SEMIANNUAL REPORT AT JUNE 30, 2010

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SEMIANNUAL REPORT AT JUNE 30, 2010

EDISON TODAY

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

Electric Power

Italian Market in 2010 (1st half)		
Total Italian gross demand	158.5	TWh
Edison's gross sales in Italy (*)	34.7	TWh
incl.: - Deregulated market (*)	27.4	TWh
- CIP 6/92	5.5	TWh
- Captive	1.8	TWh

Facilities and Production Capacity in 2010 (1st half)		
Edison's installed capacity + Edipower (50%) (**)	12.3	'000 / MW
Net production of electric power - Total Italy	138.2	TWh
Net production of electric power - Edison (*including 50% of Edipower*)	20.3	TWh
Share of total Italian production	14.7	%

(*) Including Power Exchange sales and sales to wholesalers and excluding exports.
(**) Including the share of Edipower's installed capacity available to Edison under the current tolling contract.

Source: Pre-closing data by AU and Terna and Edison estimated data.

Hydrocarbons

Italian Market in 2010 (1st half)		
Total Italian demand	44.1	Bill. m³
Edison's sales in Italy	8.2	Bill. m³
Edison's sales/Total Italian demand	18.5	%

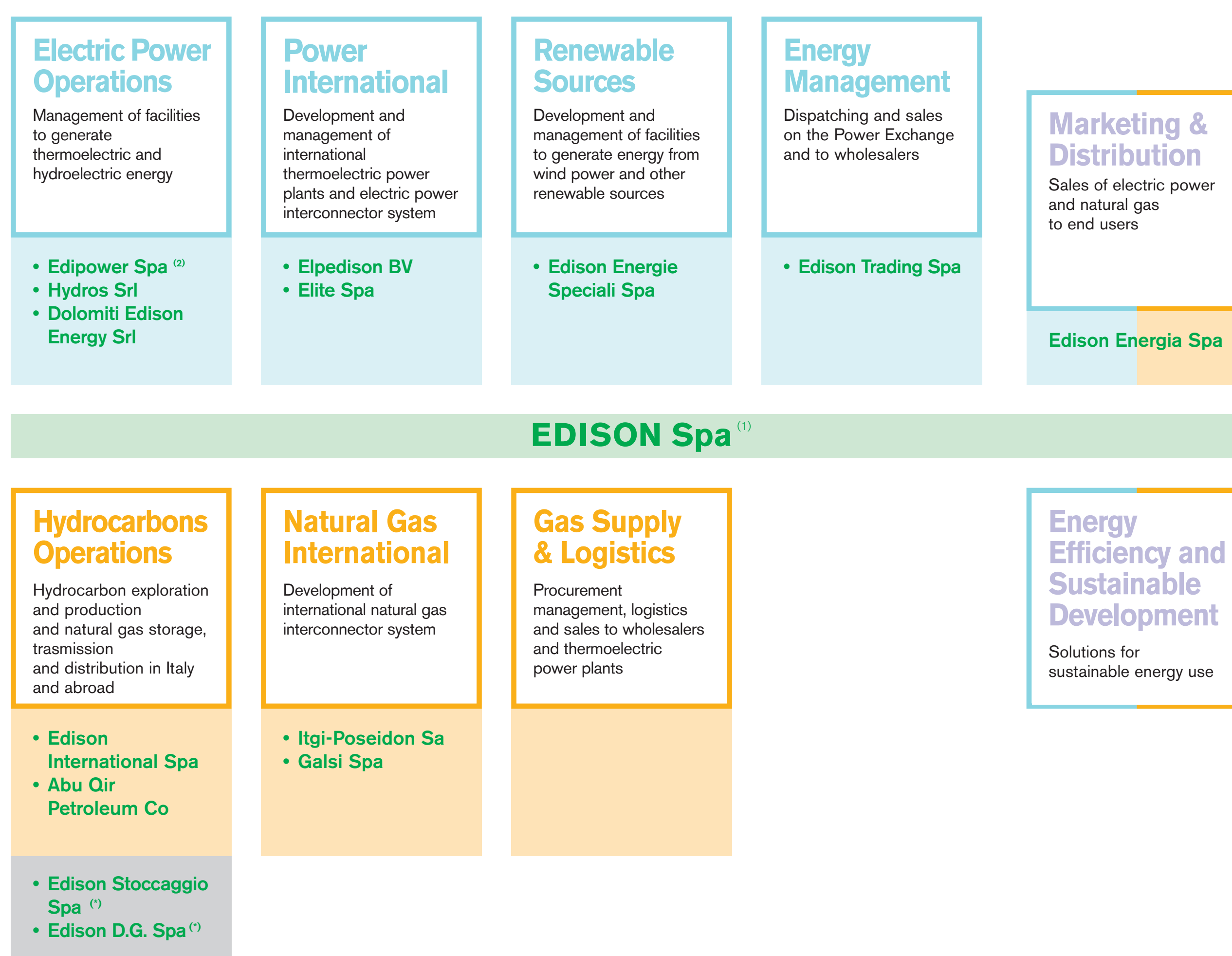
Facilities and Production Capacity in 2010 (1st half)		
Natural gas production - Total Italy	4.2	Bill. m³
Natural gas production - Edison (Italy)	0.3	Bill. m³
Share of total production	6.4	%
Number of concessions and permits in Italy	58	
Number of storage-centers concessions in Italy (*)	3	
Natural gas production - Edison (international)	0.7	Bill. m³
Number of concessions and permits outside Italy	20	
Gas transmission network (low- and medium-pressure pipelines)	3.64	'000 / km
Gas transmission network (high-pressure pipelines)	0.08	'000 / km

(*) Two operational storage centers and one under development.

Source: Pre-closing data by the Ministry of Development and Edison estimated data.

SIMPLIFIED STRUCTURE OF THE GROUP AT JUNE 30, 2010

Organization and Activities of the Business Units and Main Consolidated Companies



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

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

(*) Companies subject to functional unbundling requirements.

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]
	Independent Director	Mario Cocchi [3]
	Independent Director	Gregorio Gitti [3]
	Independent Director	Gian Maria Gros-Pietro [3] [4]
		Marco Merler [4]
		Thomas Piquemal [4] [5]
		Henri Proglio [6]
		Renato Ravanelli [2]
		Paolo Rossetti
		Andrea Viero [4] [7]
		Gerard Wolf

Board of Statutory Auditors [1]

Chairman	Alfredo Fossati
Statutory Auditors	Angelo Palma
	Leonello Schinasi

Independent Auditors [8]

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 on June 29, 2010 to replace Didier Calvez, who resigned. His term of office ends with the next Shareholders' Meeting. Didier Calvez had been coopted on April 30, 2009 to replace Daniel Camus, who resigned, and was elected by the Shareholders' Meeting of March 23, 2010.
[6] Coopted on February 8, 2010 to replace Pierre Gadonneix, who resigned, and was elected by the Shareholders' Meeting of March 23, 2010.
[7] Coopted on November 12, 2008 to replace Ivan Strozzi, who resigned, and was elected by the Shareholders' Meeting of March 31, 2009.
[8] Audit assignment awarded by the Shareholders' Meeting of April 19, 2005 for the 2005-2007 period and extended for three years, from 2008 to 2010, by the Shareholders' Meeting of April 5, 2007.

INFORMATION ABOUT THE COMPANY'S SECURITIES

Number of shares at June 30, 2010

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

Shareholders with Significant Holdings at June 30, 2010

	% 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

at June 30, 2010

KEY EVENTS

Growing our business

ITGI Gas Pipeline: The Agreement to Build the Greece-Bulgaria Pipeline Bypass (IGB) Is Finalized and an Agreement Allowing Transit Through Turkey Is Signed

On March 4, 2010, at a meeting in Thessaloniki, BEH (Bulgarian Energy Holding) and IGI Poseidon Sa (a 50-50 joint venture of DEPA, Greece's national gas company, and Edison) finalized an agreement to establish an asset company (BEH 50% and IGI Poseidon Sa 50%) that will build the new IGB (Interconnector Greece–Bulgaria) natural gas pipeline.
The IGB pipeline will have a length of about 160 km, running between Komotini (Greece) and Stara Zagora (Bulgaria). With an annual capacity of 3 to 5 billion cubic meters of natural gas, it will provide Bulgaria with access to new supply sources by way of Greece. Planned investments will total 140 million euros and the project is expected to have access to about 45 million euros in funding under the EU's European Economic Recovery Plan.
Engineering activities in preparation for construction will begin once the agreement is officially approved by the respective companies, with the pipeline expected to go on stream in 2013.

On June 17, 2010, at a meeting in Ankara, Edison, Depa (Greece's national gas company) and Botas (Turkey's national gas company) signed a Memorandum of Understanding allowing transit through Turkey for natural gas delivered by the ITGI (Turkey-Greece-Italy Interconnector). This project is the first component being built in Europe of the so-called "Southern Corridor," an infrastructure recognized by the European Union as a "Project of European Interest" and included in the European Economic Recovery Plan with proposed funding of 100 million euros.
The agreement sets forth the general terms and conditions governing the transit of the ITGI through Turkey and the use of the available capacity in the Turkish network operated by Botas, up to the border with Greece, for the gas volumes required by the ITGI gas pipeline.

This agreement strengthens the partnership between Edison, Depa and Botas, by creating the possibility for Botas to acquire an interest in IGI Poseidon SA. This company, which is currently owned in equal shares by Edison and Depa, is responsible for the construction of an underwater gas pipeline between Greece and Italy (the Poseidon gas pipeline).
The companies involved will also jointly evaluate the possibility of a collaborative arrangement for implementing the expansion of the Turkish network that will be required to allow the transit of ITGI gas.

Vega Field: Italy's Largest Offshore Oil Platform Is Back in Business

On June 25, 2010, in Syracuse, Sicily, the Floating Storage and Offloading (FSO) Leonis was inaugurated; this FSO has allowed to resume production from the Vega oil field (60% Edison, as operator, and 40% Eni). The FSO Leonis system is connected, through three underwater pipes, with the oil platform, where the production facilities are located and its mooring system (consisting of a buoy-yoke-tanker beam) was entirely designed by Edison and provides the highest level of security even under extreme weather and sea conditions.
The Vega field is located in the Strait of Sicily, about 12 miles off the Pozzallo (Syracuse) coast. The field began producing in 1987 and is currently flowing oil from 20 wells. From 1987 to present, the field has produced 55.5 million barrels of oil. It has been estimated that the Vega field is capable of producing an additional 12 million barrels of oil.

Strengthening Our Balance Sheet

Edison Successfully Completes the Placement of a 500-million-euro Bond Issue

On March 10, 2010, with demand in excess of 4 billion euros, Edison Spa completed the placement of a five-year bond issue, listed on the Luxembourg Exchange, for a total amount of 500 million euros, sold exclusively to qualified investors.
The bonds, which were offered at a 99.70 issue price with a minimum denomination of 50,000 euros, mature on March 17, 2015 and carry a gross annual coupon of 3.25%.

The bonds were issued within the framework of a Euro Medium-Term Note Program for an amount of up to 2 billion euros, approved by the Board of Directors on June 25, 2009. An earlier bond issue totaling 700 million euros was placed with investors in July 2009, as communicated to the market at that time.

Significant Events Occurring Since June 30, 2010

Information about events occurring after the end of the six-month period covered by this Report is provided in the chapter of the Condensed Consolidated Semiannual Financial Report entitled "Significant Events Occurring Since June 30, 2010."

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

2009 full year	(in millions of euros)	1st half 2010	1st half 2009	% change
8,867	Sales revenues	5,087	4,589	10.9%
1,471	EBITDA	626	732	(14.5%)
16.6%	as a % of sales revenues	12.3%	16.0%	
699	EBIT	264	354	(25.4%)
7.9%	as a % of sales revenues	5.2%	7.7%	
529	Profit before taxes	242	277	(12.6%)
240	Group interest in net profit	142	122	16.4%
1,679	Capital expenditures	299	1,332	(77.6%)
66	Investments in exploration	21	55	(61.8%)
12,112	Net invested capital (A + B) (1)	12,354	12,420	2.0%
3,858	Net financial debt (A) (1) (2)	4,171	4,355	8.1%
8,254	Shareholders' equity before minority interest (B) (1)	8,183	8,065	(0.9%)
8,077	Group interest in shareholders' equity (1)	8,007	7,907	(0.9%)
6.22%	ROI (3)	4.44%	6.21%	
3.00%	ROE (4)	3.53%	3.09%	
0.47	Debt/Equity ratio (A/B)	0.51	0.54	
32%	Gearing (A/A+B)	34%	35%	
3,923	Number of employees (1) (5)	3,951	3,839	0.7%

(1) End-of-period data. The changes are computed against the data at December 31, 2009.
(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Notes to the Condensed Consolidated Semiannual Financial Report.
(3) Annualized EBIT/Average net invested capital. Net invested capital does not include the value of equity investments held as non-current assets and is computed as the arithmetic average of net invested capital at the end of the period and at the end of the previous year.
(4) Annualized Group interest in net profit/Average Group interest in shareholders' equity. Average Group interest in shareholders' equity is the arithmetic average of Group interest in shareholders' equity at the end of the period and at the end of the previous year.
(5) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.

