% of the capacity of the Italy-Greece pipeline section and is negotiating the corresponding supply contracts.

With the development of these projects, which should be completed by 2013, Edison will have in place a structured portfolio of long-term supplies of natural gas from a diversified mix of geographic areas, with contracts executed directly with the producing countries. In 2008, the portfolio gained the contract with Sonatrach for the supply of 2 billion cubic meters of natural gas, delivered through the expanded capacity of the Transmed-TTPC pipeline, was added to the Group's portfolio. Fundamental progress was also made in the areas of hydrocarbon exploration and production in 2008. In December 2008, Edison was awarded the Abu Qir concession in Egypt. The Abu Qir fields, which produce about 1.5 billion cubic meters of natural gas and 1.5 million barrels of oil a year, hold proven reserves of 70 billion cubic meters of gas equivalent, about 40% of which is attributable to Edison. The activities planned for Abu Qir over the next three years should enable Edison to produce 15% of its natural gas needs from its own reserves.

In the electric power area, Edison streamlined its portfolio of generating facilities, renovating it and upgrading it with a plan completed in 2007 that added 7,000 MW in new combined-cycle generating capacity. As part of this process, the Group divested some CIP 6/92 power plants that, due to the upcoming expiration of their concessions, could not be readily integrated into the existing portfolio. With regard to the portfolio of hydroelectric power plants, the Group also entered into two agreements in the provinces of Trent and Bolzano: Dolomiti Edison Energy for three power plants (Taio-Santa Giustina, Mezzocorona-Mollaro and Pozzolago) in the province of Trent and Hydros for seven power plants (Lasa, Brunico, Marlengo, Prati di Vizze, Ponte Gardena, Curon and Premesa) in the province of Bolzano. These transactions will enable Edison to maintain an important presence in this area over the long term.

Equally important was the decision to enter the residential market in September, which will enable Edison to better balance upstream production with downstream sales and achieve greater earnings stability over time by diversifying its customer portfolio. Consistent with this strategy, the Group bought an 80% interest in AMG GAS Palermo. With this acquisition, Edison doubled the number of its natural gas customers, passing the milestone of 300,000 households served and increasing its share of the residential market for natural gas. Lastly, 2008 marked Edison's return to investing in electric power generating facilities outside Italy. Specifically, the Group began construction of a 400-MW combined-cycle power plant in Thisvi, Greece, and entered into a joint venture agreements with Hellenic Petroleum (Greece's largest independent operator) that will become operational in the coming months.

Dear Shareholders, our industry, which historically was characterized by a scenario of steady growth, is now facing with a sharp trend reversal. We are well aware of the challenges that we are facing and are determined to address this situation by mobilizing all of our managerial resources to achieve the strategic and operational objectives and by implementing an Operating Excellence Plan that will involve everyone throughout the Company with the specific objectives of boosting efficiency, reducing costs and identifying the management tools needed to deliver good profitability even during unusually difficult periods.
The important results we have achieved and the project carried out in 2008 make us confident that the Company will be able to continue growing consistent with its stated strategic guidelines: we have the ideas, the people and the financial resources needed to react swiftly and enter a new phase of development, responding to the challenges but also seizing the opportunities created by the current market situation.

Giuliano Zuccoli
Chairman

Umberto Quadrino
Chief Executive Officer

BOARD OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Board of Directors [1]

Chairman		Giuliano Zuccoli [2]
Chief Executive Officer		Umberto Quadrino [2]
Directors		Marc Boudier [2] [3]
		Daniel Camus [4]
	Independent Director	Mario Cocchi [3]
	Independent Director	Gregorio Gitti [3]
		Pierre Gadonneix
	Independent Director	Gian Maria Gros-Pietro [3] [4]
		Marco Merler [4]
		Renato Ravanelli [2]
		Paolo Rossetti
		Andrea Viero [4] [5]
		Gerard Wolf

Board of Statutory Auditors [1]

Chairman	Alfredo Fossati
Statutory Auditors	Angelo Parma
	Leonardo Schinasi

Independent Auditors [6]

PricewaterhouseCoopers Spa

(1) Elected by the Shareholders' Meeting of April 2, 2008 for a three year period ending with the approval of the 2010 annual financial statements.
(2) Member of the Strategy Committee.
(3) Member of the Compensation Committee.
(4) Member of the Audit Committee.
(5) Coopted by the Board of Directors on November 12, 2008 to replace Ivan Strozzi, who resigned. Mr. Viero's term of office ends with the next Shareholders' Meeting scheduled for March 31, 2009.
(6) Audit assignment awarded by the Shareholders' Meeting of April 19, 2005 for the 2005-2007 period and extended for the 2008-2010 period by the Shareholders' Meeting of April 5, 2007

INFORMATION ABOUT THE COMPANY'S SECURITIES

Number of shares at December 31, 2008

Common Share	5,181,108,251
Savings Share	110,592,420

Shareholders with Significant Holdings at December 31, 2008

	% of voting rights	% interest held
Transalpina di Energia Srl	61.281%	60.001%
EDF Eléctricité de France Sa [1]	19.359%	18.955%
Carlo Tassara Spa [2]	10.025%	9.815%

(1) Interest held indirectly.
(2) Interest held directly and indirectly.

REPORT ON OPERATIONS

KEY EVENTS IN 2008

GROWING OUR BUSINESS

Edison Signs a Hydrocarbon Exploration Contract in Iran

On January 9, 2008, after submitting the winning bid for the 8,600-km^2 Dayyer offshore block in the Persian Gulf that was being offered by the National Iranian Oil Company (NIOC), Edison signed a hydrocarbon exploration contract. Iran's oil minister attended the event.
The contract calls for a four-year exploration period that will be used to carry out surveys, acquire and process seismic data and drill an exploratory well, at a cost of approximately 30 million euros. If reserves are discovered, Edison will proceed directly with the development phase.

Edison Increases Its Equity Interest in Galsi

Under an agreement signed on February 19, 2008, Wintershall Holding AG, a shareholder with a 13.5% interest in Galsi Spa (a company that is developing and will build and operate a new natural gas pipeline linking Algeria with Italy by way of Sardinia), left the consortium and sold its equity stake to the remaining shareholders.
Pursuant to the agreement, each of the remaining Galsi shareholders, exercising its preemptive right, purchased its pro rata percentage of the Wintershall equity stake. Specifically, Edison Spa bought 866,316 common shares, equal to 2.8% of the share capital, raising its interest in Galsi's share capital to 20.8%.

Edison and Confagricoltura: Agreement to Develop Biomass Power Plants

On March 29, 2008, Edison and Confagricoltura, an organization that represents and protects Italian farm businesses, signed a Memorandum of Understanding agreeing to support the development of biomass-fueled power plants, in accordance with a model of sustainable development and assurance of biomass supply availability.
The agreement calls for identifying agribusinesses, mainly domestic, that are large enough to support the development of power plants fueled with biomasses. Another objective of the agreement is to provide these agribusinesses with support in such areas as energy efficiency, distribution and marketing of electric power, innovative services and organizational models, with special emphasis on understanding Power Exchange trends and the methods and procedures that regulate the value of green certificates.

Edison: Green Light for the Construction of Europe's First Merchant Line, Between Italy and Switzerland

On April 23, 2008, work started on the construction of Europe's first alternate-current interconnecting line not operated by a national operator that will link the electrical stations of Campocologno, in Switzerland, and Tirano, in Italy.
The 150-kv interconnecting line, which will have a length of 4.4 kilometers, will be put into service by the end of 2009, increasing by 150 MW the transmission capacity between the two countries.
This infrastructure will be built and operated by EL.IT.E, a company created specifically for this purpose in January 2008 and owned by Edison (48.45%), Raetia Energie (46.55%) and the Municipal Administration of Tirano (5%). The investment budgeted for the construction of the new line is 17.6 million euros.

Edison and Dolomiti Energia: Joint Venture in the Province of Trent

On May 29, 2008, having received the necessary approval from the relevant authorities, Edison closed the sale of a 51% interest in Dolomiti Edison Energy Srl to Dolomiti Energia.
At the beginning of May, pursuant to an earlier agreement, Edison conveyed to Dolomiti Edison Energy, a joint venture established by Dolomiti Energia and Edison to operate hydroelectric facilities in the province of Trent, the business operations consisting of three hydroelectric power plants (Taio-Santa Giustina, Mezzocorona/Mollaro and Pozzolago). These facilities, which operate by virtue of concessions expiring in 2008, 2017 and 2016, respectively, have a combined installed capacity of about 180 MW and an average annu-

The Adriatic LNG Terminal will give Edison access to natural gas from Qatar. The terminal will be used to import 8 billion m^3 of gas a year, meeting 10% of Italy's natural gas needs.

Edison owns 12.1 GW of efficient and environmentally friendly power plants, 7 GW of which were constructed over the last 5 years.

al potential output of more than 500 million KWh. Edison has a 49% interest in Dolomiti Edison Energy. In view of the contractual structure of the transaction, Edison will continue to consolidate the company on a line-by-line basis. Edison will continue to manage the dispatching and, until the existing concessions expire, will take delivery of all of the energy produced by the conveyed power plants. The preset price at which the produced energy will be supplied shall be sufficient to cover the costs incurred by the company and compensate invested capital. If the concessions are extended, during the period subsequent to the original expiration date, the partners (or their subsidiaries) will receive a share of the electric power produced proportionate to their interest in the company's share capital. Pursuant to the agreements, Dolomiti Energia will thus be entitled to receive its pro rata share of the energy produced by the Taio power plant starting on July 31, 2008.

The sales price for a 51% interest in the new company (30.86 million euros) was determined based on a total value of 105 million euros for all of the conveyed business operations and, as agreed with the buyer, reflects the assumption by Dolomiti Edison Energy of about 40 million euros in debt and takes into account the stipulations referred to above concerning the allocation of the electric power generated while the current concessions are in effect.

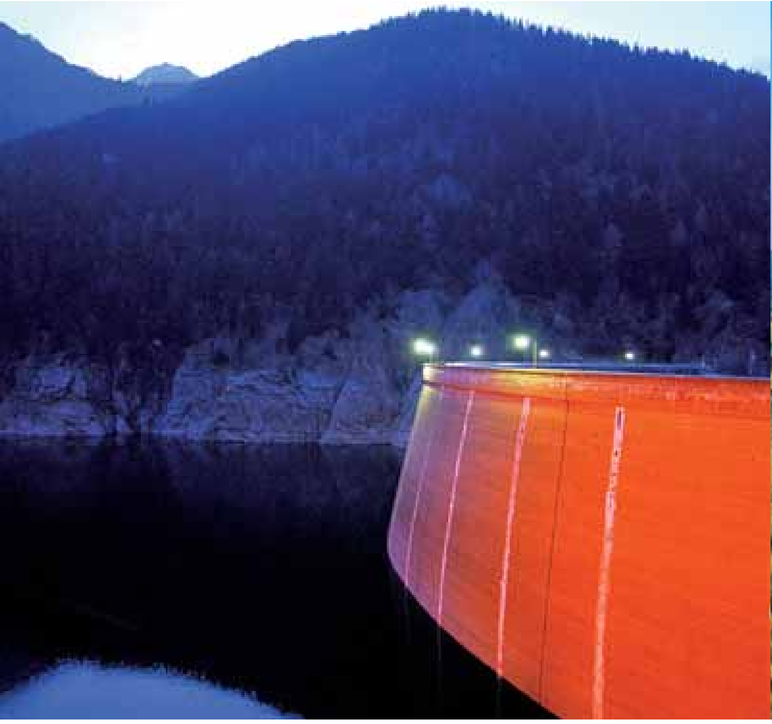
Should the term of the existing concessions not be extended, the parties may avail themselves of a call and a put option, respectively, for the 51% interest owned by Dolomiti Energia, exercisable between June 30, 2008 and March 31, 2018. The criteria for determining the exercise price of these options, which are set forth in the terms of the agreement, are based on the consideration paid for the 51% interest in the company, adjusted to reflect the results generated by the company up to the time the options are exercised.

Edison: IGI Poseidon SA, the Company That Will Build the Italy-Greece Natural Gas Pipeline, Is Born

On June 11, 2008, IGI Poseidon SA, the engineering company that will design, develop, build and operate the Greece-Italy natural gas pipeline, which will run 200 kilometers under the sea between the Greek coast and the coast of Apulia, was established in Athens. This infrastructure, which has already reached an advanced phase of the authorization process both in Greece and in Italy, will be used to import 8 billion cubic meters of natural gas a year from the Caspian Sea Basin, where over 20% of the world's reserves are located, thereby helping diversify the supply sources for Italy and Europe as a whole.

Pursuant to the agreements signed by the parties, IGI Poseidon is a 50-50 joint venture of Edison International Holding (100% Edison) and Depa, Greece's government owned hydrocarbon company.

The Italian government, following a positive ruling issued by the European Union, granted Edison and Depa the right to use the pipeline's entire transmission capacity for a period of 25 years. Under an agreement executed by the two companies, 80% of the transmission capacity will be reserved for Edison, with Depa taking up the remaining 20%.



Edison and Depa agreed to increase the pipeline's transmission capacity by about 1 billion cubic meters, which they will make available to third parties through an Open Season Procedure that will get under way at the end of June. In addition, they will make 10% of the imported gas available to increase trading at the Italian Virtual Exchange Facility, thereby contributing to the creation of the future Natural Gas Exchange.

Edison: Go Ahead for the Joint Venture with Hellenic Petroleum

On July 3, 2008, at a meeting in Athens, Edison and Hellenic Petroleum, Greece's largest hydrocarbon company and the country's top independent electric power operator, signed agreements establishing a 50-50 joint venture to operate in Greece's electric power market.

The joint venture, working through subsidiaries, intends to develop a generating capacity of more than 1,500 MW (including 390 MW already operational), a level of output equal to about 12% of the Greek market, thereby becoming the second largest electric power operator in Greece. The new company will also engage in trading and selling electric power and will consider growth opportunities in the field of renewable energy sources in Greece and in the production and sales of electric power in the Balkans. Hellenic Petroleum will convey to the new joint venture its T-Power SA subsidiary, which owns a 390-MW, combined-cycle power plant fueled with natural gas that is already operational in Thessaloniki. This facility is the first private-sector power plant built in Greece. Edison will convey its 65% equity interest in Thisvi SA, which is building a 420-MW combined-cycle facility in Thisvi, in central Greece, and projects, currently in the study phase, for the construction of additional power plants. Under the agreements signed today, T-Power SA and Thisvi SA will later be merged into a single company controlled by the joint venture. Thisvi's current minority shareholders (Hellenic Energy & Development and Halcor) will have the right to purchase a sufficient number of shares of the company resulting from the merger to maintain an overall equity interest of 25%. Alternatively, Hellenic Energy & Development and Halcor will have the option of selling their equity interests to the joint venture.

Two New Natural Gas Fields Discovered in the Strait of Sicily

In July 2008, Edison made an important natural gas discovery in the Strait of Sicily, successfully drilling the Cassiopea 1 well about 22 km offshore. Edison has a 40% interest in this field and Eni is the operator, with a 60% interest. The well was tested successfully, showing production potential of about 190,000 cubic meters of natural gas a day. An analysis of the data would seem to indicate that an even greater level of output could be possible over the field's regular production cycle.

In September, Edison made a further significant gas discovery in the Strait of Sicily, after drilling the Argo 2 well about 20 km offshore. Edison has a 40% interest in this field and Eni is the operator, with a 60% interest. An initial test of the Argo 2 well was successful, showing a production potential of about 170,000 cubic meters of gas per day.

The Cassiopea and Argo 2 discoveries, coming on the heels of those in the adjoining Panda and Argo fields, confirms the high potential of the deep offshore area in the Strait of Sicily. A fast-action plan that will use underwater systems to achieve an integrated development of the Cassiopea and Argo 2 fields and the adjoining Panda and Argo fields is currently being considered. The area's potential reserves are estimated at about 18 billion cubic meters.

Edison: Inauguration of the Rovigo Regasification Terminal

On September 20, 2008, an event was held at Porto Viro (RO) to welcome the regasification terminal, which, almost three weeks and 1,700 nautical miles (about 3,150 kilometers) after its departure from the dock yard where it was built in Algeciras, in Spain, arrived at its permanent Adriatic Sea home, off-shore Porto Levante, in the province of Rovigo.
The terminal's structure sailed from Algeciras on August 30, towed by four tugboats traveling at an average speed of 4.4 knots (about 8 kilometers per hour), and reached its destination on September 15. Upon its arrival, the structure was permanently positioned on the seabed, in about 28 meters of water. Work on the installation of the berthing and mooring system for LNG ships will begin shortly and the terminal will be hooked to a pipeline that will deliver the natural gas to Italy's distribution network. Once the installation phase is completed, the terminal will undergo a series of tests and technical trials, with the first LNG ship scheduled to arrive around mid 2009 for the cooling process.
The terminal, which is the first offshore facility of its kind, is 47-meters tall, 88-meters wide and 180-meters long. It has a regasification capacity of 8 billion cubic meters of natural gas a year. Pursuant to the LNG supply agreement signed with Ras Gas (a joint venture of Qatar Petroleum and ExxonMobil), Edison will have access to 80% of the terminal's capacity (equal to 6.4 billion cubic meters of natural gas a year). The remaining 20% will be made available to market operators, in accordance with procedures determined by the Electric Power and Natural Gas Authority.
The gas delivered to the terminal will originate from the North Field, in Qatar, which is the largest natural gas field in the world, with over 25,000 billion cubic meters in reserves, and will be liquefied with modern liquefaction trains in Qatar.
Edison, which launched this project over 10 years ago, currently owns a 10% interest in Terminale GNL Adriatico Srl, the company that is developing this facility. The other partners are Qatar Terminal Limited and ExxonMobil Italiana Gas, each with a 45% interest.

Edison Unveils its Electric Power Sales Package for the Residential Market

A year after the deregulation of the electric power market and consistent with a strategy of diversifying its customer base, Edison entered the residential market.

In September 2008, Edison entered the residential market enabling customers to buy competitively priced electric power. Some of Italy's athletes were among the first customers (Francesca Piccinini shown here). The advertising campaign included testimonials from the true "experts" on power usage in the home: household appliances.