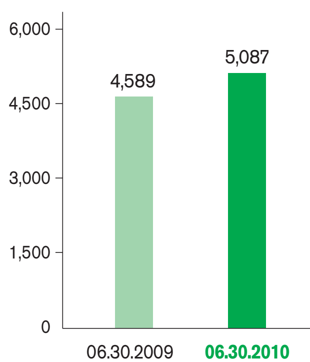
Edison Spa

2009 full year		1st half 2010	1st half 2009	% change
5,007	Sales revenues	2,882	2,699	6.8%
647	EBITDA	225	317	(29.0%)
12.9%	as a % of sales revenues	7.8%	11.7%	
278	EBIT	46	134	(65.7%)
5.6%	as a % of sales revenues	1.6%	5.0%	
423	Net profit for the period	196	362	(45.9%)
217	Capital expenditures	129	85	51.8%
8,317	Net invested capital	8,144	7,969	(2.1%)
1,188	Net financial debt	1,043	956	(12.2%)
7,129	Shareholders' equity	7,101	7,013	(0.4%)
0.17	Debt/Equity ratio	0.15	0.14	
1,735	Number of employees	1,750	1,724	0.9%

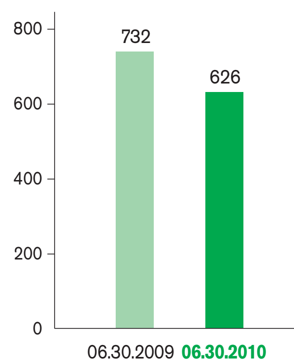
Key Group Data

(in millions of euros)

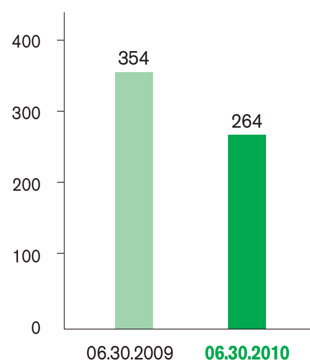
Sales revenues



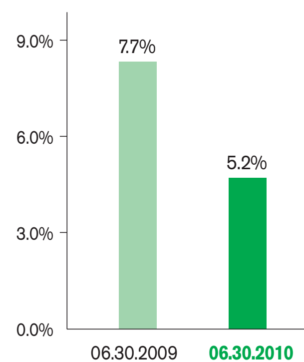
EBITDA



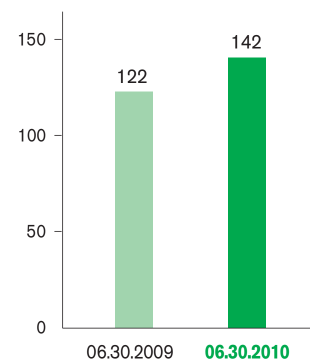
EBIT



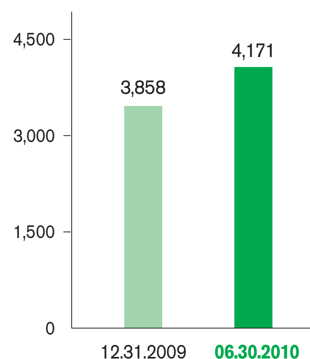
EBIT/sales revenues



Group interest in net profit



Net financial debt



Sales Revenues and EBITDA by Business Segment

2009 full year	(in millions of euros)	1st half 2010	1st half 2009	% change
	Electric Power Operations [1]			
6,463	Sales revenues	3,438	3,232	6.4%
1,227	EBITDA	428	556	(23.0%)
19.0%	*as a % of sales revenues*	*12.4%*	*17.2%*	
	Hydrocarbons Operations [2]			
4,158	Sales revenues	2,552	2,342	9.0%
347	EBITDA	247	223	10.8%
8.3%	*as a % of sales revenues*	*9.7%*	*9.5%*	
	Corporate activities and other segments [3]			
53	Sales revenues	25	26	(3.8%)
(103)	EBITDA	(49)	(47)	(4.3%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
	Eliminations			
(1,807)	Sales revenues	(928)	(1,011)	8.2%
-	EBITDA	-	-	-
	Edison Group			
8,867	Sales revenues	5,087	4,589	10.9%
1,471	EBITDA	626	732	(14.5%)
16.6%	*as a % of sales revenues*	*12.3%*	*16.0%*	

(1) Activities carried out by the following Business Units: Electric Power Operations, Power International, Renewable Sources, Energy Efficiency and Sustainable Development, Energy Management and Marketing & Distribution.
(2) Activities carried out by the following Business Units: Hydrocarbons Operations, Gas International, Gas Supply & Logistics and Marketing & Distribution.
(3) Includes those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and certain holding companies and real estate companies.

PERFORMANCE AND RESULTS OF THE GROUP IN THE FIRST HALF OF 2010

Operating Performance

Sales revenues totaled 5,087 million euros in the first half of 2010, or 10.9% more than in the same period last year, with the Electric Power Operations and the Hydrocarbons operations reporting gains of 6.4% and 9%, respectively.
More specifically, this positive performance was made possible by sharply higher sales volumes in both areas of business in Italy, which more than offset the impact of a decline in average unit sales prices both for electric power and natural gas caused by the scenario in the benchmark commodities markets. The surge in sales volumes recorded in Italy, with growth rates of 21.2% for electric power and 30.1% for natural gas, reflects primarily higher unit sales to end customers (up 15.6% for the electric power operations and 13.4% for the natural gas operations), consistent with the Group's strategy of consolidating its presence in these market segments.

EBITDA totaled 626 million euros, compared with 732 million euros in the first half of 2009. This decrease is the net result of the following developments:
A reduction of 128 million euros in EBITDA booked by the electric power operations (428 million euros compared with 556 million euros in the same period last year);
A gain of 24 million euros for the hydrocarbons operations, which earned EBITDA of 247 million euros in the first half of 2010, up from 223 million euros in the same period last year when, however, the reported amount was heavily penalized by a charge of 100 million euros for Brent crude and EUR/USD exchange hedging transactions associated with long-term natural gas importation contracts. These transactions are consistent with the strategy to hedge the risk of fluctuations in the price of natural gas earmarked for the production and sale of electric power;
Negative EBITDA of 49 million euros for the Corporate Activities segment, compared with a loss of 47 million euros in the first half of 2009.

EBIT, which in addition to the factors discussed above reflect the impact of a decrease of 34 million euros in amortization of investments in exploration, totaled 264 million euros, or 25.4% less than the 354 million euros reported at June 30, 2009.

The Profit before taxes amounted to 242 million euros (277 million euros in the first six months of 2009), after financial expense of 51 million euros (for an improvement of 29 million euros, compared with financial expense of 80 million euros in the first half of 2009 mainly thanks to the gains on transactions to hedge Eur/Usd exchange differentials) and other income, that included income from equity investments, of 29 million euros (3 million euros in the first six months of 2009), generated primarily by dispute settlements and the reversal in earnings of provisions for risks upon the settlement of the corresponding disputes.

The Group interest in net profit grew to 142 million euros, for a gain of 16.4% compared with the 122 million euros earned in the first six months of 2009. In the first half 2010, the bottom line benefited from the positive effect of tax incentives for investments in capital goods (the so-called Tremonti TER law) and the Revenue Agency's determination that the 1% corporate income tax surcharge (the Robin Hood tax) did not apply to 2009. The opposite was true in 2009, when net profit reflected the negative impact of the surcharge.

At June 30, 2010, net financial debt amounted to 4,171 million euros (4,355 million euros at June 30, 2009), up compared with the 3,858 million euros owed at December 31, 2009. More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Condensed Semiannual Consolidated Financial Statements.

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

2009 full year	(in millions of euros)	1st half 2010	1st half 2009
(2,920)	**A. Net Financial (Debt) at beginning of period**	**(3,858)**	**(2,920)**
1,471	EBITDA	626	732
274	Change in operating working capital	(77)	(88)
(401)	Income taxes paid (-)	(221)	(186)
28	Change in other asset (liabilities)	(51)	(8)
1,372	**B. Cash Flow from Operating Activities**	**277**	**450**
(1,745)	Investments in property, plant and equipment and intangibles (-)	(320)	(1,387)
(56)	Investments in non-current financial assets (-)	(2)	(34)
(80)	Acquisition price of business combinations (-)	-	(80)
58	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	6	13
-	Capital distributions from equity investments	4	-
1	Dividends received	1	1
(450)	**C. Free Cash Flow**	**(34)**	**(1,037)**
(156)	Financial income (expense), net	(51)	(80)
-	Contributions of share capital and reserves	10	-
(278)	Dividends paid (-)	(238)	(278)
(884)	**D. Cash Flow after Financing Activities**	**(313)**	**(1,395)**
(54)	Change in the scope of consolidation	-	(40)
(938)	**E. Net Cash Flow for the Period**	**(313)**	**(1,435)**
(3,858)	**F. Net Financial (Debt) at end of Period**	**(4,171)**	**(4,355)**

Outlook and Expected Year-end Results

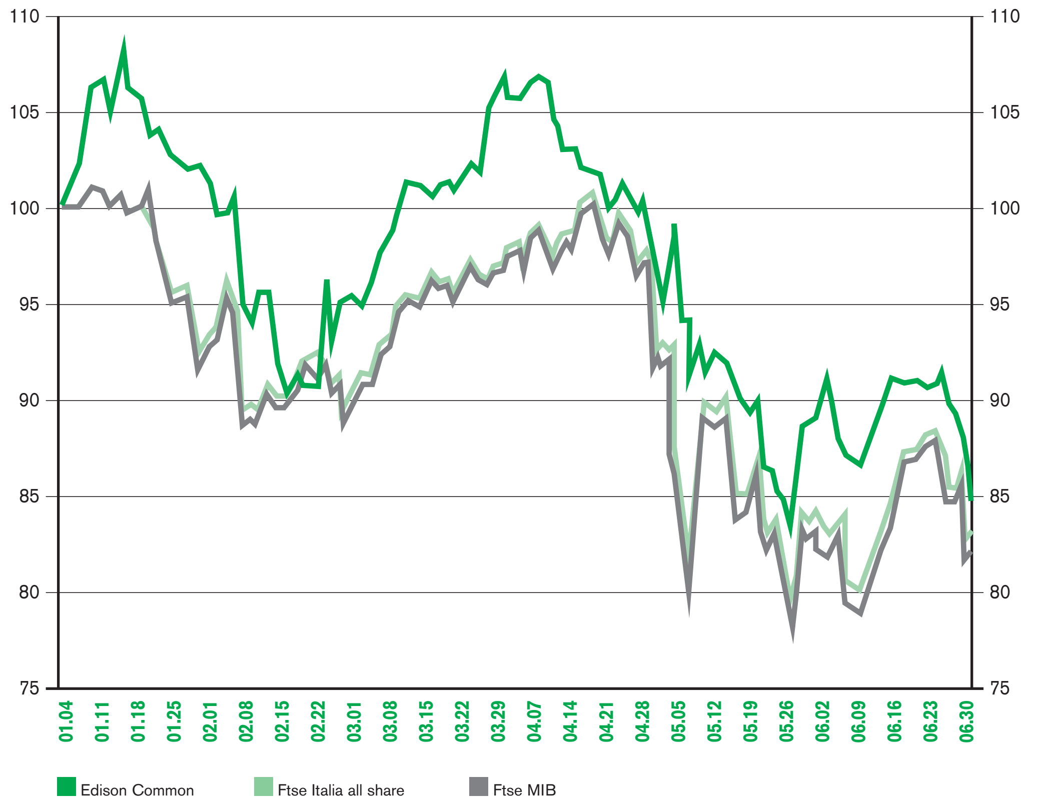
In 2010, the business environment will be characterized by a modest upturn in demand for electric power and natural gas, which, however, will remain well below pre-crisis levels, and by steady pressure on sales margins caused by heightened competition, particularly in the natural gas area. Edison is in the process of renegotiating its long-term natural gas contracts with the aim of making them consistent with the new benchmark scenario.

Edison is also defining with the Ministry of Economic Development the terms for early termination of the CIP 6/92 contracts. This negotiation could have a one-off positive effect on 2010 results.

Assuming the favorable outcome of these negotiations, combined with the deployment of all available management tools, which already produced positive results in 2009 and the first half of 2010, full-year results could be in line with those reported in 2009.

EDISON AND THE FINANCIAL MARKETS

Chart of the stock market prices of the Edison shares during the period from January 4 to June 30, 2010.



Stock Market Price and Other Per Share Data

	June 30, 2010	December 31, 2009
Edison Spa		
Stock market price (unit price in euros) [1]:		
- common shares	0.9516	1.0463
- savings shares	1.2729	1.2939
Number of shares (at end of period):		
- common shares	5,181,108,251	5,181,108,251
- savings shares	110,592,420	110,592,420
Total shares	**5,291,700,671**	**5,291,700,671**
Edison Group		
Earnings per share:		
basic earnings per common share [2]	0.0261	0.0448
basic earnings per savings share [2]	0.0561	0.0748
diluted earnings per common share [2]	0.0261	0.0448
diluted earnings per savings share [2]	0.0561	0.0748
Group interest in shareholders' equity per share (in euros)	1.513	1.526
Price/Earnings ratio (P/E) [3]	34.59	23.77

(1) Simple arithmetic average of the prices for the last calendar month of the period.
(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

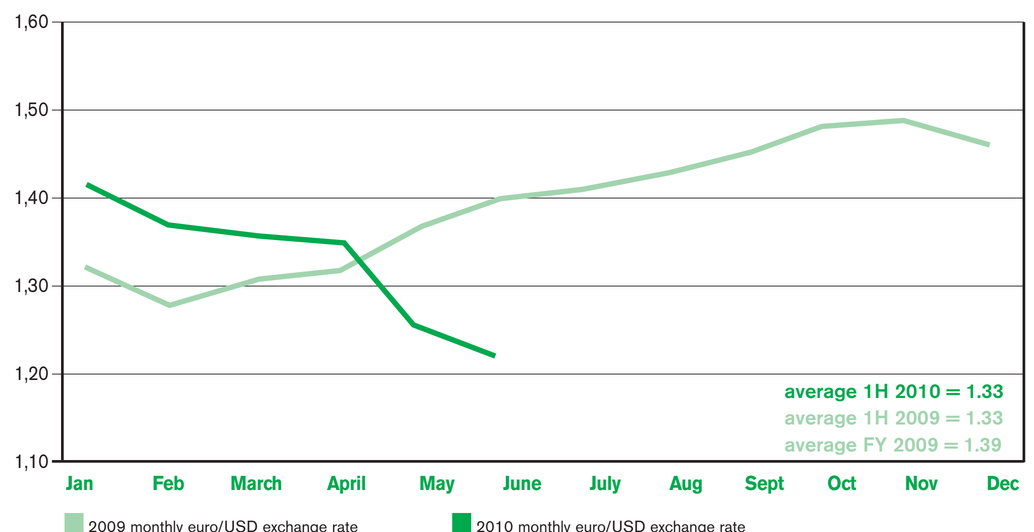
Rating

	Current	December 31, 2009
Standard & Poor's		
Medium/long-term rating	BBB+	BBB+
Medium/long-term outlook	Negative	Negative
Short-term rating	A-2	A-2
Moody's		
Rating	Baa2	Baa2
Medium/long-term outlook	Negative	Negative

ECONOMIC FRAMEWORK

The signals pointing to a turnaround that began to surface in the closing months of 2009 became stronger during the first half of 2010, making an economic recovery a more concrete possibility, following an overall disastrous 2009, when all economic indicators contracted on a global scale. However, the economic recovery that developed in the first six months of 2010 proved to be less robust than anticipated at the beginning of the year and, more importantly, of uneven strength, with Asia speeding forward, America making haste and Europe hobbling along. More specifically, Asia is continuing to forge ahead, albeit at a slightly slower speed than anticipated, due to a weaker than expected recovery in the West. America has been accelerating, but seems to lack fresh momentum, due to persisting internal problems that reflect slower growth in the manufacturing and service sectors, the ongoing recession of the real estate market, the lack of improvement in the job market, and consumer spending that has been growing at a slower rate than in the first three months of the year. In Europe, the negative factors include concerns about the Greek crisis and the sovereign debt crisis, as well as the need to reduce large deficit and debt imbalances accumulated as a result of gargantuan bank bailouts and sundry anti-recession programs. However, within the European Monetary Union, the negative effects of restrictive fiscal policies should be cushioned in part by the expansive impact of a weaker euro, a reduction in real interest rates and rising exports, especially in Germany. The emerging countries of Eastern Europe are also back on a positive track, driven by growth in Poland and Turkey, with important benefits for Italy, given its close financial and commercial ties with this region.
Turning now to Italy, our country, too, seems to have jumped on the recovery bandwagon. Industrial production, while still well below its pre-crisis highs, has been gathering steam and exports were up 6.6% compared with the same period last year. However, there are still tensions in the labor market and unemployment expectations remain high among consumers, compared with pre-crisis levels, contributing to limiting consumption. In other words, the recovery is still fragile.

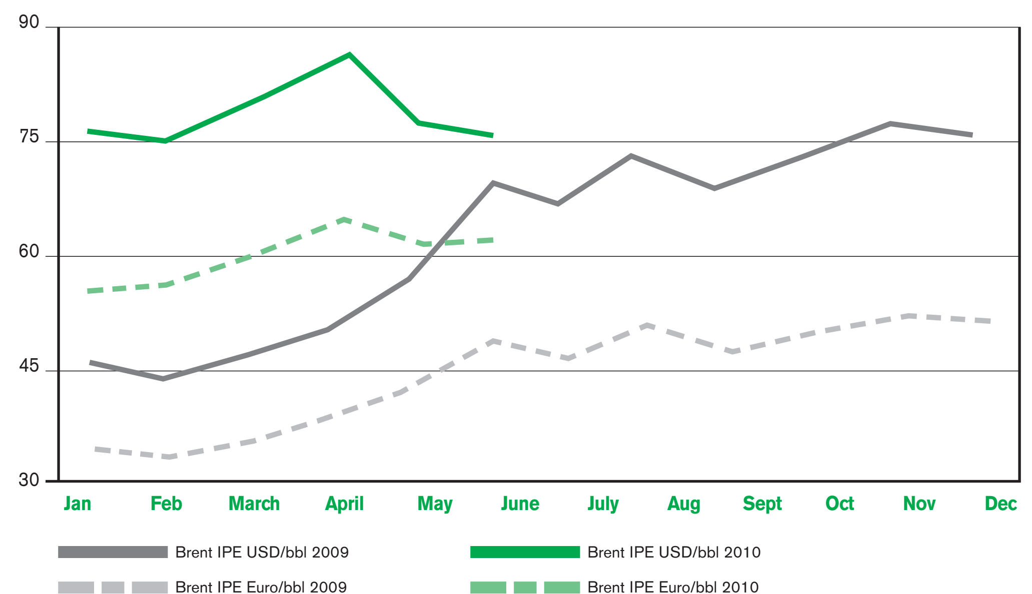
Insofar as the euro/U.S. dollar exchange rate is concerned, at the beginning of June, the European single currency fell to its lowest level versus the U.S. dollar since March 2009, when the crisis was at its peak, penalized by the impact of a difficult situation in Greece and the lack of an adequate response by the European governments. The euro steadily lost value since the beginning of the year, falling from an average exchange rate of 1.43 U.S. dollars for one euro in January to an average exchange rate of 1.22 U.S. dollars for one euro in June. The average exchange rate for the full first half of 2010 was 1.33 U.S. dollars for one euro, almost the same as in the first six months of 2009 but 4.7% lower than the average for all of 2009.



In the oil market, the price of Brent crude continued to fluctuate between US$ 70 and US$ 90 per barrel in the first six months of 2010, reaching a high for the period in April, for an average monthly price of US$ 85.80 per barrel. Compared with the first half of 2009, oil prices, driven by expectations of an economic recovery by the financial community and an upward trend in Asian demand, increased by 48.5%, rising from an average of US$ 52.80 per barrel in the first six months of 2009 (during the height of the financial crisis) to an average of US$ 78.40 in the first half of 2010.
When stated in euros, the price of crude oil shows an increase of 49.5% in the first half of 2010, about the same as the rise in U.S. dollar price (+48.5%), as the euro/dollar exchange rate was virtually unchanged.
The table and chart provided below show the semiannual data and the monthly trends for 2010 and 2009:

2009 full year		1st half 2010	1st half 2009	% change
62.6	Oil price in USD/bbl [1]	78.4	52.8	48.5%
1.39	US$/euro exchange rate	1.33	1.33	-
44.9	Oil price in EUR/bbl	59.0	39.5	49.5%

[1] Brent IPE.



THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy and Market Environment

2009 full year	TWh	1st half 2010	1st half 2009	% change
278.9	Net production	138.2	134.7	2.6%
44.4	Net imports	22.9	23.9	(4.1%)
(5.7)	Surges	(2.6)	(2.9)	(11.9%)
317.6	**Total demand**	**158.5**	**155.7**	**1.8%**

Source: Analysis of 2009 data and pre-closing 2010 Terna and AU data, before line losses.

In the first half of 2010, gross total demand for electric power from the Italian grid totaled 158.5 TWh (1 TWh = 1 billion kWh), or 1.8% more than in the same period last year. On a seasonally adjusted basis (i.e., eliminating the impact of changes in average temperature and the number of business days), the year-over-year gain is 1.7%. This increase was driven by a rebound in demand, especially in Northern Italy (up about 4%), that reflected an upturn in industrial production but, in the aggregate, was nevertheless lower than its pre-crisis level (down about 7% compared with the first half of 2009).

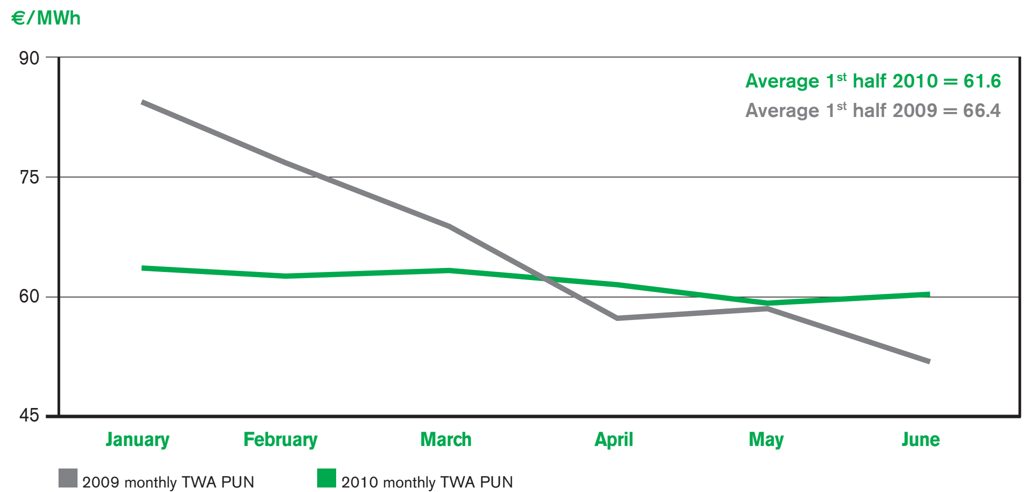
A slight increase in demand for electric power (+2.8 TWh), coupled with a concurrent reduction of 1.0 TWh in net imports, caused net domestic production to grow by 3.5 TWh. As a result, net of the impact of surges, domestic production for the period covered 85.5% of demand, up from 84.6% in the first six months of 2009, while the percentage supplied by net imports shrank from 15.4% to 14.5%.