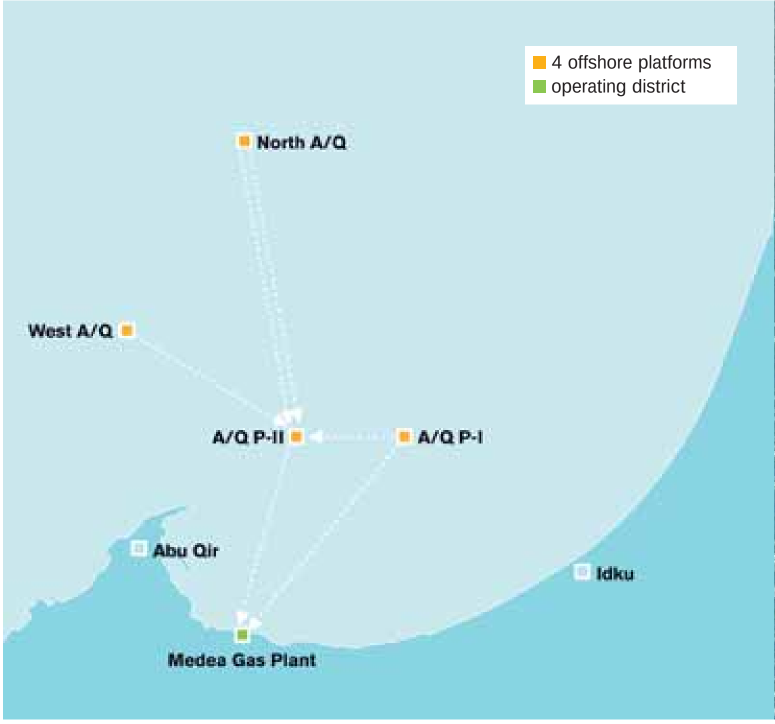
With an intense television, print, radio and internet advertising campaign that launched on September 28, Edison approached the residential market with a sales package that provided a 20% discount on the energy component of the electric bill.

Edison Buys 80% of AMG Gas in Palermo

On October 7, 2008, Edison submitted the winning bid in a public auction, acquiring an 80% interest in AMG Gas Srl, a natural gas distributor that serves more than 133,000 customers in the Palermo area and sells 80 million cubic meters of natural gas a year.
The acquisition of this investment, which had a purchase price of about 25 million euros, has received the approval by the antitrust authorities and therefore the stake transfer is expected to occur in March 2009.
On December 24, 2008 Amg Energia Spa and Edison Spa signed a preliminary agreement under which Edison will pay in advance 10% of the purchase price.

Edison and SEL: Green Light for Hydros, a New Joint Venture in the Province of Bolzano

On October 24, 2008, after receiving clearance from the relevant authorities, Edison transferred to SEL (Società Elettrica Altoatesina) ownership of a 60% interest in Hydros Srl, a newly established company, as required by an agreement that Edison and SEL executed in April 2008.
In August 2008, Edison conveyed to Hydros Srl the business operations consisting of seven hydroelectric power plants (Lasa, Brunico, Marlengo, Prati di Vizze, Ponte Gardena, Curon and Premesa, which operate by virtue of concessions expiring between 2011 and 2020 and have a combined installed capacity of about 245 MW and an average annual potential output of about 1,000 gigawatt hours) and, on October 24, 2008, SEL conveyed to the joint venture a 30% interest in Centrali Prati Scarl (a company that is the holder of an application for a concession to divert water flows for hydroelectric production and an application for the award of the Lasa concession) and a cash contribution that will allow Hydros to purchase a 30% interest in each of two companies that hold concessions to operate hydroelectric power plants: Goege Energia Srl and Centrale Elettrica Winnebach Società Consortile Arl (owners of the concessions to operate the power plants currently under construction on the Rio Malga Ghega and Rio Vena).
The sales price for the 60% interest in the new company, amounting to about 130 million euros, was arrived at based on an aggregate value of 100% of the conveyed business operations totaling about 295 million euros. As stipulated with the buyer, the abovementioned price takes into account the transfer to Hydros of indebtedness amounting to about 80 million euros. Edison retained ownership of the remaining 40% interest in Hydros Srl's capital.
In view of the contractual structure of the transaction, Edison will continue to consolidate the company on a line-by-line basis.



Edison acquires exploration, production and development rights for of the Abu Qir concession in Egypt and becomes its operator. The photographs show offshore production facilities near the Alexandria coast.

Pursuant to the existing agreements, Edison, acting through its wholly owned subsidiary Edison Trading, will manage the dispatching for all of the conveyed power plants. In addition, it will buy all of the energy produced by the Ponte Gardena, Brunico, Prati di Vizze and Curon power plants until their concessions expire (in any case, until December 31, 2015), as well as its pro rata share of the energy produced by the Marlengo, Lasa and Premesa power plants. The preset price at which the produced energy will be supplied was computed to cover the costs incurred by the joint venture and provide an agreed upon return on invested capital. During the period subsequent to the expiration of the existing concessions, provided the joint venture is the successful bidder in the auction for their renewal, the two partners will receive a share of the electric power produced proportionate to their interest in the company's share capital.

Agreement Between Edison and EGPC for the Abu Qir Hydrocarbon Concession in Egypt

On December 2, 2008, Edison International Spa signed a binding agreement with the Egyptian General Petroleum Corporation ("EGPC") for the exploration, development and production rights of the Abu Qir offshore concession, located north of Alexandria, in Egypt.
Edison was awarded this concession following an international call for tenders, in which 13 oil companies submitted bids.
After being approved by EGPC's Board of Directors and the Egyptian Council of Ministers, the agreement was ratified by the Egyptian Parliament and incorporated into Egyptian law on January 15, 2009. The concession has a 20-year duration and can be extended for an additional 10 years at Edison's request. The Abu Qir fields, which have been operating since the 1970s, produce about 1.5 billion cubic meters of natural gas and 1.5 million barrels of oil per year through three platforms. The concession's reserves are estimated at about 70 billion cubic meters of natural gas equivalent, about 40% of which is attributable to Edison. EGPC and Edison plan to increase production from existing reserves and develop the concession's high exploration potential. The agreement provides Edison with the option of marketing natural gas and liquid hydrocarbons produced from the concession together with EGPC. However, this option is subject to first meeting Egyptian demand for natural gas.
The agreement also calls for Edison to pay EGPC a signing bonus of US$1,405 million, which will be funded through existing credit lines. The total capital expenditures needed to grow the concession's reserves and increase its production are estimated at about US$1,700 million. Most of this amount will be financed over the next five to seven years. The cash flow generated by the concession will cover capital expenditures starting in 2012, while investments scheduled in the earlier period, estimated at about US$750 million, will be financed half through the cash flow generated by the concession and half through dedicated financings, which will also be used to refinance a portion of the signing bonus.

STREAMLINING THE CORPORATE ORGANIZATION AND CHANGING OUR PORTFOLIO OF BUSINESSES

Edison: Sale of Seven CIP6/92 Thermoelectric Power Plants to Cofathec and Seci Energia

On April 8, 2008, after receiving the required clearance from the relevant antitrust authorities, Edison closed the sale of six thermoelectric power plants to Cofathec Servizi, a Gaz de France Group company. These facilities, which operate under CIP 6/92 contracts, have a combined installed capacity of about 370 MW. In a separate transaction, Edison sold to Seci Energia, a company of the Maccaferri Group, a 70% interest in a company that controls a 170-MW thermoelectric power plant in Celano (Aq). Seci Energia, which already owned a 30% interest in this company, exercised the preemptive right it held pursuant to Bylaws. The sales price paid generated a loss of about 3 million euros, recognized as a loss from discontinued operations, and produced a positive effect of about 189 million euros on the consolidated net financial position of the Edison Group.

OTHER KEY EVENTS

Standard & Poor's Reaffirms the Company's BBB+ Credit Rating

On May 21, 2008, after completing its annual review, the rating agency Standard & Poor's reaffirmed at BBB+ Edison's long-term credit rating.
The outlook was revised to "Stable." These assessments reflect Edison's strong position in the Italian energy industry and take into account its favorable growth outlook and the support that the shareholders are providing to the Company's development.

Moody's Reaffirms Edison's Baa2 Credit Rating

On December 18, 2008, the rating agency Moody's Investors Services reaffirmed at Baa2 Edison's rating, with Stable outlook. This rating reflects a positive assessment of Edison's 2009-2014 Industrial Plan and the growth outlook that it provides in terms of the Company's ability to both consolidate its position in Italy and expand in the international markets, specifically referring to the agreement signed with the Egyptian General Petroleum Corporation to develop the Abu Qir wells.

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2008

Information about events occurring after the end of the year covered by this Annual Report is provided in the section of the Consolidate Financial Statements entitled "Significant Events Occurring Since December 31, 2008."

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 below contain alternative performance indicators that are not included among those provided in the IFRS-EU 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

(in millions of euros)	2008	2007	% change
Sales revenues	11,066	8,276	*33.7%*
EBITDA	1,643	1,605	*2.4%*
as a % of sales revenues	*14.8%*	*19.4%*	
EBIT	861	896	*(3.9%)*
as a % of sales revenues	*7.8%*	*10.8%*	
Profit before taxes	730	687	*6.3%*
Group interest in net profit	346	497	*(30.4%)*
Capital expenditures	545	431	*26.5%*
Investments in exploration	62	58	*6.9%*
Net invested capital (A + B)	10,993	10,838	*1.4%*
Net financial debt (A) [1]	2,920	2,687	*8.7%*
Shareholders' equity before minority interest (B)	8,073	8,151	*(1.0%)*
Proup interest in shareholders' equity	7,909	8,004	*(1.2%)*
ROI [2]	8.08%	8.30%	
ROE [3]	4.35%	6.74%	
Debt/Equity ratio (A/B)	0.36	0.33	
Gearing (A/A+B)	27%	25%	
Number of employees [4]	2,961	3,277	*(9.7%)*
- including: employees of discontinued operations	-	93	*n.m.*

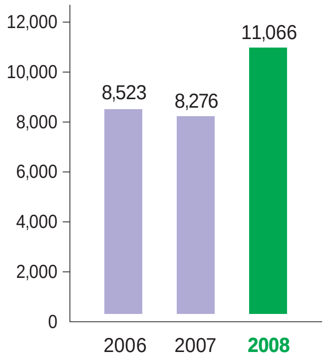
(1) A breakdown of this item is provided in the "Net Financial Debt" section of the consolidated financial statements.
(2) EBIT/Average net invested capital. Net invested capital does not include the value of equity investments held as fixed assets and is computed as the arithmetic average of the net invested capital at the end of the period and at the end of the previous year.
(3) Group interest in net profit/Average Group interest in shareholders' equity. Average Group interest in shareholders' equity is the arithmetic average of the Group interest in shareholders' equity at the end of the period and at the end of the previous year.
(4) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.

Edison Spa

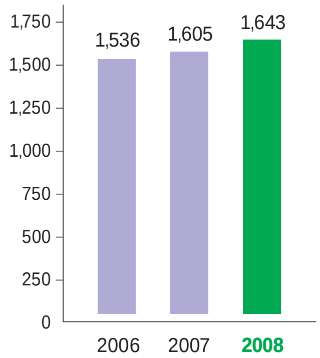
(in millions of euros)	2008	2007	% change
Sales revenues	5,927	4,747	*24.9%*
EBITDA	676	760	*(11.1%)*
as a % of sales revenues	*11.4%*	*16.0%*	
EBIT	231	343	*(32.7%)*
as a % of sales revenues	*3.9%*	*7.2%*	
Net profit (loss) for the period	374	449	*(16.7%)*
Capital expenditures	233	201	*15.9%*
Net invested capital	8,303	8,238	*0.8%*
Net financial debt	1,534	1,391	*10.3%*
Shareholders' equity	6,769	6,847	*(1.1%)*
Debt/Equity ratio	0.23	0.20	*11.6%*
Number of employees	1,697	1,861	*(8.8%)*

Key Group Data
(in millions of euros)

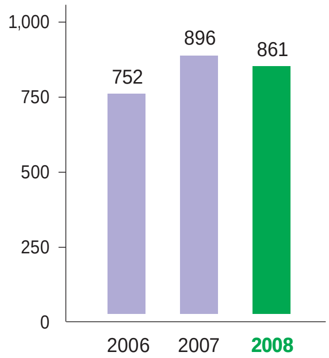
Sales revenues



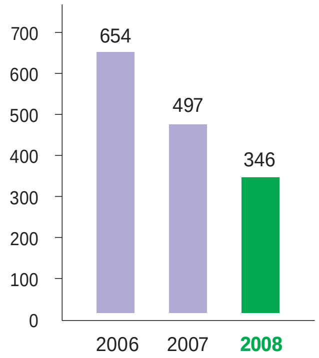
EBITDA



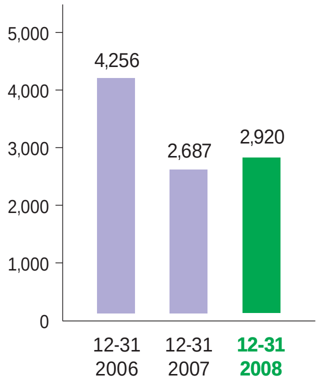
EBIT



Group Interest in Net Profit



Net Financial Debt



Sales Revenues and EBITDA by Business Segment

(in millions of euros)	2008	2007	% change
Electric Power Operations [1]			
Sales revenues	8,689	6,783	*28.1%*
EBITDA	1,326	1,238	*7.1%*
as a % of sales revenues	*15.3%*	*18.3%*	
Hydrocarbons Operations [2]			
Sales revenues	5,093	3,937	*29.4%*
EBITDA	405	427	*(5.2%)*
as a % of sales revenues	*8.0%*	*10.8%*	
Corporate Activities [3]			
Sales revenues	77	73	*5.5%*
EBITDA	(88)	(60)	*(46.7%)*
as a % of sales revenues	*n.m.*	*n.m.*	
Eliminations			
Sales revenues	(2,793)	(2,517)	*(11.0%)*
EBITDA	-	-	
Edison Group			
Sales revenues	11,066	8,276	***33.7%***
EBITDA	1,643	1,605	***2.4%***
as a % of sales revenues	***14.8%***	***19.4%***	

(1) Activities carried out by the following Business Units: Electric Power Operations, Energy Management and Marketing & Distribution.
(2) Activities carried out by the following Business Units: Hydrocarbons Operations, 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, certain holding companies and real estate companies.

PERFORMANCE AND 2008 RESULTS OF THE GROUP AND OUTLOOK FOR 2009

Operating Performance

Sales revenues totaled 11,066 million euros in 2008, up significantly (+33.7%) compared with the same period last year, with the electric power operations and the hydrocarbons operations reporting gains of 28.1% and 29.4%, respectively. In both businesses, this improvement was the combined result of an increase in unit revenues made possible by a sharp rise in the price of benchmark commodities and of higher unit sales by the electric power operations (+5.8%).

Group EBITDA grew from 1,605 million euros to 1,643 million euros (+2.4%). This gain was made possible by the contribution of the electric power operations, which increased EBITDA by 7.1% to 88 million euros. This positive performance reflects primarily the beneficial impact of the higher margins earned in the deregulated segments of the market and the gain generated by the sale of a 60% interest in Hydros Srl (additional information is provided in the "Key Events" section of this Report), which more than offset a decrease in the profitability of CIP 6/92 sales caused by the expiration of some contracts, the end of subsidized rates for other contracts and the absence of the contribution formerly provided by the power plants sold in April 2008.
The hydrocarbons operations reported EBITDA that, at 405 million euros, were 5.2% lower than in 2007. This negative comparison is due primarily to the fact that the figure for 2007 includes the effect of reversals of provisions recognized in connection with Resolution No. 248/04 (about 56 million euros) and Resolution No. 284/06 (about 20 million euros).

Depreciation, amortization and writedowns increased to 782 million euros, up from 709 million euros in 2007, due mainly to writedowns of some corporate assets required by the results of impairment tests.

As a result, EBIT decreased to 861 million euros, or 3.9% less than the 896 million euros earned the previous year.

The Group's profit before taxes totaled 730 million euros, compared with 687 million euros in 2007 (+6.3%). The Group's profitability was aided by significantly lower borrowing costs made possible by a reduction in average indebtedness for the period. However, the resulting benefit was not enough to offset the impact of additions made to the provisions for risks mainly in connection with tax risks related to assets sold in previous years.

The tax burden for the year reflects the impact of the surcharge introduced with Decree Law No. 112 of June 25, 2008 (the "Robin Hood Tax", now Law No. 133/2008), which increased corporate income tax liability by 115 million euros (70 million euros in deferred taxes and 45 million euros in current taxes), and the effect of Decree Law No. 185/08 (the so-called "Anti-Crisis Decree"), which, by changing the tax base of assets for corporate income tax (IRES) and regional tax (IRAP) purposes, had a negative impact of about 20 million euros on the Group's tax liability. In 2007, on the other hand, a nonrecurring tax benefit reduced the tax liability by about 135 million euros as a reduction in tax rates enacted with the 2008 Budget Law made it possible to reverse existing deferred-tax liabilities.

As a result of these contrasting factors, the net profit for the year decreased to 346 million euros, or 151 million euros less (-30.4%) than in 2007, when it amounted to 497 million euros.

At December 31, 2008, net financial debt totaled 2,920 million euros, up from 2,687 million euros at the end of 2007. A more detailed analysis of the components of this item is provided in the "Net Financial Debt" section of the Consolidated Financial Statements.

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

(in millions of euros)	2008	2007
A. Net Financial Debt at January 1	(2,687)	(4,256)
EBITDA	1,643	1,605
Change in operating working capital	(465)	244
Income taxes paid (-)	(396)	(220)
Change in other assets (liabilities)	(169)	34
B. Cash Flow from operating activities	613	1,663
Investments in property, plant and equipment and intangibles (-)	(644)	(494)
Investments in non-current financial assets (-)	(232)	(337)
Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	421	175
Dividends received	2	3
C. Free Cash Flow	160	1,010
Financial income (expense), net	(100)	(198)
Contributions of share capital and reserves	3	1,019
Dividends declared (-)	(281)	(248)
D. Cash Flow after financing activities	(218)	1,583
Change in the scope of consolidation	(15)	(14)
E. Net Cash Flow for the period	(233)	1,569
F. Net Financial Debt at December 31	(2,920)	(2,687)

Outlook for 2009

Developments in the economy and the financial markets and high volatility in the oil market will undoubtedly continue to have an effect in 2009.