Lower imports are the main reason for the decrease of 1.0 TWh in net imports. Specifically, net imports from the Northeast (borders with Austria and Slovenia) were up slightly, rising by 0.5 TWh, while those from the Northwest (borders with France and Switzerland) were down significantly, decreasing by 1.3 TWh. In January alone, net imports through the Northern borders were down 21% compared with 2009, due to tensions caused in the French market by the climate variable. In addition, the net flow from Greece to Italy contracted by about 0.1 TWh.

Despite a sharp drop of 3.9 TWh in hydroelectric production (-13.6%), as the availability of water resources was significantly lower than in the first half of 2009, net domestic production increased by 3.5 TWh (+2.6%), as net thermoelectric production was substantially up by 6.0 TWh (+6.0%), and the output from renewable-source facilities increased by 1.4 TWh (+24.7%).

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) decreased to 61.6 euros per MWh at June 30, 2010, or about 7.2% less than in the first half of 2009 (66.4 euros per MWh).

The chart below, which provides a comparison of the monthly TWA PUN in the first half of 2010 and 2009, shows that the trend was down in the first six months of 2010. It is worth noting that in the first half of 2009 the PUN was still supported by high natural gas prices, in turn reflective of high crude oil prices in 2008.



Demand for Natural Gas in Italy and Market Environment

2009 full year	in billions of m³	1st half 2010	1st half 2009	% change
31.8	Services and residential customers	20.0	18.6	7.7%
16.7	Industrial users	9.0	8.0	13%
28.2	Thermoelectric power plants	14.4	12.7	13.2%
1.4	System usage and leaks	0.7	0.6	11.5%
78.1	**Total demand**	**44.1**	**39.9**	**10.6%**

Source: 2009 data and preliminary 2010 data provided by the Ministry of Economic Development and Edison estimates.

In the first half of 2010, Italian demand for natural gas trended higher, compared with the same period a year ago, rising to about 44.1 billion cubic meters, for an overall increase of about 4.2 billion cubic meters (+10.6%) compared with the first half of 2009.
Colder weather than in 2009 during the early part of the year, which drove up gas consumption by residential users, and a slight upturn in economic activity, which spurred demand from industrial customers, are the main reasons for this positive change. The following factors shaped demand during the first six months of 2010:

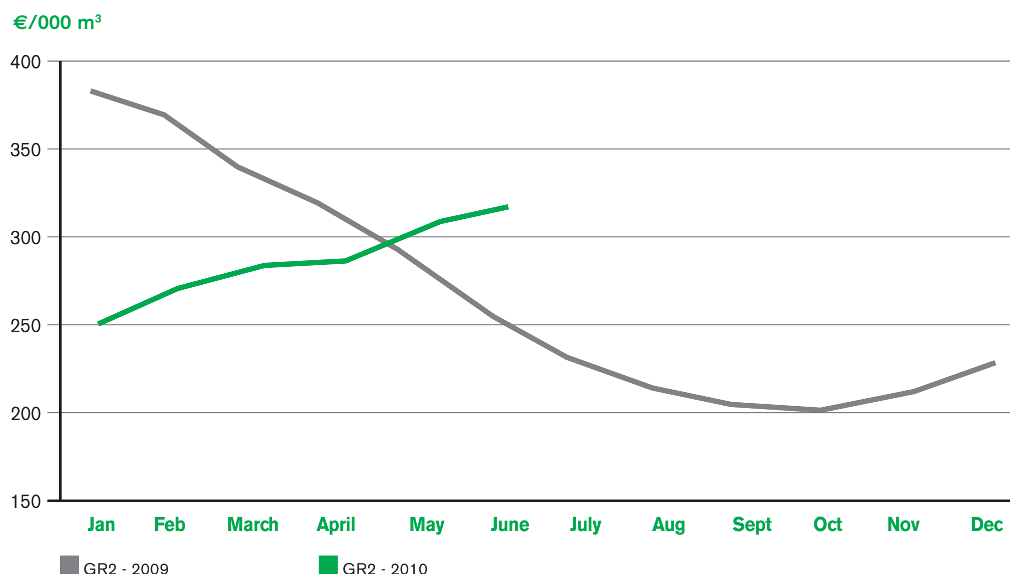
- Increased consumption by residential users (+7.7%), due to weather conditions characterized by lower temperatures than those of "normal" thermal patterns (compared with the first half of 2009, when average temperatures were higher);
- Higher demand from industrial customers (+13.0%), which improved in response to tentative signs of an economic recovery but remains significantly below pre-crisis levels;
- Increased consumption by thermoelectric users (+13.2%), driven by a reduced availability of water resources, lower production from coal-fired and oil-fired power plants and a decrease in imports of electric power.

With regard to supply sources, the following developments characterized the first six months of 2010:

- A slight gain in domestic production (+0.9%, bucking the downward trend of recent years, which is expected to continue in the future);
- An increase in imports (+14.6%) that reflects the contribution of the newly commissioned Rovigo regasification terminal and the impact on the 2009 data of the dispute between Russia and the Ukraine in January 2009 (total underdelivery of about 1.1 billion cubic meters in the January 6-20, 2009 period);
- A decrease in the use of stored natural gas (-45%) compared with the first half of 2009, when prices had been lower on the occasion of the injection campaign, providing operators with an incentive to use stored natural gas and replace it with new gas purchased at lower prices.

With regard to the pricing scenario, it is important to keep in mind that, because of the time lag with which the changes in the crude oil market discussed above affect the natural gas pricing formula, natural gas prices were lower than in the first half of 2009, when they still reflected the record high Brent prices recorded in the second quarter of 2008.

When used as a benchmark, the trend in the cost of natural gas reflected in the monthly price quotes of the GasRelease2 depicted in the chart provided below shows that, in 2009, the pricing formulas followed a downward trend reflective of a drop in the price of Brent crude in the previous months caused by the crisis and a steady increase in the value of the euro. In 2010, on the other hand, the pricing formulas followed the opposite trend, with prices rising to reflect a gradual increase in oil prices and a steady rise in the value of the U.S. dollar versus the euro. Stated on an average basis, the GasRelease2 was priced at 285.90 euros per thousand cubic meter in the first half of 2010, or 6.7% less than in the same period last year, when it was prices at 306.40 euros per thousand cubic meter.



Consequently, the rate component that corresponds to the Wholesale Distribution Charge (abbreviated as CCI in Italian), which is indicative of the prices charged in the residential market based on a formula less affected by changes in benchmark oil market, averaged 255.50 euros per thousand cubic meter in the first half of 2010, compared with 332.20 euros per thousand cubic meter in the same period last year. This decrease of 23.1%, which is much larger than that of the GasRelease2 price, explains how the different trend that characterized the first half 2009 and 2010 caused a major contraction in the margins generated by sales in the residential market.

The table below shows the average prices for the Gas Release 2 and the Wholesale Distribution Charge in the first half of 2010 and 2009:

2009 full year		1st half 2010	1st half 2009	% change
260.2	Gas Release 2 - euros/000 m^3 (1)	285.9	306.4	(6.7%)
282.4	CCI - euros/000 m^3 (2)	255.5	332.2	(23.1%)

(1) Gas Release 2: Gas sold by ENI to competitors pursuant to a resolution by the Antitrust Authority. It reflects the trend of natural gas prices under long-term supply contracts. The price is the one quoted on the Virtual Exchange Facility.

(2) CCI (Wholesale distribution charge) set pursuant to Resolution No.134/06 and updated pursuant to Resolution ARG/gas No.192/08. The price is the one quoted at the border.

LEGISLATIVE AND REGULATORY FRAMEWORK

The main legislative and regulatory measures enacted in the first half of 2010 that had an impact on the energy industry, both in Italy and at the E.U. level, are reviewed below.

Electric Power

Production

Early termination of CIP 6/92 contracts: Edison, acting within the deadline of December 21, 2009 set forth in the Decree of December 2, 2009, filed with the Electrical Services Manager (or GSE, its abbreviation in Italian) a non-binding indication of interest in terminating the contract for the facilities that met the Decree's requirements, i.e., the Taranto, Piombino, Cologno Monzese, Jesi, Milazzo, Porcari, Porto Viro and San Quirico thermoelectric power plants. The GSE, in turn, forwarded to the Ministry of Economic Development and the Electric Power and Natural Gas Authority (abbreviated as AEEG in Italian) a list of the facilities to which the early cancellation would apply.
The Ministry of Economic Development is expected to issue towards the end of the year two blanket implementation decrees (one for binomial-rate facilities and one for monomial-rate facilities) defining:

- the parameters needed to determine the specific consideration owed to producers for early termination;
- the criteria to define the payment methods and timing of the abovementioned consideration;
- the effective date of termination.

Within 30 days from the issuance of the implementation decrees by the Ministry of Economic Development, producers must file binding applications for early termination of CIP 6/92 contracts.

Environment

Reimbursement of green certificate costs for CIP 6/92 power plants: On March 29, 2010, the AEEG published Resolution No. 35/10 concerning reimbursement of the green certificate costs incurred by CIP 6/92 power plants to comply with the corresponding obligation in 2008. Consistent with the indications provided in Consultation Document No. 40/09 of December 22, 2009, the Resolution set the reimbursement amount at 60.10 €/MWh per unit.

Wholesale Market

Units that are essential for the electrical system's safety: Insofar as Resolution 97/08 is concerned, in May, the Council of State defined the criteria for the reimbursement owed to Enel for its "must run" facilities in Sicily and Sardinia during the August-September 2008 period (see Resolution No. 97/08). The guidelines for the quantification criteria determined earlier by the Regional Administrative Court were substantively accepted, but interpreted differently, accepting Terna's approach instead of Enel's approach.
As for Resolution No. 52/09, at the end of April, the Regional Administrative Court of Lombardy referred the complaint filed by Enel Produzione, Edison Trading and Edipower against the abovementioned Resolution to the European Court of Justice for a decision.

Retail Market

Communication standards between distributors and sellers of electric power for commercial services: Determination No. 3/10 approving the "Operating Instructions of the Electric Power and Natural Gas Authority (AEEG) Concerning Communication Standards Between Distributors and Sellers of Electric Power," which expanded the commercial services governed by the Operating Instructions by adding two new flows concerning metering units and the testing of voltage levels at the end customer's request, was published in the first half of 2010.
Several consultation documents that are particularly significant for the electric power and natural gas retail markets and which are expected to result in the issuance of corresponding resolutions are worth

mentioning. These documents include DCO 4/10, which is designed to unify the commercial conduct codes in both markets; DCO 10/10, which, concurrently with the ERGEG European-level consultation process, focused attention on activities to monitor competition in both markets by the Electric Power and Natural Gas Authority (AEEG); and, lastly, DCO 14/10, which recommends both for the electric power market and the natural gas market the adoption of an integrated information system to manage transactions between operators, prioritizing the switching process.

Hydrocarbons

Rates and Market

Rate adjustment payments: The Electric Power and Natural Gas Authority (AEEG) published Resolution No. 85/10 requiring sales companies to inform their natural gas customers of the right to avail themselves, by September 30, 2010, of the option of renegotiating the installment payment plan for their gas bills, consistent with an official interpretation of Article 10.6 of Resolution No. 229/01. Specifically, Article 10, Section 6, of Resolution No. 229/01 is being interpreted in the sense that the seller, provided certain conditions are met, must offer end customers installment payment plans with non-cumulable installments and due dates that match the billing cycle, unless the parties agree otherwise. This Article also applies to rate adjustment payments, including those resulting from resolutions approving or amending rates in the implementation of decisions by jurisdictional entities.

Economic terms for the supply of natural gas: By Resolution No. 89/10, the Electric Power and Natural Gas Authority (AEEG) reduced the value of the wholesale rate component (CCI), within the framework of the economic terms for the supply of natural gas, effective from October 1, 2010 to September 30, 2011. In the 2010-2011 thermal year, this reduction will be implemented by applying to the QE_0 parameter "K" multiplication coefficients equal to 0.925, resulting in an average CCI reduction of €0.021 per cubic meter. This "cut" is also an indication of lower price levels in the end market that will have to be taken into account when renegotiating procurement contracts.

Self meter reading: In consultation document DCO 6/10, the Electric Power and Natural Gas Authority (AEEG) recommends that distributors and sellers adopt a single complex algorithm to validate self readings of natural gas meters and provide end customers with greater certainty that self-read consumption data will be accepted and invoiced.

Infrastructures

Storage: By Resolution ARG/gas No. 21/10, the Electric Power and Natural Gas Authority (AEEG) extended for the April 1, 2010-December 31, 2010 period the effectiveness of the storage service rates in effect for the 2009-2010 thermal year. Moreover, it extended for the same period the criteria for guaranteeing the reference revenues allowed under the existing rate regulations and the equalization system entailed by the use of a Single National Rate.

In April, the Electric Power and Natural Gas Authority (AEEG) published Consultation Document No. 8/10 *"Criteria to Determine Natural Gas Storage Rates for the Third Regulatory Period,"* in which it sets forth proposals concerning storage rate regulations during the next regulatory period, in all probability running from January 2011 to December 2014, consistent with the AEEG's intention of adopting the calendar year as the reference period for rate computations, as was done with regard to the transmission and distribution rates.

The main proposals submitted to the operators for consultation include:

- a rate of return on invested capital for storage companies ranging between 5.5% and 6.9%;
- the retention of the current mechanism for determining the revenues of storage companies, with the adoption of higher rates of return for periods that are longer than the rate period, in connection with investments that contribute incremental storage capacity to the system.

The AEEG is expected to publish a second consultation document on this subject later this summer.

Natural gas transmission: In implementation of the Ministry Decree of April 28, 2006, the Electric Power and Natural Gas Authority (AEEG) adopted Resolution ARG/gas No. 2/10 defining new rules for allocation through the "Open Season" process of transmission capacity on the national gas pipeline network for new regasification terminals and import/export gas pipelines that have been granted exemption from third-party access rights or priority allocation rights (both issued by the Ministry of Economic Development pursuant to the Ministry Decree of April 11, 2006).
The purpose of the new rules is to allow the efficient and coordinated planning of future expansions of the national gas pipeline network by gathering, within a well defined time window, the concerns of all parties interested in expanding the transmission network.
Moreover, once the process is completed, the new rules will enable all involved parties to enter into long-term contracts with the Italian transmission entity for a duration and capacity that are consistent with those of the exemptions they have been granted.

Issues Affecting Multiple Business Segments

Nuclear: The government officially approved Legislative Decree No. 31/2010 setting forth "Rules for the siting, construction and operation within the national territory of facilities for the production of nuclear electric power, facilities for the manufacture of nuclear fuel, systems to store irradiated material and radioactive waste, as well as compensatory measures and public information campaigns."
The Decree incorporates for the most part the strict international rules on the siting of power plants, which will be required to comply with the most stringent standards and must be planned for construction at locations with specific morphometric characteristics.
The Decree issued by the President of the Council of Ministers approving the Bylaws of the Agency for Nuclear Safety was published on July 7, 2010, in Issue No. 156 of the of the *Official Gazette of the Italian Republic,* paving the way for the approval of regulations defining the Agency's organization and operating procedures (as required by Article 29, Section 15, of Law No. 99/2009) and the appointment of the Agency's management team.

Decree concerning trading in quotas of imported natural gas: Ministry Decree of March 18, 2010, enacted in accordance with the combined provisions of Article 11, Section 2, of Decree Law No. 7/2007 and Article 1, Section 1, of Ministry Decree of March 19, 2008, defined the manner in which importers are required to comply with the requirement of Decree Law No. 7/2007 and entrusts to the Manager of the Energy Markets (abbreviated as GME in Italian) the task of organizing and managing a Trading Platform for the negotiation of quotas of imported natural gas (P-GAS). The purpose of this Decree is to simplify compliance with the requirement to offer import quotas, facilitate the matching of demand and supply, minimize transaction costs and increase price transparency. The Decree also contemplates the possibility of allowing natural gas volumes that are not subject to the compliance requirements of Decree No. 7/2007 to be traded on the platform.
The offer and delivery methods were defined by the AEEG in Resolution ARG/gas No. 58/10. Importers who must comply with the offering requirement will have to submit to the Ministry of Economic Development and the AEEG, by November 30 of each year, a report containing information that may be used to verify proper compliance with the abovementioned requirement (volumes imported and volumes offered). If the required offers are not provided, double the required volume will have to be made available through the platform. Repeated failures to comply with this requirement could result in the cancellation of the import permit or the denial of new permits for a period of up to five years.
P-GAS, which has been operational since May 10, 2010, will be operated by the GME as a brokerage platform at least until October 10, 2010,which is when, pursuant to the Ministry Decree of March 18, 2010, the GME will assume the role of clearing counterparty.

Reform of the Natural Gas Market: On April 23, the Council of Ministers approved on a preliminary basis the outline of a legislative decree calling for measures to increase the competitiveness of the natural gas market and transfer the resulting benefits to end customers, in accordance with Article 30, Sections 6 and 7, of Law No. 99 of July 23, 2009.

The purpose of the abovementioned outline is to make the offer of natural gas more dynamic and competitive and increase its flexibility. The government has identified three main approaches to increasing the offer's flexibility:

- Expanding intake infrastructures (regasification terminals and gas pipelines) to generate a gas surplus and thus increase competition;
- Strengthening storage infrastructures to allow the procurement of natural gas when prices are attractive (seasonal changes, favorable international economic conditions, batches of unconventional gas in the future) for use in other periods;
- Requiring that the dominant operator transfers a portion of this benefit to end customers (the so-called gas release implemented last year with Decree Law No. 78/09).

The decree outline is currently being reviewed by the relevant parliamentary committees, which will then render their opinion on this issue.

Law No. 111/2010: Law No. 111 of July 19, 2010, amending the Decree Law No. 72 of May 20, 2010, containing urgent measures for the postponement of deadlines for compliance with environmental and self-transmission requirements and the allocation of CO_2 emissions rights, was published on July 20, 2010 in Issue No. 167 of the *Official Gazette of the Italian Republic.*
The Law calls for the allocation of CO_2 emissions rights to energy and industrial operators who own facilities commissioned after the adoption of the National Allocation Plan covering the abovementioned rights for the 2008-2012 period.

Decree Law No. 78/2010 (so-called Budget Adjustment Decree) was published on May 31, 2010, in Issue No. 125 of the *Official Gazette of the Italian Republic,* concurrently with the enactment of Legislative Decree No. 78 of May 31, 2010, setting forth urgent measures concerning financial stabilization and economic competitiveness. This Decree is currently in the conversion phase in Parliament. There are, in particular, two provisions of interest contained in two separate amendments to the decree which will go into effect once the legislative bill converting the Decree is published in the *Official Gazette of the Italian Republic:*

- Article 15, Section 6, concerning Hydroelectric Concessions: provides for a five-year government-mandated extension of the existing concessions, with the option of an additional seven-year extension for mixed corporations established jointly with the provincial administrations listed in Article 1, Section 153, of Law No. 296/2006 (Sondrio, Brescia, Como and Verbania), and an increase of the base used to compute surcharges payable to the local watershed entities and Mountain Water Basins referred to in Law No. 925/1980. However, these provisions are subject to an impermanence clause, pursuant to which all of the provisions of the abovementioned amendment are applicable only until different regional regulations are enacted with regard to this issue, within the scope of the respective jurisdictions.

- Article 45 concerning Green Certificates: requires that, by December 31, 2010, the Ministry of Economic Development, acting in concert with the Ministry of the Economy and Finances and with the input of the AEEG, issue a Decree requiring, starting in 2011, that the total amount of green certificates taken back by the GSE be 30% less than in 2010 and that at least 80% of that 30% be obtained by containing the amount of surplus green certificates.

Decree Law No. 85/2010 (so-called Federalism in the Ownership of Government Assets): In implementation of Article 19 of Law No. 42 of May 5, 2009, Decree Law No. 85 of May 28, 2010, which endows municipalities, provinces, metropolitan cities and regions with their own assets, was published on June 11, 2010 in Issue No. 134 of the *Official Gazette of the Italian Republic.* In the energy area, this Decree contains the following relevant provisions:

- Transfer to the regional administrations of government owned water resources, as defines in Articles 822, 942, 945, 946 and 947 of the Italian Civil Code and special industry laws;

- Transfer to the provincial administrations of government owned water resources, as defines in Article 5, Section 1, Letter b), limited to closed lakes without surface outlets located within the territory of a single province, as well as mines, but not including oil and gas deposits and their appurtenances and natural gas storage sites and their appurtenances.

Law No. 96/2010 (so-called 2009 EU Law): Law No. 96 of June 4, 2010 containing provisions to comply with requirements arising from Italy's membership in the European Union, which will go into effect on July 10, 2010, was published on June 25, 2010 in Issue No. 146 of the *Official Gazette of the Italian Republic.* The Law incorporates into the Italian legal system EU directives concerning the energy market, natural gas infrastructures, renewables and a simplification of the permit issuance process for renewable energy facilities. Specifically, this Law implements Directive No. 2009/73/CE, concerning the internal market for natural gas, Directive No. 2009/72/CE, concerning the internal market for electric power, and Directive No. 2009/28/CE, concerning the promotion of energy from renewables sources.

Decree Law No. 105/2010 (so-called "Power Plant Unblocking" Decree): Decree Law No. 105 of July 8, 2010, which contains urgent measures concerning the transmission, distribution and production of electric power that are strategically in the nation's interest, was published on July 9, 2010 in Issue No. 158 of the *Official Gazette of the Italian Republic.*
The government, acting in concert with the affected regions and autonomous provinces, shall identify urgent and not postponable projects related to the transmission, distribution and production of energy that meet special urgency requirements, specifically with regard to socio-economic development, the implementation of which requires the deployment of extraordinary resources and means.

European Energy Policies

European Recovery Plan: The process for the allocation of funds earmarked for the development of electric power and natural gas interconnector systems is continuing, consistent with the adoption of the European Recovery Plan. In January 2010, the European Parliament voted to approve the Commission's decision and the final decisions for individual resource allocations are currently being finalized.
This process also applies to some projects sponsored by Edison, such as the ITGI, IGB and GALSI gas importation infrastructures, to which funding totaling 100, 45 and 120 million euros, respectively, have been allocated.
The European Commission is currently finalizing the funds allocation decisions.

PERFORMANCE OF THE GROUP'S BUSINESSES

Electric Power Operations

Quantitative Data

Sources

2009 full year	GWh (*)	1st half 2010	1st half 2009	% change
41,601	**Production in Italy:**	**20,321**	**20,352**	**(0.2%)**
35,646	- Thermoelectric power plants	17,336	17,036	1.8%
5,397	- Hydroelectric power plants	2,629	3,046	(13.7%)
558	- Wind farms and other renewables	356	270	31.6%
18,771	**Other purchases** [(1)]	**14,331**	**8,249**	**73.7%**
60,372	**Total sources in Italy**	**34,652**	**28,601**	**21.2%**
236	**Production outside Italy**	**330**	**-**	**-**

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

Uses

2009 full year	GWh (*)	1st half 2010	1st half 2009	% change
11,050	**CIP 6/92 dedicated**	**5,460**	**5,544**	**(1.5%)**
2,464	**Captive and other customers**	**1,790**	**1,389**	**28.9%**
46,858	**Deregulated market:**	**27,402**	**21,668**	**26.5%**
24,978	End customers [(1)]	13,716	11,867	15.6%
2,452	IPEX and mandates	501	1,361	(63.2%)
8,837	Wholesalers and industrial portfolio	7,045	2,933	140.2%
10,591	Other sales [(2)]	6,140	5,507	11.5%
60,372	**Total uses in Italy**	**34,652**	**28,601**	**21.2%**
236	**Sales of production outside Italy**	**330**	**-**	**-**

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

Financial Highlights

2009 full year	(in millions of euros)	1st half 2010	1st half 2009	% change
6,463	**Sales revenues**	**3,438**	**3,232**	**6.4%**
1,227	EBITDA	428	556	(23.0%)
19.0%	*as a % of sales revenues*	*12.4%*	*17.2%*	
372	Capital expenditures	139	189	(26.5%)
1,946	Number of employees [(1)]	1,950	1,875	0.2%

(1) End-of-period data. The changes are computed against the data at December 31, 2009.

Production and Procurement

In the first half of 2010, the Group's production in Italy totaled 20,321 GWh, about the same as in the first six months of 2009, as a decrease of 13.7% in hydroelectric output was offset by increased production for thermoelectric power plants, wind farms and other renewable-source facilities.

Other purchases carried out to round out the sources portfolio increased by almost 74% compared with the first half of 2009, reflecting the impact of a strategy of optimizing the average cost of source energy, which enables the Group to benefit from outside purchases whenever a margin advantage over production costs justifies it.