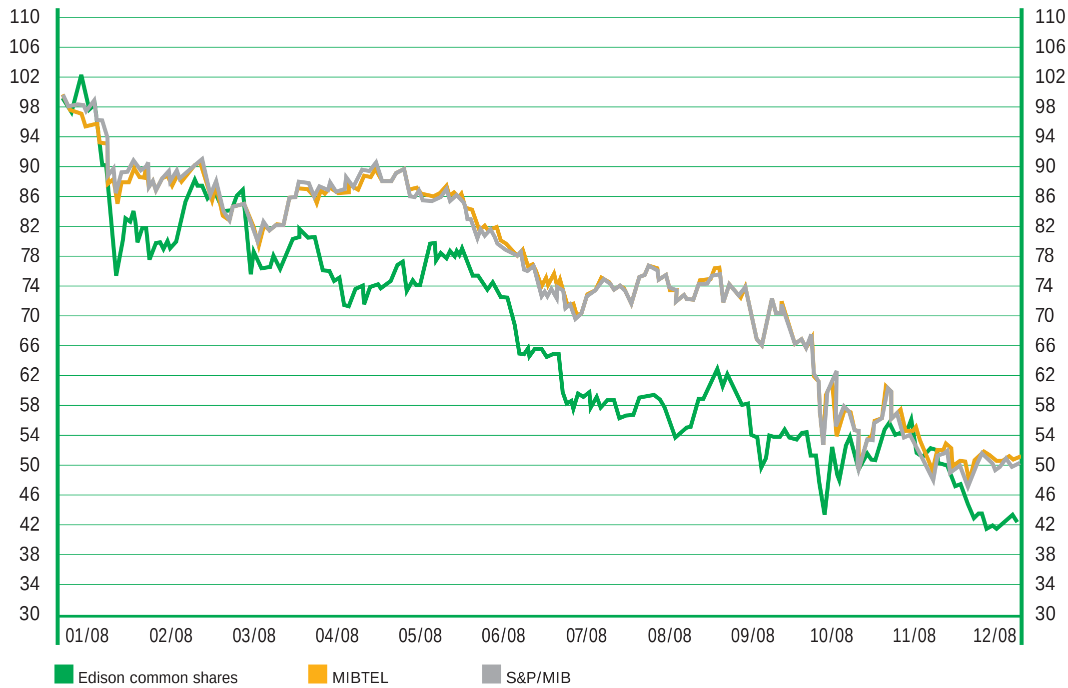
Lower demand for electric power, narrower spreads in the wholesale market and increased competition caused by higher supply both in the electric power and natural gas markets are some of the factors that could have an impact on the Group's performance in 2009.

However, despite the uncertainty of such a scenario, the Group's financial strength and the programs it has undertaken - from the full availability of the Abu Qir fields to the new Operating Excellence Plan - justify expectations of results that, on a comparable basis, should be in line with those achieved in 2008.

EDISON AND THE FINANCIAL MARKETS

Chart of the stock market prices of the Edison shares in 2008

The stock market prices of the Edison shares



Stock Market Price and Other Per Share Data

(in euros)	December 31, 2008	December 31, 2007
Edison Spa		
Stock market price (unit price in euros) [1]:		
- common shares	0.9518	2.1932
- savings shares	1.1732	2.0389
- warrants	-	1.1926
Number of shares (at end of period):		
- common shares	5,181,108,251	5,181,072,080
- savings shares	110,592,420	110,592,420
Total shares	5,291,700,671	5,291,664,500
Warrants	-	-
Edison Group		
Earnings per share:		
basic earnings per common share [2]	0.0647	0.1040
basic earnings per savings share [2]	0.0947	0.1340
diluted earnings per common share [2]	0.0647	0.0976
diluted earnings per savings share [2]	0.0947	0.1340
Group interest in shareholders' equity per share (in euros)	1.495	1.513
Price/Earnings ratio (P/E) [3]	13.88	20.72

[1] Simple arithmetic mean of the prices for the last calendar month of the period or fiscal year.
[2] Computed in accordance with IAS 33.
[3] Ratio of price per common share at the end of the period and basic earnings (loss) per share.

Other Financial Indicators

Rating

	Current	December 31, 2007
Standard & Poor's		
Medium/long-term rating	BBB+	BBB+
Medium/long-term outlook	Stable	Positive
Short-term rating	A-2	A-2
Moody's		
Rating	Baa2	Baa2
Medium/long-term outlook	Stable	Stable

EVOLVING SCENARIO
MARKETS AND LAWS

ECONOMIC FRAMEWORK

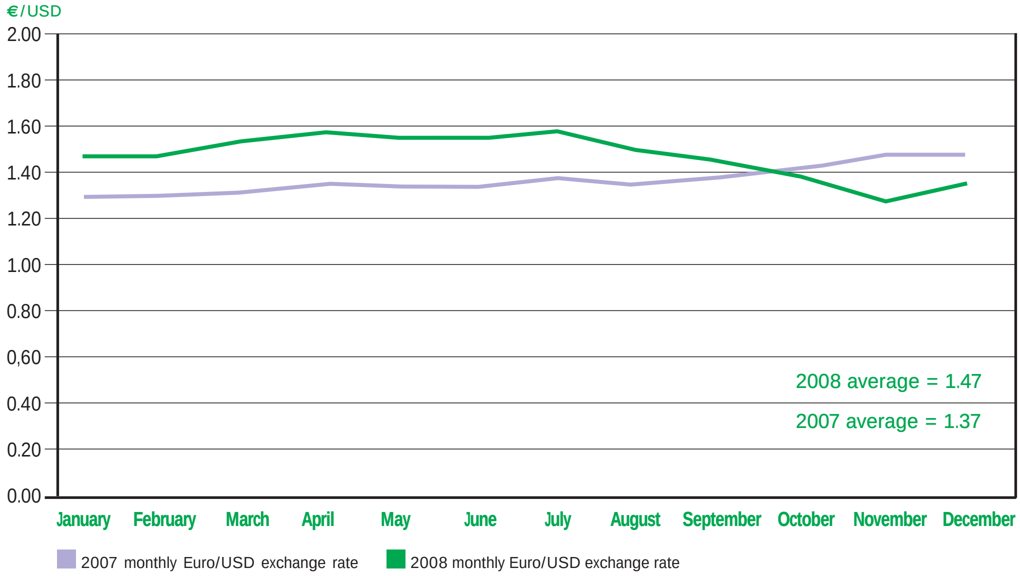
In 2008, the defining event was unquestionably the deep economic crisis that engulfed the entire planet during the second half of the year, triggered by problems with subprime mortgages in the United States and emphasized by bankruptcies and severe crisis conditions among key financial institutions in the United States and Europe. However, in the main industrial countries, signs of recession were already apparent before that infamous date of September 14, 2008 due to a number of concrete causes, such as the commodities shock, the bursting of the real estate bubble, the adjustment of imbalances in the United States and a series of financial factors that included higher interest rates, the unavailability of credit and, in the euro zone, the further strengthening of exchange rates.
However, the crisis did not affect all countries equally. The economies that suffered most were those characterized by a more pronounced real estate bubble, a major dependence on fossil fuels, a more leveraged banking system and a high level of household debt, with an attendant reduction in propensity to save. Nevertheless, we are now witnessing a generalized realignment of growth rates in the various countries and regions. In the United States, the correction is evident primarily in domestic demand for consumer items and investments, particularly in the real estate sector. In Europe, the biggest reductions in growth rate occurred in Ireland, Spain and the United Kingdom, where in recent years growth had been driven by the real estate and financial sectors, often with the help of huge inflows of foreign capital. However, even in the emerging countries, which initially appeared to be less exposed to the crisis due to the limited integration of their markets with the global financial system, growth expectations have dimmed, especially in the countries of Asia and Eastern Europe that were heavily dependent on exports and had a high level of foreign debt, thereby diminishing their ability to act as engines of global growth.

Overall, 2008 ended with more anemic global trade, which grew by 5%, compared with 7.2% in 2007 and 9.3% in 2006. GDP growth was 1.2% in the United States and 1% in the euro zone. Italy is expected to report negative growth of -0.5%.

With regard to interest rates, the U.S. Federal Reserve, in an effort to jumpstart an economy in serious trouble, brought the cost of money to an all-time low with a series of cuts that reduced interest rates from 3.5% in January 2008 to 0.25% in December 2008. The rate of inflation, which fell sharply in the last quarter of the year, settled at about 4%. The European Central Bank, which took a more conservative approach to control inflationary pressures, cut the cost of money less aggressively, lowering it from 4.25% in July 2008 to 2.50% in December 2008. In the euro zone, similarly to the United States, the rate of inflation decreased substantially in the fourth quarter of 2008, lowering the annual rate to 3.3%. In Italy, the inflation rate was also 3.3%, in line with the rest of the euro zone, and was decreasing in the closing months of the year.

Insofar as the trend of the euro/U.S. dollar exchange rate is concerned, up until the time of the generalized collapse of the financial markets triggered by the bankruptcy of one of America's top investment banks, the European single currency had appreciated steadily in 2008, with the exchange rate hovering close to 1.5 dollars per euro until September. As the financial crisis became more pronounced, the euro lost some of its luster and the average exchange rate fell to 1.44 in September, 1.33 in October and 1.27 in November, with the U.S. dollar suddenly gaining strength against other major currencies as well. In December, the euro rose against the U.S. dollar to an average exchange rate of 1.35. In conclusion, the 2008 annual average euro/U.S. dollar exchange rate was 1.47 dollars for one euro, significantly higher than the 2007 rate of 1.37 dollars for one euro.

Edison Trading is active in the electric power wholesale markets and the environmental securities markets in Italy and abroad. Shown here, the company's trading room.



THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy and Market Environment

in TWh	2008	2007	% change
Net production	305.5	301.3	1.4%
Net import	39.6	46.3	(14.5%)
Surges	(7.5)	(7.7)	(2.5%)
Total demand	337.6	339.9	(0.7%)

Source: Analysis of official 2007 data and preliminary 2008 Terna and AU data, before line losses.

In 2008, gross total demand for electric power from the Italian grid totaled 337.6 TWh (1 TWh = 1 billion kWh), or 0.7% less than in the previous year, with most of the decrease occurring in the closing months of the year. On a seasonally adjusted basis (i.e., restating the data to remove the effect of changes in average temperature and in the number of business days), the year-over-year decrease is 0.9%.

Even though demand for energy was down sharply compared with the previous year (-2.3 TWh), net imports decreased significantly in 2008 (-6.7 TWh). This development, coupled with a slight reduction in the energy absorbed by surges and ancillary services, caused an increase of 4.0 TWh in gross domestic production. In 2008, net of the impact of surges, domestic production for the period thus covered 88.3% of demand, up from 86.4% in 2007, while the percentage supplied by net imports decreased from 13.6% to 11.7%.

The substantial reduction in net imports (-6.7 TWh) is due to increasingly frequent reductions and reversals in the substantial price differentials that usually exist between Italy and Central Europe. Specifically, net imports from the Northwest (borders with France and Switzerland) were down 7.6 TWh (-17.7%), net imports from the Northeast (borders with Austria and Slovenia) increased by 1.7 TWh (+38.4%) and net exports to Greece increased by 0.8 TWh (+67.7%).

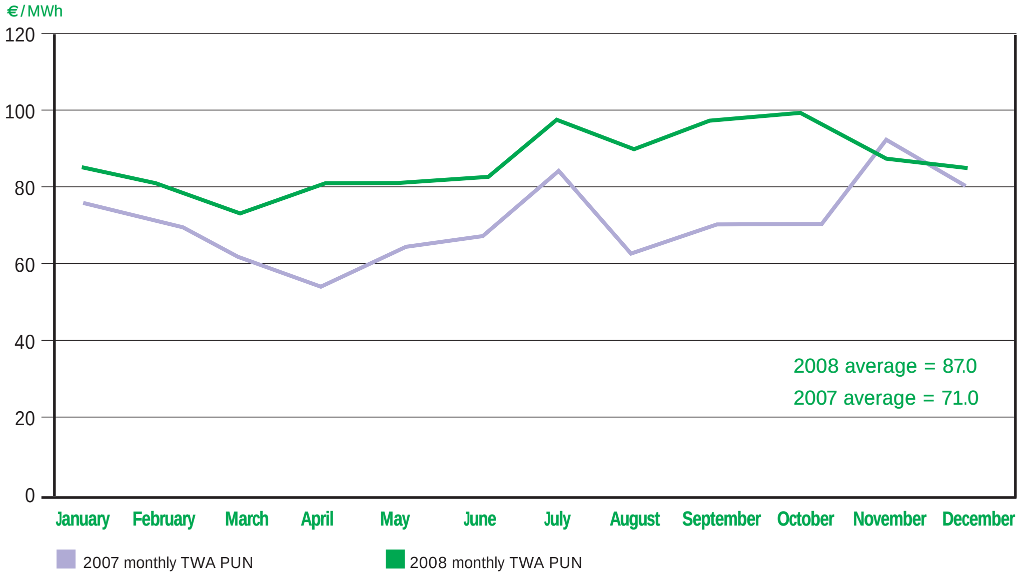
The increase of 4.0 TWh in gross domestic production is the result of the higher output generated with renewable energy sources, which grew by 9.5 TWh (hydroelectric production +7.0 TWh, wind farm production +2.6 TWh, geothermoelectric production -0.1 TWh), which more than offset a reduction of 5.5 TWh in thermoelectric production.

In 2008, reflecting the impact of the complete deregulation of the energy markets, demand continued to decrease steadily in the market served by the Single Buyer (captive customers market/protected customers market), falling to 101.2 TWh, a level equal to 30.0% of domestic demand (compared with

36.7% in 2007). On the other hand, the deregulated market continued to expand, reaching a level equal to 61.1% of total consumption. Internal consumption by producers, which was virtually unchanged, and usage for backup safety services, which increased by 1.5 TWh compared with 2007 (+18.8%), account for the remaining 8.9%. It is important to keep in mind that until June 30, 2007, the market served by the Single Buyer was based on the demand from captive customers and those in the so-called "eligible" (or "non-switched") market who had not yet chosen a supplier in the deregulated market. Since July 1, 2007, following full deregulation of the electric power market pursuant to Directive No. 2003/54/CE, the captive market no longer exists.

Insofar as price trends are concerned, 2008 was a year of extreme volatility in the electric power market. The wide swings that occurred in the price of crude oil became common in virtually all commodities markets in 2008 affecting the prices of such items as coal and CO_2 emissions rights. On the power exchanges of Central Europe, prices were also up sharply during the January-to-October period, with contracts on the EEX (German Exchange) and Powernext (French Exchange) trading at a premium of more than 50% compared with the previous year. However, prices were flat or down during the last two months of the year.

On the Italian Power Exchange, the time-weighted average for the Single National Price (abbreviated PUN in Italian) increased to 87.0 euros per MWh at December 31, 2008, or about 22.5% more than in 2007 (71.0 euros per MWh). The chart below provides a monthly comparison of the PUN trend in 2007 and 2008:



The chart above shows that, overall, the monthly PUN followed a steadier trend than in 2007, consistent with the performance of foreign markets. Specifically, during the first 10 months of the year, the level was considerably higher than in 2007, buoyed in part by a decrease in imports due to high prices outside Italy, but the PUN for the last two months of the year was about the same in both years. In addition to reflecting the impact of an across-the-board decrease in prices of energy commodities, the trend in November and December is also explained by a reduction in demand for electric power (-6.5% compared with 2007 in these two months) and the concomitant high availability of water resources.


Arrays of photovoltaic panels cover
a wide swath of land adjacent
to the Altomonte power plant.

Demand for Natural Gas in Italy and Market Environment

in billions of m³	2008	2007	% change
Services and residential customers	30.1	28.2	6.8%
Industrial users	18.4	20.3	(9.2%)
Thermoelectric power plants	34.0	34.3	(1.0%)
Transportation	0.6	0.6	11.3%
Total demand	83.1	83.4	(0.3%)

Source: Official 2007 data and preliminary 2008 data provided by the Ministry of Economic Development and Edison estimates, net of system usage and leaks.

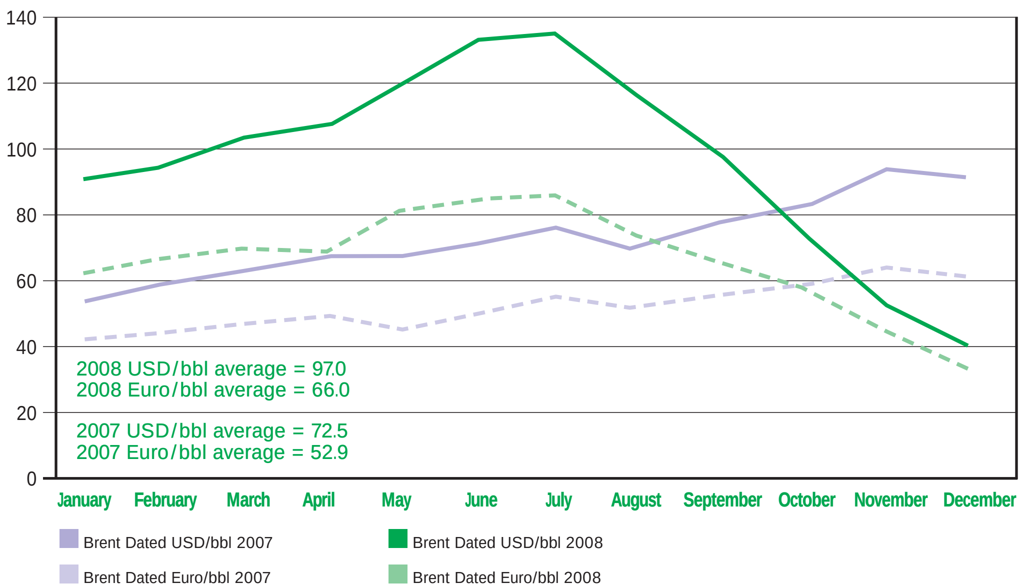
While overall Italian demand for natural gas in 2008 followed a trend substantially in line with the previous year, totaling about 83.1 billion cubic meters (net of system usage and leaks), the trend shifts when the first and second half of the year are compared separately.
Specifically, demand was up bout 8% during the first six months of the year, driven mainly by the impact of cold weather on residential customers and strong demand from thermoelectric power plants. During the second half, however, consumption was sharply lower due mainly to the ongoing financial and economic crisis.
Specifically, the following developments characterized the market's performance in 2008:
- increase in consumption by residential users (+6.8%) caused mainly by cold weather;
- on the aggregate, substantial stability in demand from thermoelectric users, with different trends during the first six months (increasing) and the second half of the year (decreasing due to economic crisis);
- significant reduction in consumption by industrial users (-9.2%) who were most affected by the economic crisis.