However, it is important to keep in mind that this category includes purchases that occur when facilities operate in bidding mode and other transactions with relatively low unit margins.

Production outside Italy refers to the contribution provided by the power plant operated by Elpedison Power in Thessaloniki, in Greece, which is being consolidated as of March 31, 2009..

Sales and Marketing

Sales of electric power in Italy totaled 34,652 GWh in the first half of 2010, for an increase of 21.2% compared with the same period the previous year.
Sales in the CIP 6/92 segment were down slightly, due mainly to the expiration of contracts for some of the Group's thermoelectric power plants. Sales to captive customers grew by 28.9%, reflecting the effect of an upturn in steel production at the mills served by dedicated power plants.
In the deregulated market, sales were characterized by contrasting trends, depending on the business segment. Given the extreme scenario volatility, the Group opted for reducing its exposure to the risk of fluctuations in commodity prices, focusing on sales to end customers and wholesalers, while reducing the volumes it offered on the Power Exchange. Other sales in the deregulated market increased by 11.5%. However, as mentioned above when discussing other purchases, the unit margins earned in these business segments are extremely small.

Operating Performance

Sales revenues totaled 3,438 million euros in the first half of 2010. The increase of 6.4% compared with the revenues reported at June 30, 2009 is the direct result of sharply higher unit sales, which compensated for a reduction in unit sales prices that reflected the impact of a benchmark commodities scenario also characterized by lower prices.
At June 30, 2010, EBITDA amounted to 428 million euros, or 23% less than the 556 million euros earned in the first six months of 2009.
This decrease is attributable to sales both in the CIP 6/92 segment, which generated lower EBITDA due to the expiration of contracts and incentives, and in the deregulated market, which were impacted by a reduction in unit margins in the dispatching services market and a smaller benefit from available hydroelectric production. Moreover, the EBITDA reported by the electric power operations in the first half of 2009 were boosted by the higher margins generated by sales of electric power at fixed prices at a time when the cost of the fuel used to produce it was decreasing. These purchases had been hedged with transactions that generated losses recognized by the hydrocarbons operations, as they were associated with long-term natural gas importation contracts.

Capital Investments

Capital expenditures by the electric power operations, which totaled 139 million euros in the first six months of 2010, were allocated as follows: about 69 million euros for the thermoelectric operations; about 11 million euros to develop wind power operations in Italy, primarily the Mistretta wind farm; about 31 million euros to streamline and revamp the portfolio of hydroelectric facilities; about 26 million euros for the development of the Thisvi power plant, in Greece; and about 2 million euros for photovoltaic and energy efficiency projects.

Hydrocarbons Operations

Quantitative Data

Sources of Natural Gas

2009 full year	(in millions of m³ of natural gas)	1st half 2010	1st half 2009	% change
604	Production in Italy	266	311	(14.5%)
8,678	Pipeline imports	4,047	4,592	(11.9%)
1,682	LNG imports	2,874	41	n.m.
2,502	Domestic purchases	710	1,333	(46.8%)
(256)	Change in stored gas inventory [1]	282	12	n.m.
13,210	**Total sources (Italy)**	**8,179**	**6,289**	**30.1%**
1,231	**Production outside Italy [2]**	**725**	**562**	**28.9%**

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

Uses of Natural Gas

2009 full year	(in millions of m³ of natural gas)	1st half 2010	1st half 2009	% change
3,043	Residential use	1,979	1,776	11.4%
1,378	Industrial use	771	650	18.8%
8,151	Thermoelectric fuel use	4,887	3,586	36.3%
638	Other sales	542	277	95.8%
13,210	**Total uses in Italy**	**8,179**	**6,289**	**30.1%**
1,231	**Sales of production outside Italy**	**725**	**562**	**28.9%**

Crude Oil Production

2009 full year	(in thousands of barrels)	1st half 2010	1st half 2009	% change
1,703	Production in Italy	1,180	864	36.5%
957	Production outside Italy [1]	581	404	43.8%
2,660	**Total production**	**1,761**	**1,268**	**38.9%**

[1] Counting volumes withheld as production tax.

Financial Highlights

2009 full year	(in millions of euros)	1st half 2010	1st half 2009	% change
4,158	**Sales revenues**	**2,552**	**2,342**	**9.0%**
347	EBITDA	247	223	10.8%
8.3%	*as a % of sales revenues*	*9.7%*	*9.5%*	
1,296	Capital expenditures	96	1,139	(91.6%)
66	Investments in exploration	21	55	(61.8%)
1,357	Number of employees [1]	1,366	1,355	0.7%

[1] End-of-period data. The changes are computed against the data at December 31, 2009.

Production and Procurement

Production of natural gas, counting the output both of Italian and international operations, totaled 991 million cubic meters, or 13.4% more than in the first half of 2009. A gain in production outside Italy (+28.9%), which reflected the contribution of the Abu Qir concession in Egypt for the entire first half of the year, more than offset the impact of the natural depletion of existing fields in Italy.

Production of crude oil totaled 1,761,000 barrels, up from 1,268,000 barrels in the first six months of 2009. The resumption of operations at the Vega field, in Italy, combined with the production from the Abu Qir concession (included for the entire first half of the year) and the new West Wadi el Rayan field, in Egypt, account for this increase.

While pipeline imports of natural gas under long-term contracts were down 11.9% compared with the first half of 2009, LNG imported from Qatar and regasified at the Rovigo LNG terminal, which was not included in the data at June 30, 2009, totaled 2,874 million cubic meters in the first six months of 2010 (the terminal went on stream in the third quarter of 2009).
This new supply source enabled the Group to reduce its purchases from other Italian operators to just 710 million cubic meters (46.8% less than in the first half of 2009), thereby effectively achieving a major strategic goal, i.e., gradually eliminating reliance on sources that are not directly managed.

Sales and Marketing

Reflecting the increased supply available thanks to the LNG regasified at the Rovigo Terminal, unit sales of natural gas to customers in Italy totaled 8,179 million cubic meters, for a gain of 30.1% compared with the first six months of 2009.
More specifically, sales to residential and industrial users were up 11.4% and 18.8%, respectively, while deliveries to thermoelectric users rose by 36.3% in the first half of 2010.
Sales to wholesalers and volumes traded on the virtual exchange facility totaled 542 million cubic meters (277 million cubic meters in the first six months of 2009).

Operating Performance

In the first half of 2010, sales revenues amounted to 2,552 million euros, for a gain of 9% compared with the same period last year. A substantial increase in unit sales, which more than offset the impact of the sharp reduction in average sales prices caused by a negative benchmark scenario, accounts for this improvement.

EBITDA increased to 247 million euros, or 24 million euros more (+10.8%) than in the first six months of 2009.
However, it should be pointed out that, as mentioned in the comments to the results of the electric power operations, the EBITDA reported by the hydrocarbons operations in 2009 were penalized by a charge of about 100 million euros for Brent crude and EUR/USD exchange hedging transactions, associated with imports of natural gas under long-term contracts, but attributable mainly to sales of electric power at a fixed price in the same year.
Another positive factor was the increase in EBITDA reported by the exploration and production activities, which benefited from sharply higher prices in the oil market, compared with the first six months of 2009, and from the growing contribution of the Group's international operations.

Net of the effect of these factors, the activities engaged in buying and selling natural gas reported a substantial decrease in EBITDA. This is because, despite the boost provided, starting in the second half of 2009, by the new contract to import LNG from Qatar regasified at the Rovigo terminal, these operations were adversely affected by a significant reduction in unit margins, as competitive pressure increased following the collapse of demand for natural gas in Italy, compared with pre-crisis levels, and the resulting supply overhang.

Capital Investments

Capital investments totaled about 96 million euros in the first half of 2010.
The main investments in Italy included: 8 million euros to expand the Cellino and Collalto fields and 2 million euros for the San Potito and Cotignola fields, 2 million euros for the preparatory activities required to develop the Panda and Cassiopea deposits, 2 million euros to develop the Tresauro field and 1 million euros to develop the new Capparuccia (AP) field.
Investment projects in Egypt focused on the Abu Qir concession (31 million euros), where work included a continuation of drilling activities and design activities for the construction of the new NAQ PII platform and the renovation and expansion of the existing NAQ PI and WAQ PI platforms.
In Croatia, the commissioning and startup activities for the Izabela South and Izabela North offshore platforms are continuing, at a cost of 34 million euros.

Exploration Activities

In the first six months of 2010, the Group invested about 21 million euros in exploration. Virtually the entire amount was allocated to projects outside Italy, with Egypt taking the lion's share (13 million euros) for drilling projects in the Abu Qir concession and in the West Wadi el Rayan block.

Corporate activities and other segments

Financial Highlights

2009 full year	(in millions of euros)	1st half 2010	1st half 2009	% change
53	**Sales revenues**	**25**	**26**	**(3.8%)**
(103)	EBITDA	(49)	(47)	(4.3%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
11	Capital expenditures	64	4	n.m.
620	Number of employees [1]	635	609	2.4%

[1] End-of-period data. The changes are computed against the data at December 31, 2009.

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

Sales revenues of 25 million euros were about the same as in the first six months of 2009. EBITDA were negative by 49 million euros, as the loss widened by 2 million euros compared with the previous year.

Investments in property, plant and equipment include 62 million euros for a building at 35 Foro Buonaparte, in Milan, purchased in January 2010.

Reconciliation of the Parent Company's Net Income and Shareholders' Equity to the Corresponding Data for the Group

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006, the schedules that follow provide reconciliations of the net profit for the period and the shareholders' equity at June 30, 2010 attributable to the Group to the corresponding data for Edison Spa, the Group's Parent Company.

Reconciliation of the Net Profit of Edison Spa to the Group Interest in Net Profit

(in millions of euros)	1st half 2010	1st half 2009
Net profit of Edison Spa	**196**	**362**
Intra-Group dividends eliminated in the consolidated financial statements	(188)	(322)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	123	76
Other consolidation adjustments	11	6
Group interest in net profit	**142**	**122**

Reconciliation of the Shareholders' Equity of Edison Spa to the Group Interest in Shareholders' Equity

(in millions of euros)	06.30.2010	12.31.2009
Shareholders' equity of Edison Spa	**7,101**	**7,129**
Carrying value of investments in associates eliminated against the corresponding interests in the shareholders' equities of the investee companies, including:		
- Elimination of the carrying values of the consolidated investments in associates	(1,992)	(1,983)
- Recognition of the shareholders' equities of consolidated companies	2,856	2,902
Valuation of investments in associates measured by the equity method	9	5
Other consolidation adjustments	33	24
Group interest in shareholders' equity	**8,007**	**8,077**

INNOVATION, RESEARCH AND DEVELOPMENT

In the first half of 2010, the Innovation, Research and Development Department focused its activity on projects involving fuel-cell power generation, innovative photovoltaic technologies and advanced energy materials. In addition, it carried out activities and studies in support of projects managed by other departments, providing them with access to specific competencies and methodologies available both internally and externally, through the Research Department's network. Among these collaborative efforts, projects carried out in the areas of energy efficiency and renewable energy sources were especially noteworthy.
Joint research activities with EDF continued, within the framework of a collaboration agreement aimed at developing synergies between the competencies and research organizations of the two companies.

Fuel Cells

Activities in this area continued both at the laboratory of the Edison Research Center in Trofarello and in collaboration with the Chemistry and Energetics Departments of Turin's Politecnico University and the EIFER Institute in Karlsruhe, Germany.

Advanced Photovoltaic Technologies

The study of innovative high-efficiency photovoltaic systems continued both in the laboratory and in the field, at a facility built within the compound of the Altomonte power plant, where several photovoltaic systems, including systems with photovoltaic concentrators, are being tested to determine the application and development potential.

Advanced Energy Materials

Activities involving the development of Edison technologies for the production of a magnesium diboride superconductor continued at the CNR IENI Institute in Lecco and at the Trofarello Research Center
In addition, the Group is pursuing, jointly with EDF's R&D organization, a study of materials and the corresponding thin-film deposition techniques for application in high-temperature fuel cells.

Energy Efficiency

A series of studies and assessments of technologies used to implement energy efficiency services were carried out during the first six months of 2010. This area encompasses a wide spectrum of constantly evolving technologies, many of which are also part of the complex of technological solutions collectively referred to as "smart grid."