Overall, about 41% of natural gas supplies are currently used for thermoelectric production, 36% for residential uses and 22% for industrial applications. Demand from transportation users accounts for less than 1% of the total.

With regard to supply sources, the following developments characterized 2008:
- a steady reduction in domestic production (-6.8% compared with 2007), consistent with the downward trend of recent years, which is expected to continue in the future;
- an increase in imports (+3.7% compared with 2007) that reflects in part the start, in October 2008, of new deliveries of natural gas from Algeria made possible by the increased capacity of the Transmed pipeline;

- a net increase of over 1 billion cubic meters in inventories of stored natural gas on an annualized basis, consistent with the trend towards a more balance system.

As for the benchmark oil market, during the first seven months of 2008, crude oil prices rose to unprecedented levels, continuing a trend that started the previous year. The average price of crude oil increased from about US$93 per barrel in January to a record level of US$143.32 per barrel on July 11, 2008. After that date oil prices began an inexorable descent returning to levels that had not been seen since 2004: in December 2008, Brent was being traded at less than US$40 per barrel. Undoubtedly, expectations of lower demand from the industrialized countries and the risk of a sharp slowdown in economic growth even in the emerging economies account for this collapse.
In any case, despite the significant decrease that occurred starting in July, the average price of oil for 2008 was 33.7% higher than in 2007, rising from an average price of US$72.50 per barrel in 2007 to an average price of US$97.00 per barrel in 2008. However, the countries in the euro zone experienced a smaller increase (+24.7%), as the euro remained strong while oil prices were rising and lost value concurrently with the downward trend in oil prices.



LEGISLATIVE AND REGULATORY FRAMEWORK

The main legislative and regulatory measures enacted in 2008 that had an impact on the various businesses of the Group are reviewed below.

Electric Power

Production

By a decision handed down on January 14, 2008, the Italian Constitutional Court ruled that the 10-year extension of concessions for large-scale diversions of water for hydroelectric power plants introduced into the Italian legal system by the 2006 Budget Law (Law No. 266/2005) is unconstitutional. This decision created a legislative gap in the Italian legal system that requires the enactment of legislation to govern this industry in a manner consistent with the issues inherent in the renewal of expiring concessions in terms both of the publicly transparent procedures used for award purposes and of the acknowledgment of the outlays that the concessionaires will incur for the concessions fee surcharges and capital investments required by the law that was found to be unconstitutional. A technical Work Table has been established within the Unified Conference to address these issues and analyze and resolve the problems entailed by renewals of concessions for large-scale diversions of water in terms both of the publicly transparent procedures used for award purposes and the preservation of the effects produced by the 2006 Budget Law. Legislative action by the government can no longer be deferred, in view of the need to establish a clear legislative framework to govern this issue in a manner that allows the optimum planning of capital expenditures.

On January 22, 2008, the Council of State upheld the appeal filed by the AEEG against a decision handed down by the Administrative Regional Court of Lombardy in 2007 that voided Resolution No. 249/06, which concerned the computation and updating of the cost of natural gas used to determine the rate component that covers avoided fuel costs. This rate component, as defined in the CIP 6/92 Resolution, is used to determine the price at which electric power produced using renewable sources can be sold. In its decision, which was filed on March 28, 2008, the Council of State ruled that the power to update this component rests with the AEEG, which has exercised it properly thus far. The Court found that the power held by the AEEG is a regulatory power that it already has and which was reaffirmed by the legislators in the 2008 Budget Law.
Subsequently, the AEEG began a consultation process concerning a proposal to adopt a new method to update the rate component that accounts for avoided fuel costs. Following this consultation, the AEEG issued Resolution ARG/elt No. 154/08 by which it defined the methods that should be used to update the avoided fuel cost rate component for 2008. Edison Spa has filed an appeal against this Resolution.

Nuclear

The government approved a bill that would delegate to the executive branch the reorganization of the legislation governing the production of energy from nuclear sources. A significantly amended version of the government bill has been approved by the Chamber of Deputies and is now before the Senate. Because of the complexity of the regulations that are being introduced, the legislative process is already significantly behind schedule compared with the timing originally projected by the government.

Environment

Emissions Trading - Quota Allocations: The Decree dated February 28, 2008 approving the draft of the CO_2 Allocation Decision for the 2008-2012 period and the Resolution dated November 27, 2008 by the Committee for the Implementation and Management of Directive No. 2003/87/CE, which implemented the abovementioned Allocation Decision, were published in Regular Supplement No. 275 to issue No. 291 of December 13, 2008 of the *Official Gazette of the Italian Republic.*
The Committee was able to issue the abovementioned resolution after being authorized by the Euro-

pean Commission, on October 20, 2008, to proceed with the allocation of CO_2 quotas for the 2008-2012 period and award the quotas for 2008.
The CO_2 quotas available for allocation to which Italy is entitled correspond to about 196 million tons a year. However, the quotas covered by this amount, which are about 6 million tons less than the ceiling set forth in the Allocation Decision, do not apply to the existing Edison facilities.
To complete the full implementation of the allocation process, the Committee for the Implementation and Management of Directive No. 2003/87/CE must also award CO_2 quotas to the so-called "New Second Period Entrants." The allocation of these quotas is expected to occur in February 2009.

Emissions Trading - CO_2 Costs: On June 11, 2008, the AEEG published Resolution ARG/elt No. 77/08, by which it defined the criteria for refunding to operators of CIP 6/92 facilities the costs incurred as a result of the implementation of the Emissions Trading Scheme established by Resolution No. 2003/87/CE both for the first (2005-2007) and the second (2008-2012) allocation period. The criteria set forth in the resolution define for each year and for each facility the quotas for which refunds will be provided and the corresponding amounts.
In July 2008, Edison filed with the AEEG a separate application for each CIP 6/92 power plant seeking reimbursement of CO_2 costs. At the same time, it asked the AEEG to clarify how Resolution ARG/elt No. 77/08 would be applied to mixed production facilities (partly CIP 6/92 dedicated) and power plants with contracts expiring during the year.
At the end of October, the AEEG issued Resolution No. 156/08 governing mixed CIP 6/92 facilities and power plants with contracts expiring during the year. Subsequently, at the beginning of November 2008, the AEEG published an Interpretation, explaining that, in the case of mixed facilities with demonstrable separate allocations by section in the National Allocation Plan for the second period (specifically for Edison, the Taranto and Piombino power plants), the shortfall should be determined on a section by section basis and that, in the other cases, the operators involved should ask the relevant regulatory agency to provide allocations broken down by section, in the case of mixed facilities, or by period of operation under CIP 6/92 rules, for power plants with expiring contracts. The Interpretation also defined the value allotted to emissions quotas for 2005, 2006 and 2007.

Green Certificates: On June 26, 2008, the AEEG published Resolution ARG/elt No. 80/08 amending Resolution No. 113/06, which defined the criteria for refunding to operators of CIP 6/92 facilities green certificate costs incurred to comply with the obligation set forth in Article 11 of Legislative Decree No. 79/99.
Earlier, the Council of State handed down Decision No. 4390/2007 ruling that it was lawful to refund these additional costs for the entire duration of committed supply contracts. As a result, the amendment made to Resolution No. 113/06 allowed the use of the same method for the reimbursement of charges incurred by CIP 6/92 facilities for the entire duration of the contract rather than just for the first eight years during which a facility is in operation.

Renewable Energy Sources: As required by Article 2, Section 150 of Law No. 244 of December 24, 2007 (2008 Budget Law), which addresses a series of detailed issues concerning incentives for the production of electric power from renewable energy sources, the Ministerial Decree dated December 18, 2008 was published in Issue No. 1 of January 2, 2009 of the *Official Gazette of the Italian Republic.*

Wholesale Market

Reimbursement of the Transmission Capacity Utilization Fee: The AEEG issued Resolution ARG/elt No. 53/08 ordering the reimbursement of the Transmission Capacity Utilization Fee paid to suppliers who were parties to bilateral contracts during the first four months of activity by the Power Exchange, but only for the amounts, determined on an average basis, that exceeded the cap of 2 euros per MWh and only for the April-December 2004 period, thereby applying retroactively the cap introduced by the AEEG with Resolution No. 137/04. In practice, this regulatory action voided the reim-

bursement introduced by the Presidential Decree of April 13, 2007, pursuant to which Edison Trading Spa had asked the Electrical Services Manager to return the amounts it had improperly collected from April to July 2004, which amounted to 16.6 million euros.
On August 29, 2008, Edison filed an extraordinary appeal against Resolution ARG/elt No. 53/08. These proceedings are currently pending before the Regional Administrative Court of Lombardy following a motion by the AEEG requesting the transfer of the appeal to a different jurisdictional venue.

Units That Are Essential for the System's Safety: On October 23, 2008, the Regional Administrative Court of Lombardy agreed to schedule a merit hearing for the appeal filed by Edison (and other operators) against Resolution ARG/elt No. 97/08 by which the AEEG ordered Terna to include, as of July 31, 2008, in the list of units that are essential for the system's safety (must run units) all production units authorized to operate in the Dispatching Services Market that are connected to the electrical grid of Sicily and Sardinia.
The text of the decision explaining why the court upheld the appeal filed by Edison and voided Resolution No. 97/08 concerning must run facilities was published on December 10, 2008.

Retail Market

Significant resolutions concerning the retail market are reviewed below:

- Resolution ARG/elt No. 15/08 allows direct access to the databases of distributors by suppliers for sales offers to customers. This provision applies exclusively to "residential customers" and is not applicable to customers hooked to medium or high voltage lines and/or customers with annual consumption greater than 200,000 standard cubic meters. Sales offers can be made only by means of printed material and not through other means of communication (telemarketing or website). In September, the AEEG issued Resolution ARG/com No. 134/08, by which it began the process of developing a single computerized platform that will contain a database with the profiles of each customer (including such information as payment delinquencies and status of unresolved issues).

- As of April 1, 2008, pursuant to Resolution No. 278/07, end customers whose electric power usage is not handled on an hourly basis will be billed in accordance with a load profiling based on hourly segmentation, according to which the procurement and dispatching costs of the electric power supplied to the end customer reflect more closely the consumption profile. The abovementioned Resolution, as amended in 2008 by subsequent pronouncements, states that all very high voltage, high voltage, medium voltage and low voltage delivery points with available power greater than 55kW, if equipped with an hourly or electronic meter, must be billed based on hourly segmentation. Moreover, the AEEG issued consultation Documents No. DCO 28/08 and No. DCO 38/08 for the purpose of regulating, early in 2009, physical and financial items concerning dispatching services that may arise as a result of late adjustments to metering data submitted by distributors after the deadline for the load profiling equalization adjustment (May 10 for the previous year).

Regulatory activity carried out to encourage the market deregulation process included the issuance of additional resolutions concerning switching (Resolution ARG/elt No. 42/08), the commercial quality of sales services (Resolutions ARG/com No. 164/08 and ARG/com No. 199/08) and the promotion of a system to research sales offers (Resolution ARG/com No. 151/08).

Hydrocarbons

Rates

The AEEG issued Resolution ARG/gas No. 192/08 amending the criteria used to adjust the rates charged to supply natural gas to customers who enjoy protected status. In addition, this Resolution requires that distributors renegotiate existing sales contracts. The Company is currently deciding whether it would be advisable to file an appeal against Resolution No. 192/08.

Infrastructure

Storage: The AEEG issued Resolution ARG/gas No. 11/08 confirming the criteria for the allocation of storage capacity and daily peak for the modulation service for the 2008-2009 thermal year, based on those currently in effect. At the same time, in order to determine the maximum demand for storage capacity, the Resolution calls for the establishment of a work group (comprised of representatives of the main companies that operate storage facilities, users of storage services and transmission and distribution companies) to resolve the issues raised by users with regard to the regulations proposed by the AEEG in this area in the consultation document published on December 4, 2007.
By Resolution ARG/gas No. 64/08, the AEEG approved the Network Code prepared by Edison Stoccaggio Spa in its capacity as transmission operator for a natural gas pipeline branch called "Cavarzere-Minerbio," which will connect the offshore regasification terminal located off the Rovigo coast with the national network of natural gas pipelines.

Transmission: Recently, the AEEG published Resolution ARG/gas No. 72/08 approving the regulations governing the Open Season procedure for the allocation to outsiders of incremental transmission capacity created for the Poseidon Italy-Greece natural gas pipeline beyond the capacity exempted from such requirement pursuant to Article 1, Section 1, of the Decree dated June 21, 2007. The first phase of this procedure ended on September 19, 2008, with Italian and international operators filing 17 non-binding indications of interest for the 10 lots of 100 million cubic meters a year each available for bidding. Subsequently, in December, the second part of the Open Season Regulations governing rate and contractual issues was submitted to the two Authorities for approval. A final document should be issued sometime during the first half of 2009.

Distribution: The AEEG published the "Uniform Regulations Concerning the Quality and Distribution Rates of Natural Gas for the Four-year Period from 2009 to 2012" (Resolutions ARG/gas No. 120/08 and No. 159/08), which set forth the regulatory principles applicable to service quality that will go into effect on January 1, 2009 and the rates for the next regulatory period.

Regasification: In 2008, the AEEG issued Resolution ARG/gas No. 92/08 setting the rate criteria for the next regulatory period applicable to the regasification service.

Issues Affecting Multiple Business Segments

Robin Hood Tax: Legislative Decree No. 112/2008, converted into Law No. 133/2008, introduced the so-called "Robin Hood Tax" (a corporate income tax surcharge of 5.5 percentage points to be levied on the total income of taxpayers who reported revenues higher than 25 million euros during the previous tax period and engage in the production and distribution of hydrocarbons and electric power). Upon the decree being converted into law, parties who produce electric power using primarily biomasses, solar-photovoltaic energy or wind energy were exempted from paying the surcharge. The government has forbidden the practice of transferring to the prices charged to customers the additional burden caused by the tax surcharge and assigned to the AEEG the task of enforcing this requirement.
With regard to this issue, the AEEG issued Resolution ARG/com No. 91/08, by which it asked the operators who were subject to the surcharge to provide it, by July 31, 2008, with specific information (latest annual financial statements, quarterly and semiannual reports, if available, budgets and disclosures showing the unit gross operating margins for the different products). Even though it filed an appeal against this Resolution, Edison complied with this request by the required deadline.
Subsequently, the AEEG began a consultation process to define the oversight criteria applicable to the abovementioned decree (DCO No. 31/08 of September 25, 2008) to which Edison responded by submitting its considerations. The AEEG then issued Resolution VIS No. 109/08 by which it officially determined the procedures that it will implement to enforce the prohibition to pass on the tax surcharge, requiring that the operators subject to the Robin Hood Tax submit a series of affidavits and data for the first and second half of 2007, 2008 and subsequent years.

Anti-Crisis Decree: On November 29, 2008, the Italian government approved Decree Law No. 185/2008, which was designed to address the current economic crisis and with which it intended to redesign the structure of the Italian electric power market. The main changes introduced by the decree included: a) switching from the system marginal price to pay as bid in the day ahead market (even though this is not expressly stated in the decree); b) establishing an intraday energy market to replace the current adjustment market, which takes place after the close of the previous day's market and before the start of the dispatching services market, with the participation of all eligible users. In the intraday market, the price of energy will be determined on the basis of a continuous trading mechanism; and c) reforming the dispatching services market, the management of which will be handled by the licensee of the transmission and dispatching service using a transparent and economically efficient pricing system. Dispatching services will be provided by purchasing the necessary resources from eligible operators. In the dispatching services market, the price of energy will be determined based on the different prices offered through firm bids by each eligible user and accepted by the licensee of the dispatching services starting with the lowest prices and until the energy requirements are fully satisfied. Specifically, within 90 days after the effective date of the decree, converted into law on January 28, 2009, the parties who own individually facilities or groups of facilities that are essential for the provision of dispatching services must submit market offers on terms established by the AEEG based on mechanisms specifically designed to minimize system costs and provide fair compensation for producers. Facilities that are technically and structurally indispensable to resolve grid congestion or maintain adequate levels of safety in the national electrical system for extended periods of time shall be deemed to be essential for the provision of dispatching services, limited to the period during which certain conditions described in the decree occur.


The Adriatic LNG regasification terminal was built at a shipyard in Algeciras (Spain), towed to the Adriatic Sea and positioned offshore Porto Viro (Rovigo). The event held on September 20, 2008 to celebrate its arrival was attended by Silvio Berlusconi, Italy's Prime Minister.