HEALTH, SAFETY AND THE ENVIRONMENT

Edison addresses and manages environmental and safety issues taking an integrated system approach. The Edison promotes the development and use of integrated and certified management systems as essential drivers of prevention and the continuous improvement of management activities, within a context of respect for and continuous dialog with its host communities, consistent with best international practices. The main achievements of the first half of 2010 and the projects under development are reviewed below.

Occupational Safety

In the first half of 2010, the occupational safety performance for Group employees was in line with the data for the same period last year, with an Injury Incidence Rate of 3.7 (3.5 at the end of 2009) and a Lost Workday Incidence Rate of 0.16 (0.09 at the end of 2009). With regard to employees of contractors, following an outstanding performance in 2009 (Injury Incidence Rate of 3.5, down from 8.0 a year earlier), the Injury Incidence Rate improved further to 2.9. The same was true for the Lost Workday Incidence Rate, which decreased to 0.04 (0.11 at the end of 2009).

Activities Concerning Occupational Health and Safety

The main activities completed or started in the first half of 2010 included the following:

- The Risk Assessment Documents were upgraded to meet the requirements of Legislative Decree No. 81/08, as amended. At June 30, 2010, the risk assessment software covered about 85% of the sites.
- A process to assess risk from work-related stress was started in accordance with the general guidelines of the European Agreement of October 8, 2004. The process will be completed within the deadline required by Legislative Decree No. 81/08 (August 2010).
- Using as a basis the safety organizational model of the Edison group, work began on a project aimed at the adoption of a health and safety management system consistent with the BS OHSAS 18001 standard for use at all administrative facilities and offices.
- A training program for all company officials involved in managing occupational safety (employers, delegated managers, supervisors, prevention and protection service managers, and employee safety representatives) with regard to the requirements of the Uniform Occupational Safety Code (Legislative Decree No. 81/08) was completed. In addition, training continued to be provided to newly hired employees and a project to provide online training about the risks entailed by the different tasks performed by Company employees was started.
- As part of the preventive and management activities concerning health and safety at the Group's international operations, specific audits and inspections were carried out at the Egyptian Branch (Abu Qir) and at the construction site for the Thisvi thermoelectric power plant in Greece.
- Activities concerning the handling of construction contracts and contractor companies were further strengthened. Specifically, special attention was paid to the qualification process for contractor companies and the assessment of interference risks involving Group employees and employees of contractors, identifying the corresponding safety costs, as required by Legislative Decree No. 81/08.

Electric Power Business Unit

Work continued on securing the issuance and renewal of the Integrated Environmental Authorization required by Legislative Decree No. 59/2005 for facilities under Ministry jurisdiction with a thermal capacity in excess of 300 MW. In the first half of 2010, the Taranto and Marghera Levante power plants received the abovementioned authorization.

Hydrocarbons Business Unit

The activities required to complete the certification of the Italian Production Department in accordance with the UNI EN ISO 14001 and BS OHSAS 18001 standards, with the aim of covering 100% of the operating sites, continued. Work carried out as part of this project included activities at the San

Giorgio Mare onshore sites, which should be completed towards the end of the year, ending with a certification inspection by an independent entity.
During the first half of 2010, the first monitoring inspection of the integrated environmental and safety management system of the Transmission Operating Unit of Edison Stoccaggio was successfully completed, and the EMAS registration of the Cellino gas storage center was renewed.

Renewable Sources Business Unit

A monitoring inspection of the environmental management system of the Castellavazzo biomass power plant operated by Compagnia Energetica Bellunese CEB Spa was successfully completed.

Marketing and Distribution Business Unit

A monitoring inspection of the quality management system for the Business Unit's organization, in accordance with the UNI EN ISO 9001 benchmark standard, was successfully completed during the first six months of 2010.

Engineering Department

The certification process of the health and safety management system in accordance with the BSI OHSAS 18001 standard was successfully completed.
In addition, work started on the development of management and governance procedures for environmental issues that arise during the construction of industrial facilities.

Edipower Spa

Work continued on environmental remediation projects concerning areas of soil and aquifer contamination or potential contamination identified or started in previous years at some thermoelectric power plants.
At the Brindisi power plant, in the first half 2010, the company continued to carry out the activities needed to finalize Edipower's decision to join the Program Agreement signed on December 18, 2007 by the Ministry of the Environment and the Protection of the Territory and the Sea and the other public administrations with jurisdiction over the Brindisi Site of National Interest.
With regard to the Company's environmental performance, emissions of the main pollutants (sulfur dioxide, nitric oxide, particulates and carbon monoxide), in specific terms, were significantly reduced compared with 2009.
During the first half of 2010, the decrees awarding an Integrated Environmental Permit to Edipower's San Filippo del Mela and Sermide power plants went into effect and the activities required to secure an Integrated Environmental Permit for Edipower's Turbigo power plant were completed. Publication of the corresponding decree is expected in the second half of this year.
The activities required to adopt a safety management system compliant with the BS OHSAS 18001/2007 reference standard continued during the first six months of 2010, with special focus on the Brindisi and Udine pilot production units. At each production unit, this safety management system and the existing environmental management system will be combined into an integrated safety and environmental management system.
Occupational safety indices held at comfortably low levels, both for Company employees and employees of maintenance companies.
Specifically with regard to Company employees the Injury Incidence Rate was 3.17 while the Lost Workday Incidence Rate was 0.09. For employees of maintenance companies the Injury Incidence Rate was 5.76 while the Lost Workday Incidence Rate was 0.24 substantially in line with the previous years performance.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Human Resources

At June 30, 2010, counting the staff of companies consolidated on a proportional basis, the Edison group had 3,951 employees, about the same as at December 31, 2009 (3,923 employees).

Industrial Relations

An agreement renewing the National Collective Agreement, which expired on June 30, 2009, was signed on March 4, 2010 with the labor unions representing workers in the electrical industry. Consistent with the terms of the agreement signed by all unions on April 15, 2009, which implemented a reform of the contractual stipulations that govern the Italian system of industrial relations, the contract will be in effect for three years (i.e., until December 31, 2012) with regard both to benefits and economic issues.
Likewise, an agreement with the labor unions representing workers in the energy and oil industry renewing the National Collective Agreement, which expired on December 31, 2009, was signed on April 23, 2010. The new agreement will be in effect until December 31, 2012.
As for Edipower, industrial relations at the company level were characterized by an intense activity required to manage the problems resulting from the decrease in production caused by the effects of the general economic crisis on all production facilities (Turbigo, San Filippo Del Mela, etc.).
More specifically, at the Brindisi power plant, where both units were shut down in April and May and, again, in August and September, when production became unprofitable, in April 2010, the company and the unions reached an agreement designed to preserve employment levels and reduce operating costs through the adoption of several operational tools, such as asking all employees to take vacation days at the same time, temporarily performing some maintenance activities internally, seconding maintenance employees at other company locations and providing training courses funded by Fondimpresa within the framework of the Training to Compete Project.

Organization

As part of the evolution of its organization and in response to its steady expansion in the international markets, the Group defined a set of general rules that govern the main operating processes in the administrative, financial and procurement areas for subsidiaries and/or branches that operate outside Italy and the corresponding transactions between Company departments and counterparties in the countries where Edison operates.
In the first half of 2010, Edipower completed a revised version of the Information Security Guidelines, which is currently in the discussion phase. The revised guidelines comply with the new requirements of the organizational model adopted pursuant to Legislative Decree No. 231/2001 to better ensure the confidentiality, integrity and availability of information.

Training

Training and development projects carried out by the Company, in addition to its specialized professional and occupational safety training programs, included the following:

- Completion of the second cycle of the Management Review, which is a project to assess the managerial and professional capabilities of over 500 Edison executives and middle managers, identified based on the Company's managerial model. Work on this project, which in the first half of 2010 involved specific and in-depth discussions to validate Department/BU results at the Group Steering Committee level, is currently in the functional feedback phase. All joint meetings (both with executives and middle managers) scheduled at the individual department level to share the "aggregate" results of the project and discuss actions that should be pursued to strengthen managerial capabilities that were found to require improvement will bee held before the end of July.
- Organization of a seminar to provide managers and professionals with greater insight into the dynamics of the economic/monetary crisis that engulfed Italy and Europe.

During the first half of 2010, corporate training programs will continue to receive the funding provided through the training account of the Fondimpresa and Fondirigenti interprofessional funds.

RISKS AND UNCERTAINTIES

Risk Management at the Edison Group

Enterprise Risk Management

Edison developed an integrated risk management model based on the international principles of Enterprise Risk Management (ERM), 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 was 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 results 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 a source of information 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 which guidelines have been approved 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.
Taken as a whole, the Group's risk management activities pursue the specific goals of minimizing bottom-line volatility, protecting the value of the Group's assets and managing its strategic objectives and operating performances with a balanced risk/reward approach.

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 for Edison is constant evolution occurring in the reference legislative and regulatory framework, which affects 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 institutions, 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, which are reviewed in detail in the section of this Report entitled "Legislative and Regulatory Framework," are reminded shortly below:

- Hydroelectric Concessions

The legislative gap that resulted from Constitutional Court Decision No. 1 of January 14, 2008, which cancelled the 10-year extension of hydroelectric concessions for large-scale diversion of water is about to be filled.
The risk, which is significant for Edison and other holders of hydroelectric concessions, is related specifically to the failure to renew the concessions upon expiration and the possibility of losing them altogether, considering that many concessions, including some held by Edison, will expire at the end of 2010.
An amendment to Article 15 of the Budget Adjustment Decree Law (Decree Law No. 78 of May 31, 2010), which is currently in the conversion phase in Parliament, provides for a five-year government-mandated extension of the existing concessions, with the option of an additional seven-year extension for mixed corporations established jointly with the provincial administrations listed in Article 1, Section 153, of Law No. 296/2006 (Sondrio, Brescia, Como and Verbania), and an increase of the base used to compute surcharges payable to the local watershed entities and Mountain Water Basins referred to in Law No. 925/1980.
However, these provisions are subject to an impermanence clause, pursuant to which all of the provisions of the abovementioned amendment are applicable only until different regional regulations are enacted with regard to this issue, within the scope of the respective jurisdictions.
The abovementioned provisions will go into effect once the legislative bill converting the Decree is published in the *Official Gazette of the Italian Republic.*

- Changes in the Regulations Governing CIP 6/92 Contracts
  With regard to issues related to the Avoided Fuel Cost and the various reimbursement mechanisms (CO_2 costs and Green Certificates costs), Edison is monitoring and addressing the issues raised by the activities of the Electric Power and Natural Gas Authority and the complex related legal disputes currently pending.
  Moreover, Article 30, Section 20, of Law No. 99 of July 23, 2009 (the so-called Development Law) calls for the introduction by the Ministry of Economic Development of mechanisms for the early termination of CIP 6/92 contracts, which producers can agree to accept voluntarily.
  As required by Article 3, Section 1, of the Ministry Decree of December 2, 2009, Edison submitted to the GSE a non-binding indication of interest to participate in the early termination mechanism proposed by the Ministry of Economic Development for those facilities that met the law's requirements.
  The Ministry of Economic Development is now expected to issue two blanket implementation decrees (one for binomial-rate facilities and one for monomial-rate facilities).

- Environmental Costs: CO_2 Emissions Rights
  With regard to the reduction of CO_2 emissions, the current E.U. regulations governing the trading of CO_2 emissions rights (EU ETS) impose on the electric power industry costs related to the generation or purchase of these rights that could be increasingly burdensome in the future.
  Specifically, the allocation of permits for consideration by means of auctions, starting in 2013, coupled with a still undefined legislative framework and the potential volatility of the market for CO_2 rights, could have an impact on the energy sector.

- Provisions Concerning Green Certificates
  An amendment to Article 45 of the Budget Adjustment Decree Law (Decree Law No. 78 of May 31, 2010), which is currently in the conversion phase in Parliament, requires that, by December 31, 2010, the Ministry of Economic Development, acting in concert with the Ministry of the Economy and Finances and with the input of the AEEG, issue a Decree requiring, starting in 2011, that the total amount of green certificates taken back by the GSE be 30% less than in 2010 and that at least 80% of that 30% be obtained by containing the amount of surplus green certificates.
  This provision will go into effect once the legislative bill converting the Decree is published in the *Official Gazette of the Italian Republic.*

Price/Foreign 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 foreign exchange rate risk.
From an organizational standpoint, the governance model adopted by the Group requires (with some minor exceptions for Edipower Spa) 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 Condensed Consolidated Semiannual Financial Report, which should be consulted for more detailed information, include a PaR simulation carried out only on the financial derivatives outstanding at December 31, 2009, 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 in 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 monthly and annual stop loss. A more detailed analysis of the risk limits of the trading portfolio is provided in the chapter "Group Financial Risk Management" of the Condensed Consolidated Semiannual Financial Report to comply with IFRS 7.