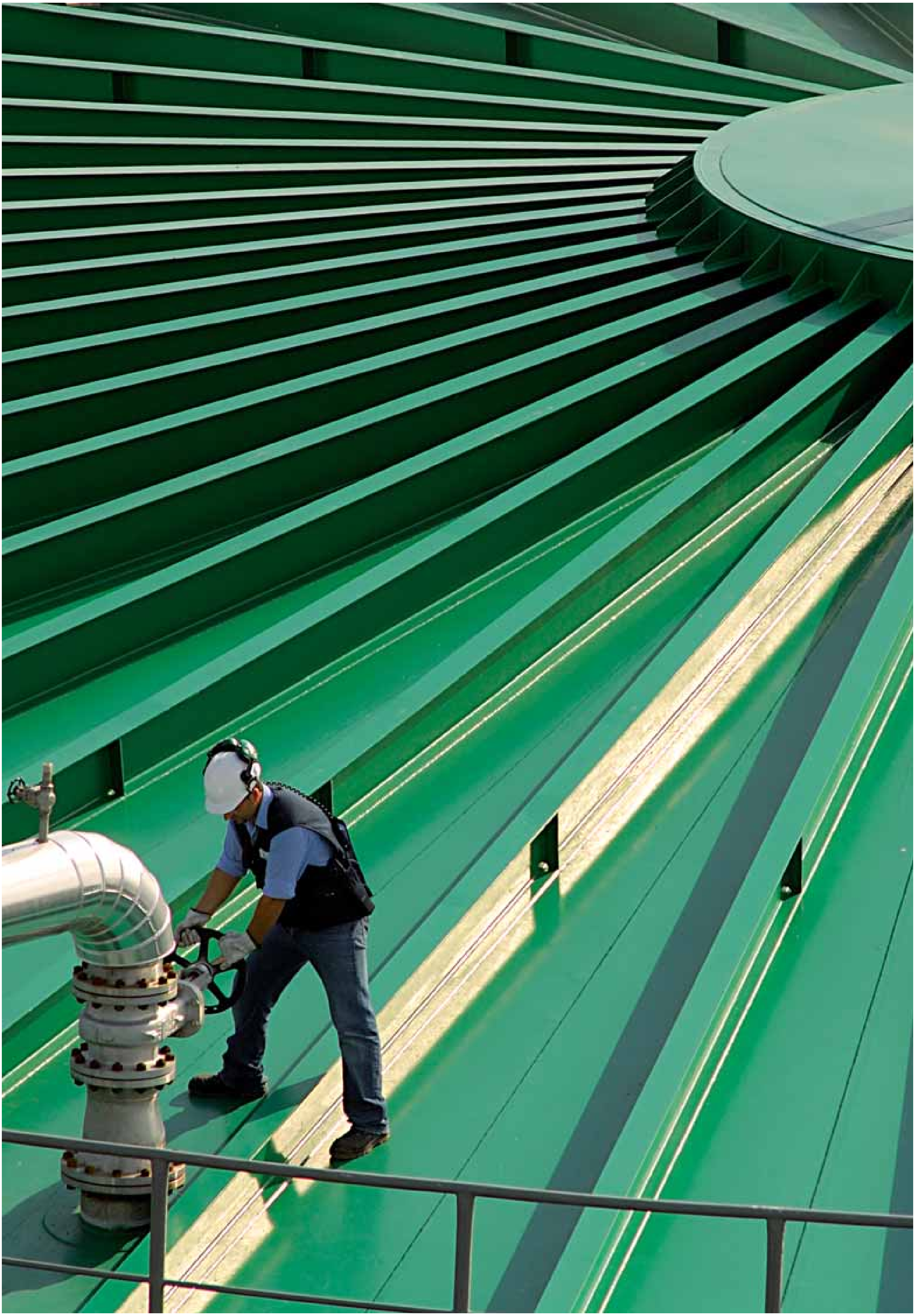
Unbundling: The provisions governing unbundling, issued by the AEEG with Resolution No. 11/07 and later amended (TIU), became effective on July 1, 2008. This resolution indicated that the guidelines for the development of a compliance program would be defined in a subsequent resolution, which it issued in September (Resolution ARG/com No. 132/08). The guidelines systematize and clarify the requirement of the TIU and describe the compliance requirements incumbent upon the Independent Operator and the compliance deadlines.

European Energy Policies

Internal Market Package: The proposals submitted by the Commission (two Directives and two Regulations for the electric power and natural gas markets and Regulations establishing an Agency for Cooperation Among Regulators) are currently being discussed by the EU Parliament and Council in accordance with a joint decision procedure. On June 18, 2008, the Parliament, meeting in plenary session, approved amended versions of the proposed bills (electric power Directive and Regulations and Regulations establishing an Agency for Cooperation Among Regulators) and voted on the natural gas bills on July 9, 2008. On October 10, 2008, the European Council (which is comprised of heads of state and heads of governments) adopted a Common Position with regard to the entire legislative package, introducing new versions of the "third-party countries clause" and "level playing field clause" for the purpose of protecting the countries and businesses that have applied the ownership separation system. The agreement reached by the member countries, which is reflected in the Common Position, will be

reviewed by Parliament (the legislature is scheduled to end in June 2009) and the Office of the EU President, currently held by the Czech Republic, has indicated that the intensions are to reach a general agreement by May.

Climate-Energy Package: On January 23, 2008, the European Commission presented the Climate-Energy Package with the objectives outlined by the European Council in March 2007 (the so-called "20-20-20 by 2020," which calls for -20% emissions compared with 1990, +20% in energy provided by renewable sources and +20% in energy efficiency). The bill's approval process was completed on the first reading. On October 20, 2008, the Environmental Council reached an overall agreement and, owing in part to the general political consensus reached within the European Council on December 12, the Climate Package was approved by the European Parliament voting in plenary session on December 17, 2008. The Package will be formally adopted by the Council of Ministers at the next meeting held during the semester of the Czech Presidency.



OVERVIEW OF THE YEAR
BUSINESS PERFORMANCE

ELECTRIC POWER OPERATIONS

Quantitative Data

Sources

in GWh (*)	2008	2007	% change
Net production of the Edison Group:	50,151	53,404	(6.1%)
- Thermoelectric power plants	33,992	37,985	(10.5%)
- Hydroelectric power plants	3,860	2,966	30.1%
- Wind farms	524	510	2.7%
- Edipower	11,775	11,943	(1.4%)
Imports	431	1,174	(63.3%)
Other domestic purchases and swaps [1]	16,871	9,195	83.5%
Total sources	67,453	63,773	5.8%

(*) One GWh is equal to one million kWh, in terms of physical volumes.
(1) Net of line losses.

Uses

in GWh (*)	2008	2007	% change
CIP 6/92 dedicated	13,137	18,092	(27.4%)
Industrial, captive and other customers	4,472	4,324	3.4%
Deregulated market	49,575	41,225	20.3%
Exports	269	132	103.8%
Total uses	67,453	63,773	***5.8%***

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

Financial Highlights

(in millions of euros)	2008	2007	% change
Sales revenues	8,689	6,783	28.1%
EBITDA	1,326	1,238	7.1%
as a % of sales revenues	*15.3%*	*18.3%*	
Capital expenditures	284	234	21.4%
Number of employees [1]	1,849	1,944	(4.9%)
Including: employees of discontinued operations	-	93	n.m.

(1) End-of-period data.

Sales revenues totaled 8,689 million euros in 2008, for a gain of 28.1% compared with 2007. As explained earlier in this Report, this increase is the result of higher unit sales, made possible by steady growth in the deregulated market, and of an increase in unit sales revenues.
EBITDA rose to 1,326 million euros, or 7.1% more than the 1,238 million euros earned the previous year, despite the absence of the EBITDA contribution (about 46 million euros in 2007) provided by seven CIP 6/92 power plants sold in April 2008 as part of the facilities portfolio streamlining process.
The EBITDA improvement is entirely the result of growth in the deregulated markets (sales to non-captive customers, on the Power Exchange and to wholesalers), which benefited from a substantial increase in hydroelectric production compared with 2007 and from the gain generated by the sale of a 60% interest in Hydros Srl (additional information is provided in the "Key Events" section of this Report), which more than offset a decrease in the profit margins earned in the CIP 6/92 segment.

Work in progress at a thermoelectric power plant.

More specifically, the margin amounts earned in this sales channel decreased due to the regularly scheduled expiration of some contracts, the impact of the divestments mentioned above, and a contraction of the unit margins earned on electric power generated by this type of facilities caused by a mechanism for the compensation of fuel cost component (as amended by Resolution No. 154/08) that does not allow for a full recovery of the costs incurred to purchase fuel. As mentioned earlier in this Report, Edison has already challenged this resolution. On the other hand, as explained in the section of this Report that discusses the regulatory framework, the CIP 6/92 segment, thanks to the issuance of Resolutions No. 77/08 and 80/08 by the AEEG, benefited from the reimbursement of costs incurred over the full length of CIP 6/92 contracts to comply with the emissions trading and green certificate requirements, which partly mitigated the negative impact of the developments explained above.

Production and Procurement

In 2008, the Group's net production totaled 50,151 GWh, or 6.1% less than in 2007, due mainly to the sale of some CIP 6/92 power plants in April 2008.
However, hydroelectric power generation rose by 30.1% and the output of the Group's wind farms increased by 2.7%. The production of the Edipower power plants decreased by 1.4% compared with the previous year.
As part of a strategy to optimize the sources and uses portfolio, the Group increased its purchases of electric power by 83.5% compared with 2007. At the same time, exports grew to 269 GWh (132 GWh in 2007) and imports decreased by 743 GWh.

Sales and Marketing

In 2008, sales of electric power totaled 67,453 GWh, or 5.8% more than in the previous year (63,773 GWh).
An increase of 20.3% in sales to customers in the deregulated market, driven mainly by robust growth in the wholesale and Power Exchange segments, was offset in part by a 27.4% reduction in CIP 6/92 sales, attributable primarily to the disposal of some power plants in April 2008 and the expiration of some contracts.
Ongoing trading activity on foreign power exchanges was profitable on balance in 2008. The volumes traded (about 8.9 TWh) are not included in the "Sources" and "Uses" tables shown on the previous page.

Capital Investments

In 2008, the electric power operations invested about 284 million euros in property, plant and equipment (including about 46 million euros representing 50% of Edipower's investments) compared with 234 million euros in 2007. These resources were used mainly for thermoelectric power plants that operate in the deregulated markets, to revamp some facilities upon the expiration of their CIP 6/92 contracts and, more importantly, for expansion in the renewable energy area (wind power, hydroelectric and photovoltaic).
Edipower's capital expenditures, which are recognized by Edison at 50%, were used primarily to bring the S. Filippo power plant in compliance with environmental requirements.

HYDROCARBONS OPERATIONS

Quantitative Data

Sources

(in millions of m³ of natural gas)	2008	2007	% changes
Total net production:	973	928	4.9%
- Production in Italy	662	674	(1.8%)
- Production outside Italy	311	254	22.7%
Pipeline imports	7,554	6,093	24.0%
LNG imports	-	25	n.m.
Domestic and other purchases (1)	5,281	6,771	(22.0%)
Total sources	13,808	13,817	(0.1%)

(1) Includes inventory changes and pipeline leaks.

Uses

(in millions of m³ of natural gas)	2008	2007	% changes
Residential use	2,598	2,638	(1.5%)
Industrial use	1,336	1,098	21.6%
Thermoelectric fuel use	8,669	9,154	(5.3%)
Sales of production outside Italy	311	254	22.7%
Other sales	894	673	32.8%
Total uses	13,808	13,817	(0.1%)

Financial Highlights

(in millions of euros)	2008	2007	% changes
Sales revenues	5,093	3,937	29.4%
EBITDA	*405*	*427*	(5.2%)
as a % of sales revenues	*8.0%*	*10.8%*	
Capital expenditures	249	183	36.1%
Investments in exploration	62	58	6.9%
Number of employees (1)	507	460	10.2%

(1) End-of-period data.

Sales revenues rose to 5,093 million euros in 2008, for a gain of 29.4% compared with the previous year. Higher unit revenues made possible by a rise in the price of benchmark petroleum products account for this improvement.

EBITDA totaled 405 million euros, or 5.2% less than the 427 million euros earned in 2007, when EBITDA were boosted by the effect of reversals of provisions recognized in connection with Resolution No. 248/04 (about 56 million euros) and Resolution No. 284/06 (about 20 million euros). The impact of this negative comparison was offset in part by the benefit generated by renegotiating a long-term supply contract concerning purchases of natural gas in Russia and by higher margins earned by exploration and production activities, which benefited from higher oil prices than in 2007.

Production and Procurement

Net production of natural gas totaled 973 million cubic meters in 2008, up from 928 million cubic meters in 2007. This improvement was made possible by higher production outside Italy, which increased by 22.7% as a new well came on stream in Egypt around the middle of October. In Italy, on the other hand, the output decreased due to the natural depletion of gas fields.

On the procurement side, imports of natural gas grew to 7,554 million cubic meters in 2008, compared with 6,118 million cubic meters in 2007, reflecting an increase in deliveries of natural gas from Algeria made possible by an expansion of transmission capacity through the Transmed pipeline, which reached full capacity in October 2008. However, domestic purchases were down 22.0%, consistent with the objective of optimizing the source portfolio and gradually ending the use of indirect purchases.

Production of crude oil decreased to 1,729,000 barrels, down from 2,628,000 barrels in 2007, due to the lack of production from the Vega field.

Sales and Marketing

Total unit sales of natural gas, which include sales to thermoelectric power plants (8,669 million cubic meters sold mostly to Group facilities) were substantially in line with 2007, amounting to 13,808 million cubic meters. A reduction in demand from thermoelectric users during the latter part of the year caused by difficult economic conditions is the main reason for the 5.3% year-over-year decrease.
Unit sales to residential users were also down slightly (-1.5%), but deliveries to industrial users grew by 21.6% and sales to wholesalers and on the Virtual Exchange Facility totaled 894 million cubic meters (673 million cubic meters in 2007).

Capital Investments

Capital investments totaled about 249 million euros in 2008, up from 183 million euros the previous year. The main projects carried out in Italy included construction of the Cavarzere-Minerbio natural gas pipeline (19 million euros), expansion of storage capacity at the Collalto field (30 million euros) and drilling of new production wells in the Emma field (about 11 million euros), the Giovanna field (about 12 million euros), the S. Stefano field (about 10 million euros) and the S. Giorgio field (about 8 million euros), all located in the Adriatic Sea, and the Panda/Argo complex (about 38 million euros) in the Strait of Sicily.
Outside Italy, Phase 3 and 4 activities were close to completion in the development of the Rosetta concession in Egypt, requiring an investment of about 62 million euros. In Algeria, about 30 million euros were invested to put into production the Reggane and Azrafil fields and, in Croatia, about 10 million euros were used to develop the Izabela concession.

Exploration Activities

Investments in exploration activities totaled about 62 million euros. Of this amount, 4 million euros were invested in Italy and 58 million euros were invested outside Italy, mainly for exploration programs in the Reggane block in Algeria, where two wells have been completed and two additional wells are currently being drilled. In Egypt, progress is being made in implementing the technical activities and filing the paperwork needed to begin exploration projects in the WWER and SAER blocks, while the technical assessment of exploration concessions in Senegal, Ivory Coast, Iran and Qatar is continuing prior to the definition of future programs.

Hydrocarbon Reserves

Hydrocarbon reserves grew to 35.5 billion cubic meters of natural gas equivalents, up from 33.4 billion cubic meters of natural gas equivalents in 2007. The increase of 2.1 billion cubic meters, net of a production of 1.255 billion cubic meters of natural gas equivalents, is due to a revision, based on the findings of an independent appraiser, of the estimated reserves of the Argo, Rospo and Sarago exploration permits and to a discovery in the Cassiopea permit.
Reserve data at December 31, 2008 do not include the reserves of the Abu Qir concession, estimated at about 27 billion cubic meters, since this acquisition closed on January 15, 2009.

CORPORATE ACTIVITIES

Financial Highlights

(in millions of euros)	2008	2007 (*)	% change
Sales revenues	77	73	5.5%
EBITDA	(88)	(60)	(46.7%)
as a % of sales revenues	*n.m.*	*n.m.*	
Capital expenditures	12	14	(14.3%)
Number of employees [1]	605	873	(30.7%)

(*) Includes the data of Water Distribution and Treatment (IWH).
[1] End-of-period data.

The Water Distribution and Treatment operations (IWH) were transferred to the Corporate Activities and Other Operations, which already included 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 sale of the activities that operate the Guayaquil concession to a buyer outside the group was completed in November.

Sales revenues totaled 77 million euros in 2008. They include 24 million euros contributed by the IWH operations carried out in Guayaquil (Ecuador) under license (29 million euros in 2007) and 53 million euros (44 million euros in 2007) attributable to the Parent Company's operations mentioned above and including intra-Group revenues generated by the rebilling of costs incurred by the Parent Company Edison Spa in connection with services provided to Group Business Units.

EBITDA were negative by 88 million euros, with the loss widening by 46.7% compared with 2007, as the net result of a loss of 93 million euros incurred by the Parent Company's operations and positive EBITDA of 5 million euros earned by IWH.

Share Capital Increases

The share capital increase of 36,171 euros recorded in 2008 reflects the exercise of stock options awarded under the Company's stock option plan.

SOCIAL RESPONSIBILITY
FOCUS ON THREE AREAS

INNOVATION, RESEARCH AND DEVELOPMENT

In 2008, the Group focused its research and development efforts on projects involving power generation through fuel cells, advanced photovoltaic technologies, superconductivity and energy storage. In addition, the research organization provided support for projects managed by other departments within the Group, to which it made available its specific competencies and internal methodologies, as well as external methodologies accessible through its network. Among the latter, the most significant projects dealt with energy efficiency and innovations in the area of renewable energy sources. The Group is continuing to carry out joint research projects with its shareholder Eléctricité de France SA as part of a collaboration agreement designed to develop synergies that leverage the respective research competencies and organizations.

Hydrogen and Fuel Cells

At the Trofarello Research Center, a 5 kW fuel-cell generator manufactured by Acumentrics fueled directly with natural gas was tested in a separate space created for this purpose outside the main laboratory. Also in the area of hydrogen and fuel cells, the Group is continuing to carry out research in collaboration with the Chemistry and Energetics Departments of Turin's Politecnico University.

Advanced Photovoltaic Technologies

Work is continuing on a research project for the development of concentration-based systems with third-generation cells, which can achieve an efficiency rating greater than 30%.
In addition, photovoltaic systems have been installed at a testing facility established at the Altomonte power plant to assess their application and development potential. These systems include a 6-kW photovoltaic concentration module manufactured by Concentrix. This facility is connected with the Trofarello Research Center, where the test data are collected and processed.

Advanced Energy Materials

Work continued at the CNR IENI Institute in Lecco and at the Trofarello Research Center on the development of proprietary Edison technologies for the production of a magnesium diboride superconductor.
Another project launched jointly with EDF's R&D organization focused on the study of materials and the corresponding thin-film deposition techniques for applications in high-temperature fuel cells.

Energy Storage

A major effort involving laboratory characterization of a 5 kW storage system developed by VRB, a Canadian company, was carried out in 2008 with the goal of assessing the system's application potential within the context of a broader study of electric system flexibility issues.

The photovoltaic system on the roof of the engine room at Edipower's Brindisi power plant is Italy's largest facility based on CIS (copper indium selenide) technology.

HEALTH, SAFETY AND THE ENVIRONMENT

Edison addresses and manages environmental and safety issues taking an integrated system approach. Accordingly, it fosters the development and use of integrated management systems as a fundamental preventative tool and to drive continuous improvement of management activities, while promoting respect of and ongoing dialog with its host communities and the adoption of best international practices.

The main projects launched by the Group in the various areas of its business operations are reviewed below:

Electric Power Operations

Having achieved in 2007 the objective of obtaining 100% environmental and safety certification of its operating units pursuant to the UNI EN ISO 14001 and BS OHSAS 18001 standards and the EMAS

Edison's growth plan calls for a major effort and significant investments to develop additional generating capacity from renewable sources in Italy and abroad.

Regulations, the Group continued the process of securing the issuance and renewal of the Integrated Environmental Authorization required by Legislative Decree No. 59/2005 for facilities under the Ministry's jurisdiction with a thermal capacity in excess of 300 MW. By the end of 2008, about 50% of the affected facilities received the abovementioned authorization.

Hydrocarbons Operations

A project for the development of Health, Safety and Environment (HSE) guidelines for the definition of an integrated Environment, Safety and Quality Management System applicable to the oil and gas activities in Italy and abroad was completed. The Edison branch in Norway began the process of implementing an integrated HSE management system. Edison Distribuzione Gas Spa completed the certification of its integrated quality, environment and safety management system in accordance with the requirements of the UNI EN ISO 9001, UNI EN ISO 14001 and BS OHSAS 18001 standards.
In addition, the enactment of the new unbundling regulations for the natural gas industry required the implementation of a process to modify the integrated quality, environment and safety management systems, established in accordance with the UNI EN ISO 14001 and BS OHSAS 18001 standards, used by the companies of the hydrocarbons operations affected by the new regulations.

Marketing and Distribution Business Unit

The Group secured UNI EN ISO 9001 certification for Edison Energia and for the Marketing and Distribution Business Unit for the distribution of electric power and natural gas and the provision of related services.

Edipower Spa

Work continued on implementing the procedures applicable to areas with contamination or potential contamination of the soil and aquifer that were identified or launched in previous years at sites where some thermoelectric power plants are located.
At the San Filippo del Mela power plant, the facilities completed during the first phase of the remediation project were tested and put into service and the projects required for the second and final phase were completed.

At the Brindisi power plant, following a favorable decision handed down by the regional Administrative Court in 2007 ordering that the Ministry of the Environment reconsider the application for renewed access to areas on the property, the Ministry of the Environment, on the occasion of a Services Conference held on January 15, 2008, provided indications that it might be willing to enter into a special Program Agreement enabling Edipower to quickly regain access to areas on its property and carry out major environmental remediation projects (including a new covered coal storage facility).
In November 2008, after completing the additional environmental surveys requested by the Ministry of the Environment, the results of which basically confirmed the known contamination situation as it existed at the site, and submitting a project to clean up the aquifer, Edipower submitted to the Ministry of the Environment the paperwork needed to process the application to join the Program Agreement.
Among its 2008 environmental achievements, Edipower succeeded in reducing polluting emissions into the atmosphere compared with 2007, cutting sulfur dioxide by about 40% and nitrogen oxides by about 14%. Emissions of particulate matter and carbon monoxide decreased by about 39% and about 12%, respectively.
In the area of occupational health and safety, following the publication of Legislative Decree No. 81/08 ("Implementation of Article 1 of Law No. 123 of August 3, 2007: Provisions Concerning Occupational

Health and Safety"), Edipower carried out a series of informational/training events addressed, separately, to executives and middle managers of the headquarters staff, power plant managers, hub managers, maintenance managers, operations managers, assistants, and managers and staff of prevention and protection services.
In addition, work began on the process required to adopt a safety management system.
Lastly, a program to improve the safety of maintenance contractors was carried out at the San Filippo del Mela, Brindisi and Turbigo power plants and at the Mese Hub through informational/training events for the contractors' management personnel.

Overall, the accident indices, which had achieved significant reduction trends in previous years, appear to be stabilizing at levels that are absolutely competitive with the rest of the marketplace.
Specifically with regard to Company personnel, the accident frequency index (Fi) was 3.3, substantially in line with the performance achieved in recent years, while the serious accident index (SAi) improved further to 0.07.
For employees of contractors, the Fi was up slightly, rising to 8.0. However, this increase reflects a reduction in the number of hours worked and not a higher number of events. On the other hand, the SAi was 0.28, in line with the previous year's performance.
As for the occupational safety performance of Edipower's personnel, the positive trend that began the previous year continued in 2008, with the Fi and the SAi falling to about 3 and 0.02, respectively.
The accident rate for employees of plant maintenance contractors also continued to improve, with the number of accidents decreasing from about 20 a year in 2004 and 2005 to 12 in 2008. Accidents at construction sites fell to just 6 in 2008, an all-time low.
Following the enactment of Legislative Decree No. 81 of April 9, 2008 ("Uniform Occupational Health and Safety Code"), the Company developed an action plan, now at an advanced implementation phase, to achieve compliance with the requirements of the decree. The actions taken under this plan included:
- Revision of the safety organizational model, consistent with the Company's overall organization;
- Update of the Risk Assessment Document and the Health Protocol;
- Management of construction contracts, specifically with regard to coordinating the assessment of interference risks and safety costs;
- Review of the operational and management considerations entailed by temporary or transportable construction sites;
- Development of an informational and training program about the changes introduced by the abovementioned decree, which included the "2008 Edison Safety Workshop," held in June 2008, and the training event for employers and delegated managers, which was held in November.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Human Resources

At December 31, 2008, counting the staff of companies consolidated on a proportional basis, the Edison Group had 2,961 employees, or 316 fewer than at the end of 2007, when 3,277 employees were on its payroll.
The following significant events occurred in 2008:
- A decrease in the payroll of the electric power operations, owing to the sale of the CIP 6/92 power plants to Cofathec and Seci Energia (93 employees transferred) and overall reduction of 34 employees by Edipower;
- An expansion of the staff of the hydrocarbons operations, due mainly to the need to support foreign exploration activities and the opening of branches in the Ivory Coast and Norway, and of the departments involved in the new Trading and Power International areas in the Balkans and Greece;
- A significant staff reduction (-317 employees) due to a change in the scope of consolidation resulting from the sale of the water operations and the deconsolidation of their staff. Net of this effect, there was virtually no change in the Group's payroll from 2007 to 2008.

Total labor costs for the year amounted to 223 million euros in 2008, or about 2% more than in the previous year.

The process of making the internal regulations of the Company retirement fund (FIPREM) consistent with the statutory requirements introduced by Legislative Decree No. 252/2005 and those of the Regulatory Authorities continued in 2008.
Lastly, the Company launched the "Edison for You" program, designed to help employees reconcile personal and work obligations by providing them with services in the areas of child care and education, medical prevention and wellness, tax and legal consulting services, and the handling of daily chores. This program was very well received by employees and won top honors in the prestigious "Family and Work Awards," a contest organized by the Regional Administration of Lombardy and the High Enterprise and Corporate Management School of the Sacred Heart Catholic University of Milan.

Industrial Relations

The following significant developments characterized 2008:
The main event of the first half of 2008 was the signing of a labor agreement with the national unions representing workers in the electrical industry. This agreement regulates at the Company level certain issues that the collective bargaining agreement for electrical industry employees reserved for second-tier negotiations, such as weekly work schedules, the compensation portion of the Results Bonus for 2008 and the revision of the level of reimbursements provided under the Supplemental Health Benefits Program for employees covered by the collective bargaining agreement for the electrical industry.
In 2008, through the divestment of some business operations:

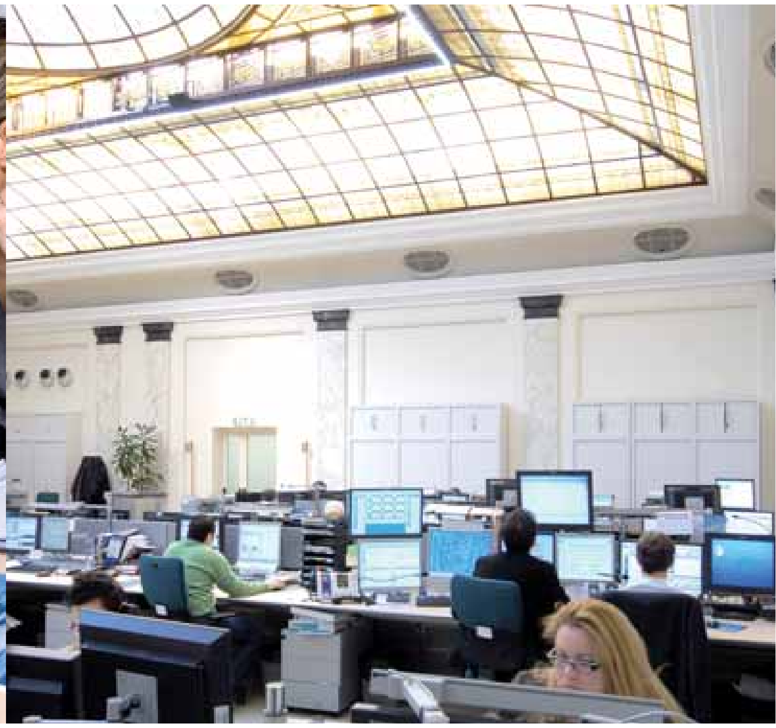
- The Group sold seven thermoelectric power plants that operate under CIP 6/92 contracts and had 93 employees;
- The Group's hydroelectric assets in the province of Bolzano were conveyed to Dolomiti Edison Energy S.r.l., a newly established company, and 32 employees were transferred to the new company;
- Subsequently, hydroelectric assets in the province of Bolzano were transferred to Hydros S.r.l., another newly established company, and 81 employees were transferred to the new company.

As for Edipower, it signed an agreement with its unions concerning the handling of redundant line personnel at the Sermide power plant, which made it possible to handle in a non-traumatic fashion the occupational problems created by the permanent shutdown of the 1 and 2 conventional thermoelectric units.

Organization

Organization projects carried out in 2008 included the following:

- The Marketing and Distribution Business Unit redefined the structure and responsibilities of the Customer Relationship Management Department with the goal of supporting growth in the microbusiness and residential markets.
- The Development Department redefined its mission and changed its name to International Central, Renewable Energy and Special Projects Department, tasked with overseeing the development and subsequent management of new international projects by the electric power operations involving power generation both from fossil and renewable sources.
- As part of the process of complying with the requirements of E.U. and Italian regulations on unbundling, the Hydrocarbons Operations identified and, at the functional and operating level, separated the natural gas transmission, storage and distribution activities from other activities, assigning operating responsibility for these activities to designated General Managers who, as required by the applicable resolution 11/07, will act as "Independent Operators."
- The Group launched the "Energy Savings and Services" and "Distributed Power Generation" projects designed, respectively, to assess industrial and commercial solutions in the areas of energy services and usage containment and to identify and evaluate alternatives for the generation of electric power through the construction and management of small-size, cogenerating and/or renewable-source fueled autonomous generating systems.



A major concern for the development of its human resources has always been a key element of Edison's mission.

- Launch of a feasibility study for a nuclear project in Italy, handled through a dedicated organizational unit.
- Definition and integration of the procedures to control and mange risks inherent in trading activities, specifically in connection with the launch of the new Financial Derivatives Exchange.

The main initiatives involving Edipower included the following:

- Payroll project: migration of the personnel accounting service to full outsourcing mode, handled by a new service provider, with implementation of a new data processing system and redefinition of the corresponding operating processes.
- Revision of the corporate organizational model to reflect organizational changes at the facilities level and take into account all of the contextual changes that occurred compared with the first organization defined in 2003, with the goal of validating the efficiency and effectiveness of the organization using, when appropriate, relevant international benchmarks.
- In response to the enactment of Legislative Decree No. 81/2008, redefinition of the company's occupational safety organization and revision of the system for the delegation of authority in the area of occupational safety.

Training

The following training and development projects carried out in 2008 were particularly noteworthy:
Projects carried out within the institutional training framework included the ongoing expansion of the scope of training paths for recent college graduates, the consolidation of an advanced path for professionals, in-depth discussions of management issues concerning feedback management, team leadership and employee motivation through structured classroom programs, outdoors training and individual coaching.
At the level of specific professional groups, training programs for trading and hedging activities provided by means of internally taught seminars and training for the purpose of meeting the requirements to qualify as professional traders of energy derivatives (IDEX Segment).
Significant attention was also devoted to the new Uniform Occupational Health and Safety Code (*Legislative Decree No. 81 of April 9, 2008*), which resulted in the adoption of a plan to update the function performed by the Protection and Prevention Services Managers existing within the Company and by employers and delegated managers.
Moreover, consistent with the objective of supporting the management of corporate compliance processes, particularly with regard to the new information flows that must be provided to the Oversight

Board required by Model 231, the Company provided ad hoc training programs that covered a number of issues, beyond fraud prevention and the effective handling of corporate due diligence requirements. Overall, the Group provided training programs involving technical education and specific safety and environmental instruction for a total of 10,000 man days, 30% of which was devoted to occupational safety and environmental training.
The assessment phase of the "Edison Professional System" project was completed in 2008, resulting in the definition of the trade competencies of the main corporate professional profiles and the subsequent evaluation of over 800 employees.
Lastly, the Company continued to implement the second cycle of long-term incentives, which began in 2007 and involved about 50 managers.

The training activities carried out by Edipower in 2008 included projects totaling about 8,500 man days (16.2% more than in 2007) that included programs provided both at company headquarters and at individual production facilities and initiatives designed to address specific issues or targeting entire professional groups. Noteworthy training activities carried out in 2008 include the following:
- Implementation of continuing education, which is designed to update on an ongoing basis professional competencies and skills, specifically with regard to occupational safety and health, environmental issues and, specifically, EMAS certifications.
- Implementation of training programs for headquarters and plant employees involved in the diagnostics phase of the "Euclid" continuous improvement program;
- Completion of a training program for employees of the Turbigo power plant and implementation of a training program to handle the adoption of a new payroll system.

RISK MANAGEMENT

Risk Management at the Edison Group

Enterprise Risk Management

Edison has developed an integrated risk management model based on the international principles of Enterprise Risk Management, the COSO framework (sponsored by the Committee of Sponsoring Organizations of the Treadway Commission) specifically. The main purpose of ERM is the adoption of a systematic approach in identifying the Company's most significant risks, addressing in advance their potential negative effects and taking appropriate actions to minimize them.

In pursuit of this objective, Edison adopted a Corporate Risk Model and a risk mapping and risk scoring method that assigns a relevance index to risks based on an assessment of their overall impact, probability of occurrence and level of control.
Working with the support of the Risk Office, the managers of the Company's business units and departments use a Risk Self Assessment process to identify and assess the risks that affect the areas under their jurisdiction and provide an initial indication of the mitigating actions they have taken. The results of this process are then consolidated at the central level into a mapping system in which risks are prioritized based on the scores assigned to them and aggregated, so as to facilitate the coordination of mitigation plans within the framework of an integrated risk management approach.
The Corporate Risk Model, which has been developed based on best industry and international practices, covers the types of risks that are inherent in the businesses in which the Group operates and makes a distinction between risks related to the external environment and internal process and strategic risks.

The Enterprise Risk Management process is closely linked to the strategic planning process in order to correlate the Group's overall risk profile with the return on investment projected in the plan/budget document.
The reports produced by ERM and Risk Self Assessment are communicated to the Audit Committee and Board of Directors on predetermined dates and are used by the Internal Control Systems Department as informative instruments to prepare special risk-based audit plans.
A map of the corporate risks identified by the ERM process is annexed to the budget and industrial plan document approved each year by the Parent Company's Board of Directors.

Energy Risk Management

Within the risk management activities, a separate process specifically addresses the commodity risk, which is the risk associated with price fluctuations in the financial and physical markets in which the Company operates with respect to such energy raw materials as electric power, natural gas, coal, crude oil and derivative products.
In recent years, the growing volatility of these commodities produced an increase in the risk of fluctuations in the financial results reported by companies in these industries.
With regard to this issue, the specific purpose of risk management activities is to stabilize the cash flow generated by the existing portfolio of assets and contracts and protect the assets on the Company's balance sheet from any impairment caused by market price fluctuations.

More specifically, the market risks that arise from fluctuations in the prices of energy commodities and foreign exchange rates is managed at the central level by a process of netting out the total exposure of the Group's portfolio, which is monitored against a risk limit, stated in terms of economic capital, that the Board of Directors approves annually based on the expected level of profitability.

The Risk Committee reviews the Group's exposure on a monthly basis, making reference to the approved risk limit. If the limit is exceeded, it decides on the appropriate hedging strategy that should be adopted, consistent with the Energy Risk Policies. In accordance with this document, the Group pursues the objective of minimizing the use of the financial markets for hedging purposes, preferring to maximize the benefits of the vertical and horizontal integration of its different types of business activities.

Risk Factors

Risks Related to the External Environment

Legislative and Regulatory Risk

A potential source of significant risk is constant evolution occurring in the reference legislative and regulatory framework, which affects primarily how the market operates, rate plans, required levels of service quality and technical and operational compliance requirements. In this area, Edison is engaged in an ongoing activity to monitor and carry out a constructive dialog with public institution, both when it is required to interact with them and when it seeks to comply promptly with new requirements, while always seeking to minimize the resulting economic impact.
The main changes in the legislative framework are reviewed below:

- Decree Law No. 185/08 and Reform of the Wholesale Electric Power Market
  As describe in greater detail in the section of this Report that discusses changes in the legislative framework, Decree Law No. 185 of November 29, 2008 (the so-called "Anti-Crisis Decree"), converted into law on January 28, 2009, includes a series of provisions designed to reform the electric power market, which could radically change some of the market's operating mechanisms. The implementation of these changes will require the enactment of specific regulations, a task that, depending on the issues involved, will be handled either by the Ministry of Economic Development or by the Electric Power and Natural Gas Authority. If the deadline set forth in the Decree cannot be met, the abovementioned regulations will be issued by the Prime Minister on a provisional basis. The scope of this reform and the significance of the implementation regulations, which will require additional regulatory measures the content of which is not yet known would seem to indicate the possibility of a significant break in continuity with respect to the way the market functions, with a potential impact on the operating and financial performance of market operators such as Edison.
- Hydroelectric Concessions
  This issue, which has been discussed in detail earlier in this report, arises from a decision handed down on January 14, 2008 by the Italian Constitutional Court ruling that the 10-year extension of concessions for large-scale diversions of water for hydroelectric power plants introduced into the Italian legal system by the 2006 Budget Law (Law No. 266/2005) is unconstitutional. This issue has a major impact on holders of hydroelectric concessions, such as Edison, and is especially relevant for those whose concessions are expiring within less than five years from the scheduled date of the call for tenders. A technical Work Table has been established within the Unified Conference to address these issues and analyze and resolve the problems entailed by renewals of concessions for large-scale diversions of water in terms both of the publicly transparent procedures used for award purposes and the preservation of the effects produced by the 2006 Budget Law, which, however, is currently on hold while the relevant Ministries jointly develop a new bill.
  Legislative action by the government can no longer be deferred, considering that several concessions are set to expire at the end of 2010 and in view of the need to establish a clear legislative framework to govern this issue in a manner that allows the optimum planning of capital expenditures.

- Changes in the Regulations Governing CIP 6/92 Contracts
  The Electric Power and Natural Gas Authority is continuing the process of defining and adjusting various refund mechanisms (CO_2 costs and Green Certificates costs) and the Avoided Fuel Cost. Edison is monitoring and addressing these issues and, when appropriate, takes legal action (as was the case for Resolution ARG/elt No. 154/08, which adjusted the Avoided Fuel Cost component for 2008). Possible changes in the framework that underlies the contracts could also result from actions

taken by Parliament, where Bill No. 1195 is currently being debated. In its current form, the Bill includes the possibility that the criteria for the annual adjustment to the Avoided Fuel Cost component be defined by means of decrees issued by the Ministry of Economic Development and that producers be offered mechanisms for the early cancellation of CIP 6/92 contracts, the resulting costs of which must be lower than those that would be incurred if the contracts are not cancelled.

Price/Exchange Rate Risk Related to Commodity Activities

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles, including, specifically, electric power, natural gas, coal, petroleum products and environmental securities. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting exchange rate risk.

From an organizational standpoint, the governance model adopted by the Group requires (with some minor exceptions for Edipower) the separation of the risk control and management functions, which are handled centrally by Edison Spa under the direct supervision of the Chief Financial Officer, from the trading activity, which is handled by Edison Trading Spa for commodity market transactions and by the Finance Department of Edison Spa for foreign exchange transactions.

The activities required to manage and control these risks are governed by the Energy Risk Policies, which require the adoption of specific risk limits in terms of economic capital relative to market risks and the use of financial derivatives that are commonly available in the market for the purpose of containing the risk exposure within the preset limits. In the case of the Group's Industrial Portfolio, the absorption of economic capital is measured in terms of Profit at Risk (PaR), which is quantified monthly based on the Group's net exposure. For IFRS 7 compliance purposes, the notes to the financial statements include a PaR simulation carried out only on the financial derivatives outstanding at December 31, 2008 to determine the expected volatility in terms of the fair value recognized in the financial statements.

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 is special trading portfolios. Trading portfolios are monitored on a daily basis by means of preset risk limits, measured in terms of daily Value-at-Risk (VaR) with a 95% probability and annual stop loss. A more detailed analysis of this risk is provided in the disclosure included in the notes to the financial statements to comply with IFRS 7.

Foreign Exchange Risk Not Related to the Commodity Risk

Except for the issues mentioned above in connection with the commodity risk, the Group has no significant exposure to the foreign exchange risk, the remaining portion of which arises mainly from the translation of the financial statements of certain foreign subsidiaries and cash flows in foreign currencies of limited amount concerning purchases of equipment. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.
At the end of 2008, acting within the framework of the agreement to acquire exploration, production and development rights for the Abu Qir concession, the Group executed several forward currency buy contracts expiring in January 2009 for a total of US$1,100 million to hedge the foreign exchange risks related to the payment of a signing bonus to the Egyptian General Petroleum Corporation.
A more detailed analysis of this risk is provided in the disclosure included in the notes to the Consolidated Financial Statements to comply with IFRS7.

Interest Rate Risk

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

The interest rate hedging policy is based on the following approach: the Group does not execute derivative contracts for speculative purposes. On the contrary, the main objective is to minimize any volatility affecting debt service costs. This objective is achieved by using hedges to establish an optimum combination of fixed and variable rates in the composition of the Group's indebtedness. A more detailed analysis of this risk is provided in the disclosure included in the notes to the Consolidated Financial Statements to comply with IFRS 7.

Credit Risk

The credit risk represents Edison's exposure to potential losses caused by the failure of commercial and financial counterparties to honor the commitments they have undertaken. In the case of the Edison Group, its exposure to the credit risk is predominantly related to its growing sales activity in the deregulated market for electric power and natural gas.
To control this risk, the operational management of which is specifically the responsibility of the Credit Management Function, which is part of the central Finance Department, the Group implemented procedures and activities, widely detailed in the notes to the financial statements to comply with IFRS 7.

Process Risks

Operational Risk

Edison's core businesses include building and managing technologically complex facilities for the production of electric power and hydrocarbons that are interconnected along the entire length of the value chain. The risk of losses or damages can arise from the unexpected unavailability of one or more pieces of equipment of critical importance for the production process caused by material damages to the equipment or specific components of it that cannot be fully covered or transferred by means of insurance policies. Prevention and control activities designed to contain the frequency of such events or minimize their impact require the adoption of high security standards, as well as frequently scheduled equipment overhauls, contingency planning and maintenance. When appropriate, appropriate risk management policies and *ad hoc* industrial insurance policies help minimize the potential consequences of such damaging events.

Information Technology

The Group's operations are supported by complex information systems, specifically with regard to the technical, commercial and administrative areas. To limit the risk of activity interruption caused by a system fault, Edison has adopted a high reliability hardware and software configuration for those applications that support critical activities. In addition, the services provided by the Group's outsourcer include a disaster recovery service that guarantees adequate system recovery.

Liquidity

Managing the liquidity risk means hedging the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.
The cash flows, financing needs and liquidity of Group companies are managed centrally in order to optimize the use of financial resources. The strategic objective is to ensure that the Group has access at all times to sufficient committed facilities to meet the financial obligations that are maturing during the ensuing 12 months.
A more detailed analysis of this risk is provided in the disclosure included in the notes to the financial statements to comply with IFRS 7.

Strategy and Planning Risks

Investments in Development and Acquisitions

The development of the core businesses of the Edison Group must be supported with direct investments (internal growth) and acquisitions.

Insofar as direct investments are concerned, in recent years, the Edison Group implemented an ambitious program to expand generating capacity, adding 7,000 MW. Additional investments are planned for the future to support the growth of the Group's core businesses both in the electric power sector and the hydrocarbons area.
The development strategy foresees an internationalization plan in countries outside the European Union, where in some extent the Group is already present, which might be characterized by a less stable political, social and economic environment.
As a result of this activity, the Edison Group is exposed to permit risks, risks of delays in the construction and launch of commercial activity of new projects, risk of increasing operating costs and costs related to materials and services, risks due to possible changes in existing technologies, risks linked to change of political and regulatory framework of the foreign countries in which the Group operates or intends to operate in the future.
As for the strategy of growth through acquisitions, its success is predicated on Edison's ability to identify and seize opportunities available in the market to acquire assets or companies that would hold the growth of the Group's core businesses at an acceptable cost. In this area, there are no guarantees that Edison will be able to achieve the benefits expected from such transactions.

In order to minimize these risks, Edison has adopted a series of internal processes to monitor the research and assessment phases of investment initiatives. In addition to requiring the use of appropriate formal procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorization processes and strict project management and project control activities.
In addition, the Group is involved in research activities applied to the development of new technologies, also in relation to existing plants. For further information related to this field of activities see section "Innovation, research and development".

Policies and Management Tools Adopted by the Group

Energy Risk Policy

Governance

The rules governing the management of energy risks require that risk limits, stated in terms of economic capital, may be approved exclusively by the Board of Directors together with the budget.
The Risk Committee, defines the policies, monitors risk levels, approves hedging strategies and defines any subsets of risk limits.
Consistent with the need to establish a clear separation of functions, the Risk Office, which reports to the CFO, prepares the items on the agenda of Risk Committee meetings and monitors compliance with limits and the results of financial hedges, while the Front Office, which reports to the manager of the Energy Management BU, executes transactions in the financial markets, striving to optimize their structure, timing and counterparties.

Financial Hedges

One of the objectives of the Group's risk management activity is to stabilize the cash flows generated by the existing portfolio of assets and contracts and use strategic hedging to protect the Group's EBITDA from fluctuations caused by the effect of the price risk and the foreign exchange risk (as defined above in the Risk Factors section of this chapter) on the commodities used.

Strategic hedging is carried out by means of financial hedges that are activated gradually during the year, based on market trends and changes in projections of the volumes of physical buy and sell contracts and the production of the Group's assets.
The gradual implementation of strategic hedging helps minimize the execution risk, which refers to the possibility that all hedges will be activated during an unfavorable market phase, the volume risk, which

is related to the variability of the underlying items that require hedging based on the best volume projections, and the operational risk, which is related to implementation errors.

Moreover, the Group's policy is designed to minimize the use of financial markets for hedging purposes by maximizing the benefits of the vertical and horizontal integration of its different business.
Accordingly, the Group makes it a planning priority to physically balance the volumes of physical energy commodities that is will sell in the market on the different due dates, using for this purpose the production assets it owns and its portfolio of medium/long-term contracts and spot contracts.
In addition, the Group pursues a strategy designed to homogenize sources and physical uses, so that the formulas and indexing mechanisms that determine the revenues generated by the sale of energy commodities reflect as much as possible the formulas and indexing mechanisms that govern the costs that the Group incurs to purchases energy commodities in market transactions and to supply its production assets.
To manage the price and foreign exchange risk on the remaining exposure of its portfolio of assets and contracts, the Group can use structured hedges executed in the financial markets in accordance with a cash flow hedging strategy.

Financial hedges can also be established in response to specific requests by individual business unit to lock in, with operational hedging, the margin earned on a single transaction or a limited number of related transactions.

Enterprise Risk Management Policy

The ERM Process and Assessments of the Impact on Margins-Objectives

The Enterprise Risk Management process is carried out concurrently with the development of the Budget and Strategic Plan by means of an annual Risk Self Assessment process, the results of which are presented annually when the Budget is approved and updated on the occasion of Audit Committee meetings. In this case as well, the model is based on information provided by the individual operating units and departments, each of which, limited to the areas under its jurisdiction, prepared a map of the existing risks based on three parameters that measure their impact, probability of occurrence and level of control.
The overall results for 2008 are reviewed in the Risk Factors section of this Report.
A coordinator is designated for each of the mapped priority risks and specific mitigating actions are identified and codified within predefined classes of actions. Regular updates are performed during the year to review the results of the selected mitigating actions and assess their potential impact.

Provisions for Risks

In addition to the disclosures provided above concerning risk management and mitigation activities, whenever it incurs current obligations arising from past events, which can be of a legal or contractual nature or implied by Company declarations or conduct such as to create in a third party a valid expectation that the Company will be responsible or assume responsibility for the performance of an obligation, the Edison Group sets aside appropriate amounts in special provisions for risks and charges, which are shown among the liabilties on the balance sheet (see also the Notes to the Consolidated Financial Statements). Specifically, in the normal course of business, Group companies have become parties to judicial proceedings and tax disputes, a description of which is provided in the section of the Notes entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2008".

UNBUNDLING

As for the schedules providing a separate accounting for each business activity (unbundling), the rules issued by the AEEG with Resolution No. 11/07, as amended, (TIU) do not require that accounting schedules be provided as part of this document.

OTHER INFORMATION

Pursuant to Article 2428 of the Italian Civil Code, the Company provides the following disclosure:

- At December 31, 2008 it did not hold treasury shares or shares of its parent company, either directly or indirectly through nominees or other third parties. No transactions involving treasury shares or shares of the parent company were executed during the year, either directly or indirectly through nominees or other third parties.
- During the year, the Group executed significant transactions with related parties, a description of which is provided in the section entitled "Transactions Among Group Companies and with Related Parties" that appears in the "Other Information" chapter of the Consolidated Financial Statements.
- No secondary registered office have been established.

Information about the Company's ownership structure and corporate governance is provided in a separate document, which is an integral part of the Annual Report. The abovementioned information includes data about the equity investments, compensation and stock options of Directors and Statutory Auditors, and about the fees of the Independent Auditors.

MOTION FOR A RESOLUTION

Dear Shareholders,

Your Company's separate financial statements at December 31, 2008 show a net profit of 374,103,914.92 euros, rounded to 374,103,915 euros.

If you concur with the criteria used to prepare the financial statements and with the accounting principles and methods applied, we propose that you adopt the following resolutions:

" The Shareholders' Meeting,

- having reviewed the Company's separate financial statements, the consolidated financial statements at December 31, 2008 and the Report on Operations submitted by the Board of Directors;
- being cognizant of the Report of the Statutory Auditors, which is required under Article 153 of Legislative Decree No. 58/1998 (Uniform Financial Code);
- being cognizant of the Reports of the Independent Auditors on the separate and consolidated financial statements at December 31, 2008 and on their review of the Report on Operations;
- considering the provisions of Article 2430 of the Italian Civil Code that govern the handling of the statutory reserve and those of Article 24 of the Company Bylaws concerning the dividends payable to the savings shareholders;
- considering that, as a result of the transition to and adoption of the IFRS principles, the shareholders' equity at December 31, 2008 includes reserves that are unavailable pursuant to Articles 6 and 7 of Legislative Decree No. 38/2005;
- considering the provisions of Article 109, Section 4, of Presidential Decree No. 917/1986, in the formulation in effect until December 31, 2007 and insofar as still applicable;
- considering that the share capital amounts to 5,291,700,671.00 euros, divided into 5,181,108,251 common shares and 110,592,420 savings shares;

resolves to:

(i) approve the Report on Operations in 2008 submitted by the Board of Directors;

(ii) approve the Company's separate financial statements for the year ended December 31, 2008, and the individual items contained therein;

(iii) set aside 5% of the year's net profit of 374,103,914.92 euros by adding to the statutory reserve the amount of	18,705,195.75 euros
(iv) appropriate the 355,398,719.17 euros in net profit that remains after the partial appropriation made to the statutory reserve referred to in item (iii) above as follows:	
a) to the 110,592,420 savings shares, a dividend as follows:	
- 5% of the shares' par value, i.e., 0.05 euros per share, as a preferred dividend for the 2008 fiscal year, for a total of	5,529,621.00 euros
- 3% of the shares' par value, i.e., 0.03 euros per share, as a preferred dividend premium for the 2008 fiscal year, as required as a consequence of the motion set forth in item b) below	3,317,772.60 euros
for a combined amount of 0.08 euros per savings share, which is equal to a total of	8,847,393.60 euros

b) to the 5,181,108,251 common shares, a dividend as follows:
   - 0.05 euros per share, equal to 5% of each common shares' par value
   for a total of 259,055,412.55 euros

c) to bring forward the balance as retained earnings, which, after deducting the amounts referred in item (iii) and letters a) and b) above, amounts to 87,495,913.02 euros

The dividend will be payable on April 17, 2009 (record date April 14, 2009)."

Milan, February 11, 2009

The Board of Directors
by Giuliano Zuccoli
Chairman

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF EDISON S.P.A. PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98

Dear Shareholders:

In the year ended December 31, 2008, the Board of Statutory Auditors of Edison S.p.A. (the "Company") carried out its oversight activities in accordance with the provisions of the relevant statute (Legislative Decree No. 58 of February 24, 1998 – "Uniform Financial Intermediation Code"), performing its work in accordance with the rules of conduct for Boards of Statutory Auditors of corporations with shares traded on regulated markets recommended by the Italian Board of Certified Public Accountants and Bookkeepers and consistent with Consob pronouncements concerning corporate controls and the activities of the Board of Statutory Auditors.
Insofar as the task of auditing the financial statements is concerned, we remind you that, pursuant to Legislative Decree No. 58/1998, it has been assigned to the Independent Auditors Pricewaterhouse-Coopers S.p.A., whose report should be consulted for additional information.
The Board of Statutory Auditors currently in office was elected by the Shareholders' Meeting of April 2, 2008, in accordance with the provisions of the Bylaws, which, as amended by the Shareholders' Meeting of June 26, 2007, incorporate the statutory requirement that the Chairman of the Board of Statutory Auditors should be elected from the slate of Statutory Auditors filed by minority shareholders.

Based on the information received and the facts gathered by the Board of Statutory Auditors, we summarize below the transactions with a material impact on the Company's income statement, balance sheet and financial position executed in 2008, including those carried out through subsidiaries, all of which are discussed in the Report on Operations prepared by the Board of Directors:

- On January 9, 2008, the Company signed a hydrocarbon exploration contract in Iran, after winning a call for tenders issued by the National Iranian Oil Company for the Davyer offshore block.
- Pursuant to an agreement signed on February 19, 2008 upon the withdrawal of a shareholder from Galsi S.p.A. (a company established to develop, construct and manage the Algeria-Italy natural gas pipeline), the Company exercised its preemptive right acquiring its pro rata portion of the available shares and increasing its interest in the share capital of Galsi S.p.A. to 20.8%.
- On April 8, 2008 Edison S.p.A. closed the sale of six thermoelectric power plants operating under CIP 6/92 contracts to Cofathec Servizi, a company of the Gaz de France Group.
- On April 23, 2008, work started on the construction of Europe's first alternate-current interconnecting line not owned by a national operator, which will link the electrical stations of Campocologno, in Switzerland, and Tirano, in Italy. This infrastructure, which is expected to be commissioned before the end of 2009, will be built and operated by EL.I.T.E. S.p.A., a special purpose company in which Edison S.p.A. has a 48.45% interest.
- On May 29, 2008, Edison S.p.A. closed the sale of a 51% interest in Dolomiti Edison Energy S.r.l. to Dolomiti Energia S.p.A. Earlier, Edison S.p.A. conveyed to Dolomiti Edison Energy S.r.l. the business operations consisting of three hydroelectric power plants in the province of Trent that operate by virtue of concessions expiring in 2008, 2016 and 2017. Edison S.p.A. will continue to manage dispatching for the conveyed power plants and will take delivery of all of the energy they produce, until the existing concessions empire, at a preset price sufficient to cover costs and compensate invested capital.
- On June 11, 2008, IGI Poseidon S.a., the company that will develop, build and operate the Greece-Italy natural gas pipeline, was established as a 50-50 joint venture of Edison International Holding Nv (100% Edison) and Depa, Greece's government owned hydrocarbon company.
- On July 3, 2008, Edison S.p.A. and Hellenic Petroleum signed agreements establishing a 50-50 joint venture to operate in Greece's electric power market.
- In July and September 2008, important natural gas discoveries were made in the Strait of Sicily fol-

lowing the drilling the Cassiopea 1 and Argo 2 wells, in which Edison has a 40% interest (ENI is the operator, with a 60% interest).

- On September 20, 2008, a regasification terminal with capacity of 8 billion cubic meters of natural gas a year was delivered to its permanent Adriatic Sea home, offshore Porto Levante, in the province of Rovigo. This facility is tentatively scheduled to go on stream in mid-2009, once construction and testing is completed, and Edison S.p.A. will have access to 80% of the available capacity.
- On October 7, 2008, Edison submitted the winning bid in a public call for tenders, acquiring an 80% interest in AMG Gas Srl, a natural gas distributor that serves the Palermo area.
- On October 24, 2008, Edison S.p.A. transferred to SEL S.p.A. (Società Elettrica Altoatesina) ownership of a 60% interest in Hydros S.r.l., a newly established company, to which Edison S.p.A. earlier conveyed the business operations consisting of seven hydroelectric power plants in the province of Bolzano. Pursuant to the existing agreements, Edison will manage dispatching for the conveyed power plants and will buy all or part of the energy they produce, until the existing concessions empire, at a preset price sufficient to cover costs and compensate invested capital.
- On December 2, 2008, Edison International S.p.A. signed a binding agreement with the Egyptian General Petroleum Corporation for the exploration, production and development rights of the Abu Qir offshore concession in Egypt. On January 15, 2009, the agreement was ratified by the Egyptian Parliament for a duration of 20 years, extendable for an additional 10 years at Edison's request.

In 2008, as part of the work carried out consistent with its statutory function, the Board of Statutory Auditors performed the following activities:

- It met on a regular basis and drew up 11 reports recording its activities.
- It attended all (eight) meetings of the Board of Directors, obtaining from the Board of Directors a steady flow of information concerning its activity and transactions with a material impact on the Company's income statement, balance sheet and financial position executed by the Company and its subsidiaries, ensuring that all approved and executed transactions complied with the applicable statutes and the Bylaws, were financially sound, were not manifestly imprudent or reckless, did not give rise to potential conflicts of interest with the Company, were not in conflict with resolutions approved by the Shareholders' Meeting and did not compromise the integrity of the Company's assets.
- The Board of Directors reserves for its exclusive jurisdiction all significant transactions with related parties, which it specified include transactions with Transalpina di Energia ("TdE"), the Company's controlling shareholder, TdE's shareholders, the shareholders of TdE's shareholders and group companies owned by these parties, all of which have been classified as "Significant Parties."
- It reviewed regular transactions among Group companies and with related parties to ensure that they were fair and carried out in the Company's interest. The characteristics of these transactions, the parties involved and their financial effects are adequately disclosed in the Notes to the Separate Financial Statement and the Consolidated Financial Statements, which are cited here by reference.
- In the course of its work, it did not uncover any atypical or unusual transactions.
- It met on a regular basis with representatives of the company hired to review the Company's accounting records and audit its statutory and consolidated financial statements, with whom it exchanged data and information.
- It found no qualifications or specific disclosures in the reports issued by the Independent Auditors PricewaterhouseCoopers S.p.A. on February 20, 2009 pursuant to Article 156 of Legislative Decree No. 58/98, certifying that the Separate Financial Statements and the Consolidated Financial Statements at December 31, 2008 were prepared transparently and present truthfully and fairly the balance sheet, financial position, income statement, changes in shareholders' equity and cash flow of the Company and the Group.
- It noted that, in 2008, Edison S.p.A. awarded to the Independent Auditors PricewaterhouseCoopers S.p.A. the following additional assignments:
  - 30,000.00 euros for a non-recurring review of extraordinary transactions;
  - 23,000.00 euros to certify the 2008 Pay Schedule for Gas JV Employees in Italy;

- 23,000.00 euros to certify the 2008 Pay Schedule for Gas JV Employees abroad;
- 20,000.00 euros for work concerning the Report on Operation;
- 10,000.00 euros for a certification concerning the Compensation Committee;
- 8,000.00 euros for a certification concerning the 2008 Pay Schedule for Expatriates in Egypt;
- 8,000.00 euros for a certification concerning the TPP and CHPP calls for tender;
- 5,000.00 euros for a certification concerning the AGAG call for tenders.

- It monitored the independence of the Independent Auditors, ascertaining that they were in compliance with the limitations of the relevant statutes in providing Edison S.p.A. and its subsidiaries with services other than accounting audits, and determined that no assignments were granted in 2008 to members of the same network to which the Independent Auditors belong.
- In 2008, it received no complaints filed pursuant to Article 2408 of the Italian Civil Code or memoranda submitted by third parties.
- It issued the opinions required pursuant to law only in connection with the compensation awarded to Directors who perform special functions or serve on Board Committees, which were determined by the Board of Directors upon a recommendation by the Compensation Committee.
- It monitored compliance with the principles of sound business management, which it accomplished through direct oversight, information obtained from managers of Company departments and meetings with the Independent Auditors, with whom it exchanged data and information, and has no remarks with regard to this area.
- It gained in-depth knowledge of the organizational structure of the Company and the Group, monitoring its effectives, insofar as the issues under its jurisdiction are concerned, and has no remarks with regard to this area.
- It ensured that the instructions provided by the Company to its subsidiaries pursuant to Article 114, Section 2, of Legislative Decree No. 58/98 were adequate and has no remarks with regard to this area.
- It met with the members of the Boards of Statutory Auditors of the main subsidiaries, exchanging information about the activities of Group companies and coordinating control and oversight activities, and has no remarks with regard to this area.
- It assessed the adequacy of the system of internal controls and monitored the activity of the Internal Control Officers, relying in particular on meetings with managers of the Internal Control Systems Department and other Company departments and on information obtained by the Chairman of the Board of Statutory Auditors by attending all Audit Committee meetings.
  Edison's system of internal controls is a structured and organic set of rules, procedures and organizational structures designed to prevent or minimize the impact of unexpected results and allow the achievement of the Company's objectives in terms of its operations (effectiveness and efficiency in conducting its operations and protecting corporate assets), compliance with applicable laws and regulations, and accurate and transparent internal and market communications (reporting).
  The Board of Directors, working with the support of the Audit Committee, defines the guidelines of the system of internal controls; regularly reviews the main risks faced by the Company, as defined by the Chief Executive Officer; and assesses the adequacy, efficacy and effectiveness of the system of internal controls at least once a year.
  The Chief Executive Officer is responsible for identifying the main risks faced by the Company and for implementing the guidelines of the system of internal controls.
  The system of internal controls includes an Internal Auditing Unit, which is responsible for providing support to the Board of Directors, the Audit Committee and the Company's management. The manager of this unit, whom the Board of Directors appointed to the post of Internal Control Officer, is responsible for assessing the overall adequacy and effectiveness of the system of internal controls.
  Edison's Risk Officer is responsible for coordinating the risk management process.
  Edison has adopted the organizational model required pursuant to Legislative Decree No. 231/2001 (the "231 Model"). The Model is designed to prevent the perpetration of the unlawful acts referred to in the abovementioned Decree and, consequently, shield the Company from

administrative liability. The 231 Model, which was adopted following an analysis of the Company's operations to identify activities with a risk potential, includes a series of general principles, rules of conduct, control tools, administrative procedures, training and information programs, and disciplinary systems that are designed to prevent, as much as possible, the occurrence of the abovementioned crimes. The Board of Directors also established an Oversight Board (the "OB"), which is responsible for ensuring that the 231 Model is functioning effectively and is kept up to date, and is required to report to the Board of Directors and the Board of Statutory Auditors every six months. The members of the OB include an outside professional, who serves as Chairman, and two independent Directors. The Chairman of the Board of Statutory Auditors attends the meetings of the OB.

The 231 Model was updated in 2008 to take into account both new crimes covered by the "231 system" and changes in Edison's businesses.

The Company has been using for some time an internal procedure for the internal management and external communication of documents and information concerning the Company in its capacity as an issuer of securities, with special emphasis on insider information. This procedure is an integral part of the 231 Model.

In the area of internal dealing, in addition to the obligations that already exist pursuant to the regulations concerning market abuse, the Board of Directors, acting pursuant to law, introduced an obligation to refrain, during certain periods of the year, from executing transactions that involve financial instruments issued by the Company.

- It monitored the adequacy of the Company's accounting system, obtaining information from the managers of the relevant departments, reviewing Company documents, analyzing the information produced by the Independent Auditors and testing the reliability of the accounting system for the purpose of presenting fairly the results from operations.

  Acting pursuant to law and based on the mandatory recommendation of the Board of Statutory Auditors, the Board of Directors appointed a Corporate Accounting Documents Officer, who was awarded the powers and attributions that the law requires and was provided with sufficient authority and resources to discharge his duties.

  The Board of Directors approved an "Accounting Control Model Pursuant to Law No. 262/2005," the purpose of which is to establish the guidelines that must be applied within the Edison Group to satisfy the obligations set forth in Article 154-*bis* of Legislative Decree No. 58/1998 with regard to the preparation of corporate accounting documents and comply with the resulting certification requirements, and authorized the Chief Executive Officer, acting through the Corporate Accounting Documents Officer, to implement the abovementioned Model.

- It monitored the process adopted to ensure the concrete implementation of the corporate governance rules set forth in the 2006 updated edition of the Corporate Governance Code published by Borsa Italiana (the "Code"). The Corporate Governance Report lists the limited number of Code recommendations that the Board of Directors chose not to adopt and explains the reasons for these choices.

  The main rules of corporate governance, as defined on September 16, 2005, the date that TdE became Edison's controlling shareholder, have been incorporated into Edison's Bylaws and reflect the provisions of the framework agreement executed on May 12, 2005 by Electricité de France S.a. and its WGRM Holding 4 S.p.A. subsidiary and A2A S.p.A. and its Delmi S.p.A. subsidiary and of the Shareholders' Agreement executed by the same parties to address issues concerning the joint management and corporate governance of Edison and TdE (the "Governance Agreements"). The governance rules set forth in the Governance Agreements have been incorporated into Edison's Bylaws for the sake of transparency and to disclose to the market the governance rules of the Company's controlling entity.

  The Company established an Audit Committee, a Compensation Committee and a Strategy Committee as internal committees of the Board of Directors. Based on the general guidelines provided in the Governance Agreements, the Board of Directors approved special resolutions setting forth the specific attributions of each committee.

  In 2008, the Audit Committee and the Compensation Committee held 6 and 4 meetings,

respectively, all of which were attended by the Chairman of the Board of Statutory Auditors.
The Board of Directors adopted a Group procedure (revised in December 2008) that governs transactions between Edison and all significant and related parties. This procedure, which applies to the Chief Executive Officer as well, requires compliance with the principles of objectivity, transparency and truthfulness, based on the general principles that all transactions with related parties, including those executed through subsidiaries, must be conducted fairly, both substantively and procedurally. In accordance with this procedure, the Board of Directors must be provided with adequate information about the nature of the relationship with the significant or related party, the manner in which the transaction will be implemented, the timing and financial terms of the transaction, the assessment process applied, the interests in and the underlying reasons for the transaction, and any risks to which the Company and its subsidiaries could be exposed as a result of the abovementioned transactions with significant parties or of transactions that are not executed on standard term and atypical or unusual transactions executed directly or indirectly with other related parties.

- It monitored the correct implementation of the criteria and procedures chosen by the Board of Directors to assess compliance with independence requirements and test annually the independence of its members, and has no remarks with regard to this area.
- It ascertained that its members meet the same independence requirements as the Directors and adopted the Code's recommendation requiring its members to disclose any personal or third-party interest in specific transactions submitted to the Board of Directors for approval. In 2008, there were no instances in which the members of the Board of Statutory Auditors were required to make such a disclosure.
- It ascertained that the provisions of the statutes governing the preparation and presentation of the drafts of the Separate Financial Statements and Consolidated Financial Statements and the respective accompanying Notes and Reports on Operations by the Board of Directors had been complied with. It accomplished this task through direct observations and with the support of managers of Company departments and representatives of the Independent Auditors. It has no remarks with regard to this area.
  Specifically, it attests that the Separate Financial Statements and Consolidated Financial Statements of Edison S.p.A. at December 31, 2008 were prepared in accordance with the International Financial Reporting Standards ("IFRS international accounting principles") issued by the International Accounting Standards Board, as published in the *Official Journal of the European Union* (*OJEU*).

Based on the foregoing considerations, which provide an overview of its activities in 2008, the Board of Statutory Auditors has no remarks, as would be required pursuant to Article 153.2 of Legislative Decree No. 58/1998, with regard to the Separate Financial Statements, the Consolidated Financial Statements and the Report on Operations by the Board of Directors and the approval thereof and concurs with the motion put forth by the Board of Directors for the appropriation of net income, after satisfaction of the rights of the holders of savings shares.

Milan, February 3, 2009

The Board of Statutory Auditors

Alfredo Fossati	Chairman
Angelomaria Palma	Statutory Auditor
Leonello Schinasi	Statutory Auditor

ANNEX TO THE REPORT OF THE STATUTORY AUDITORS OF EDISON S.P.A. PROVIDED PURSUANT TO ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98

List of posts held on the date the Report was issued at companies of the types referred to in Book V, Chapters V, VI and VII, of the Italian Civil Code (Article 144-quinquiesdecies of Consob Regulation No. 11971/99)

No.	Company name	Post held	End of term of office
ALFREDO FOSSATI (Chairman of the Board of Statutory Auditors)			
1.	Edison S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
2.	Benelli Armi S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/09
3.	Castello S.r.l. in liquidation	Chairman Board Stat. Audit.	Annual Report at 12/30/10
4.	Credione Società di mediazione creditizia S.p.A.	Chairman of the Board Statutory Auditors	Annual Report at 12/30/10
5.	E.C.P.I. S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
6.	Energetic Source S.p.A.	Statutory Auditor	Annual Report at 12/30/10
7.	Flyenergia S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/08
8.	Key 21 Italia Trading Company S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/08
9.	I.G.I.E.R. S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/09
10.	Immobiliare Giardino Otto S.r.l.	Sole Director	Annual Report at 12/30/08
11.	Lavoro S.p.A.	Director	Annual Report at 12/30/09
12.	Lavoro 2 S.p.A.	Director	Annual Report at 12/30/10
13.	Lavoro 3 S.p.A.	Director	Annual Report at 12/30/10
14.	Linara S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
15.	Marazzi Group S.p.A.	Statutory Auditor	Annual Report at 12/30/11
16.	Mediterranean Cement Company S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
17.	Metalcam S.p.A.	Director	Annual Report at 11/1/10
18.	Mirage S.r.l.	Sole Director	Until revoked
19.	Milival S.r.l.	Sole Director	Annual Report at 12/30/08
20.	Mittel S.p.A.	Statutory Auditor	Annual Report at 9/30/09
21.	Mittel Corporate Finance S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
22.	Permira Associati S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/08
23.	Permira SGR S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
24.	Revi Investment S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
25.	Totality Group S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/08
26.	Valentino Fashion Group S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
27.	Valentino S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
28.	VFG Distribuzione S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
29.	VFG Italia S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
	Number of posts held at companies who are issuers of securities	2	
	Total number of posts held	29	
ANGELO PALMA (Statutory Auditor)			
1.	Edison S.p.A.	Statutory Auditor	Annual Report at 12/30/10
2.	ACSM – AGAM S.p.A.	Statutory Auditor	Annual Report at 12/30/09
3.	Cellografica Gerosa S.p.A.	Director	Annual Report at 12/30/08
4.	Comense Beni Stabili S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
5.	Credito Artigiano S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/09
6.	Credito Piemontese	Chairman Board Stat. Audit.	Annual Report at 12/30/08
7.	Banca Piccolo Credito Valtellinese SCPA	Director	Annual Report at 12/30/09
8.	Italplastic Industriale S.p.A.	Director	Annual Report at 12/30/08
9.	Lechler S.p.A.	Director	Annual Report at 12/30/10
10.	Rigamonti Salumificio S.p.A.	Director	Annual Report at 12/30/08
11.	Seco Tools S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/09
12.	Sviluppo Como S.p.A.	Director	Annual Report at 12/30/08
13.	Tritone S.r.l.	Sole Director	Until revoked
	Number of posts held at companies who are issuers of securities	4	
	Total number of posts held	13	
LEONELLO SCHINASI (Statutory Auditor)			
1.	Edison S.p.A.	Statutory Auditor	Annual Report at 12/30/10
2.	A. Raymond Italiana S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
3.	Aran World S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/09
4.	Bticino S.p.A.	Statutory Auditor	Annual Report at 12/30/10
5.	Fontex	Chairman Board Stat. Audit.	Annual Report at 12/30/08
6.	Italenergia Bis S.p.A.	Statutory Auditor	Annual Report at 12/30/09
7.	Micron Technology Italia S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
8.	MNTC Holding S.r.l.	Chairman Board Stat. Audit.	Annual Report at 12/30/08
9.	Transalpina di Energia S.r.l.	Statutory Auditor	Annual Report at 12/30/10
10.	Tyco Electronics Amp Italia Products S.r.l.	Chairman of the Board Statutory Auditors	Annual Report at 9/30/10
11.	Varian S.p.A.	Chairman Board Stat. Audit.	Annual Report at 9/30/11
12.	WGRM Holding 3 S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
13.	WGRM Holding 4 S.p.A.	Chairman Board Stat. Audit.	Annual Report at 12/30/10
	Number of posts held at companies who are issuers of securities	1	
	Total number of posts held	13	

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

Editorial coordination
External Relations and Communications Department

Art direction by
In Pagina, Saronno

Photographs by
Renato Cerisola
Edipower Archive
Edison Archive
Eye Studio
Polifemo fotografia
Jenny Zarins

Printed by
Grafiche Mariano, Mariano Comense

Milan, March 2009

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

Edison Spa
31 Foro Buonaparte
20121 Milan, Italy

Capital stock: 5,291,700,671.00 euros, fully paid in
Milan Company Register and Tax I.D. No 06722600019
VAT No. 08263330014
REA Milan No. 1698754

EDISON SPA
Foro Buonaparte 31
20121 Milan, Italy
Ph +39 02 6222.1
www.edison.it

EDISON