Foreign Exchange Risk Not Related to the Commodity Risk

In addition to the issues mentioned above in connection with the commodity risk, the Group is exposed to the foreign exchange risk on some cash flows in foreign currencies (usually U.S. dollars) in connection with international development and exploration projects by the hydrocarbons operations and, for limited

amounts, purchases of equipment. Another type of foreign exchange risk to which the Group has a marginal exposure arises from the translation of the financial statements of certain foreign subsidiaries. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.
A more detailed analysis of this risk is provided in the chapter "Group Financial Risk Management" of the Condensed Consolidated Semiannual Financial Report to comply with IFRS 7.

Interest Rate Risk

The Edison group is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. The Group's main interest rate exposure is to the Euribor.
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 mix of fixed and variable rates in the composition of the Group's indebtedness. A more detailed analysis of this risk is provided in the chapter "Group Financial Risk Management" of the Condensed Consolidated Semiannual Financial Report 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. The Edison group's exposure to the credit risk is related to sales of electric power and natural gas, the investment of temporary excess liquidity and financial derivative positions.
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 that are described more in detail in the chapter "Group Financial Risk Management" of the Condensed Consolidated Semiannual Financial Report to comply with IFRS 7.

Competition

The energy markets in which the Group operates are subject to intense competition. Specifically, in the Italian electric market Edison competes with other Italian and international producers and traders who sell electric power to industrial, commercial and residential customers. In order to address the risks entailed by its involvement in the domestic electric power market, the Group pursues the following lines of action: development of a portfolio of customers in the deregulated segment of the market, consistent with a strategy of gradual downstream integration; geographic diversification; optimization of the production mix; and development of renewable energy sources.
In the Italian natural gas market, Edison is faced with an increase in competition from Italian and international operators that could result in an erosion of natural gas sales margins. Moreover, Legislative Decree No. 164/2000 gave the AEEG regulatory powers with regard to setting prices for sales to residential customers and determining the rates charged to access infrastructures. Consequently, the decisions adopted by the AEEG could limit the Group's sales capabilities and margin policies. In addition, some foreign producers from countries with abundant natural gas reserves are planning to sell natural gas directly to end customers in Italy. This threatens the market position of companies that, like Edison, resell to end customers natural gas that they buy in other countries.
In the areas of exploration and production, Edison competes with government-owned companies and international companies for the award of exploration and development permits, mainly outside Italy.
Among the various actions taken to minimize the competition risk in the hydrocarbon area, the following are worth mentioning: the exercise of clauses allowing the renegotiation of prices, based on changes in the benchmark energy scenario and market conditions, that are included in long-term natural gas supply contracts; a strategy of integration along the entire value chain through the development of proprietary reserves; and geographic and logistical diversification of supply source implemented by developing major transportation infrastructures on an international scale, such as the construction of the new Rovigo regasification terminal and participation in the GALSI and ITGI gas pipeline projects.

Technological Innovation

Radical changes in the electric power generation technologies currently in use or under development could make them more competitive than the otherwise excellent technologies currently represented in the Group's production mix. In addition, changes to the regulatory framework could affect the order of preference for power generation facilities. To minimize these risks, Edison monitors on an ongoing basis the development of new technologies both in the electric power and the hydrocarbon sectors. The Company is also engaged in the assessment of innovative technologies in the fields of energy efficiency and generation from renewable sources. Additional information about activities in this area is provided in the section of this Report on operations at June 30, 2010 entitled "Innovation, Research and Development."

Demand for Electric Power and Natural Gas

As a rule, demand for electric power and natural gas is tied to changes in GDP. The situation created by the global economic crisis caused demand for electric power to show negative growth throughout 2009, compared with the previous year. However, starting in January 2010, this negative trend reversed itself, with demand beginning to improve and the trend showing signs of positive growth. The same was true for natural gas demand, which, however, reversed its negative trend in October 2009, compared with the same month the previous year, owing in part to colder weather, and maintained this upward bias throughout the first six months of 2010. In any case, despite this modest improvement in demand, it seems reasonable to expect that, for 2010 as a whole, demand for energy will be substantially below the level achieved before the economic crisis.
A resurgence in the future of the negative trend in the demand for energy could have an impact in terms of lower sales volumes of electric power and natural gas by Edison and, consequently, reduce the Group's overall sales margins.
In this area, the Group monitors both trends in electrical load and natural gas consumption (on a daily basis) and the Italian and international macroeconomic scenario, based on the updates published by major economic and financial forecasting entities. This information is analyzed in order to spot, as early as possible, potential changes in electric power and natural gas demand trends and optimize the production scenario accordingly. In addition, the adoption of a strategy of commercial diversification makes it possible to counter, up to a point, the effects of an unfavorable market scenario.

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 or facilities of critical importance for the production process caused by damaging events, including material damages to the equipment or specific components of it, that cannot be fully covered or transferred by means of insurance policies.
Therefore, Edison pursues an industrial risk management policy that includes risk prevention and control activities, the adoption specific security standards developed by international recognized entities, such as NFPA and FM, implementation of the upgrades required by national laws and local entities with regulatory authority over such issues, and frequently scheduled equipment overhauls, contingency planning and maintenance activities. When appropriate, an effective industrial insurance and expert evaluation strategy that includes the use of Erection All-Risk and Property All-Risk policies that also provide coverage for indirect damages or delays in the availability of new facilities can help minimize the potential consequences of such damaging events.
Additional information about the management of environmental and occupational safety risks is provided in the section of this 2010 Report on operations entitled "Innovation, Research and Development."

Information Technology
The Group's operations are supported by complex information systems, specifically with regard to the technical, commercial and administrative areas. Risks issues also exist with regard to the adequacy of these systems and the integrity and confidentiality of data and information. The continuous development of IT solutions to support business activities, the adoption of strict security standards and of authentication and profiling systems help mitigate these risks. In addition, 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. Specifically, the services provided by the Group's outsourcer include a disaster recovery service that guarantees system recovery within time frames that are consistent with the critical relevance of the affected applications.

Liquidity
Managing the liquidity risk means addressing 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 Group's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity, and implementing on a timely basis negotiations for the funding of maturing financing facilities.
A more detailed analysis of this risk is provided in the disclosure included in the chapter "Group Financial Risk Management" of the Condensed Consolidated Semiannual Financial Report 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, having completed an ambitious program to expand electric power generating capacity, adding 7,000 MW in Italy, the Edison Group is constantly engaged in programs to upgrade older facilities in order to increase their yield, efficiency and operating flexibility. In addition, also in the distribution and production of electric power, the Group is pursuing a strategy of international development, focusing mainly on the Balkans and Southeast Europe. As part of this effort, which has already resulted in the establishment of branches in Bulgaria, Hungary and Romania that engage in electric power trading activities, the new CCGT thermoelectric power plant built in Thisvi, in Greece, is currently in the startup phase. This facility is being developed within the framework of an agreement executed by Edison and Hellenic Petroleum with the aim of creating the second largest operator in Greece's electric power market.
In addition, the Rovigo LNG regasification terminal has been commercially operational since the last quarter of 2009. At full capacity, the terminal will make it possible to import from Qatar more than 8 billion cubic meters of natural gas a year. Under the terms of the LNG sales contract with Ras Laffan Liquefied Natural Gas Company Limited II, 80% of the terminal's regasification capacity is reserved for Edison. The remaining 20% is available to the market in accordance with procedures defined by the AEEG.
In 2009, also in the hydrocarbon area, the Edison group made a major investment in the Egyptian oil and gas market, acquiring the Abu Qir offshore concession. Prospectively, this acquisition will significantly increase the Group's hydrocarbon reserves. Consistent with this approach, drilling and development programs continue to be pursued as part of the concession's management activities.
Additional investment and some carefully selected divestment, implemented as part of a strategy to streamline the overall portfolio, 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. As mentioned above this development strategy also calls for expansion of the Group's international operations outside the European Union, in countries where Edison is already present, but where the political, social and economic environment could be less stable.

As a result of these activities, the Edison group is exposed to permit risks; risks of delays in the construction and launch of commercial activity of new projects; risk of increases in operating, materials and service costs; risks related to new developments in existing technologies; and risks related to changes in the political and regulatory framework in some of the countries where it operates or plans to operate in the future.
Specifically, with regard to the Group's activities in Greece that are affected by a recent worsening of the macroeconomic framework and by a decrease in demand for electric power, Edison is confident that the path to deregulation of the electric power market pursued by the Greek government and supported by the entire European Union continues to provide attractive industrial opportunities.
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 help the growth of the Group's core businesses at an acceptable cost. In this area, there can be no absolute guarantee that Edison will be able to achieve the benefits initially expected from such transactions. Specifically, this could result from an ineffective integration of the acquired assets or from losses and costs not originally anticipated. Moreover, acquisition also entail the financial risk of being unable to cover purchasing costs, due to the occurrence of a protracted weakness in prices and the benchmark scenario.
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..

Policies and Management Tools Adopted by the Group

Energy Risk Policy

Governance

Pursuant to the rules governing Energy Risks Management, 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 industrial margins 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 segments. Accordingly, the Group makes it a planning priority to physically balance the volumes of physical energy commodities that it 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 purchase 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 units 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 overall impact, the probability of occurrence and the level of control.
The overall results for the first half of 2010 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 liabilities on the balance sheet (see also the Notes to the Condensed Consolidated Semiannual Financial Report). 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 chapter "Commitments and Contingent Risks" of the Condensed Consolidated Semiannual Financial Report.

OTHER INFORMATION

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

- At June 30, 2010, 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.
- In the first half of 2010, the Group executed significant transactions with related parties, a description of which is provided in the chapter entitled "Intercompany and Related-Party Transactions" of the Condensed Consolidated Semiannual Financial Report.
- No secondary registered offices have been established.

CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL REPORT

at June 30, 2010

Balance Sheet

06.30.2009 (*)		(in millions of euros)		06.30.2010		12.31.2009 (*)	
	of which related parties		See Note		of which related parties		of which related parties
		ASSETS					
7,444	-	Property, plant and equipment	1	7,431	-	7,445	-
14	-	Investment property	2	11	-	12	-
3,536	-	Goodwill	3	3,538	-	3,538	-
1,259	-	Hydrocarbon concessions	4	1,230	-	1,259	-
120	-	Other intangible assets	5	112	-	108	-
52	-	Investments in associates	6	47	-	43	-
279	-	Available-for-sale investments	6	297	-	304	-
97	-	Other financial assets	7	93	-	98	-
87	-	Deferred-tax assets	8	120	-	103	-
34	-	Other assets	9	103	-	21	-
12,922	**-**	**Total non-current assets**		**12,982**	**-**	**12,931**	**-**
248	-	Inventories		273	-	308	-
2,098	48	Trade receivables		2,028	69	1,862	83
10	-	Current-tax assets		30	-	33	-
512	31	Other receivables		546	30	545	84
38	-	Current financial assets		70	-	30	-
117	-	Cash and cash equivalents		338	-	748	-
3,023	**-**	**Total current assets**	10	**3,285**	**-**	**3,526**	**-**
-	**-**	**Assets held for sale**		**-**	**-**	**-**	**-**
15,945	**-**	**Total assets**		**16,267**	**-**	**16,457**	**-**
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292	-	Share capital		5,292	-	5,292	-
1,780	-	Other reserves		1,681	-	1,830	-
2	-	Reserve for currency translations		8	-	4	-
711	-	Retained earnings (Loss carryforward)		884	-	711	-
122	-	Profit (Loss)		142	-	240	-
7,907	**-**	**Group interest in shareholders' equity**		**8,007**	**-**	**8,077**	**-**
158	-	Minority interest in shareholders' equity		176	-	177	-
8,065	**-**	**Total shareholders' equity**	11	**8,183**	**-**	**8,254**	**-**
65	-	Provision for employee severance indemnities and provisions for pensions	12	63	-	64	-
601	-	Provision for deferred taxes	13	579	-	584	-
761	-	Provisions for risks and charges	14	811	-	837	-
1,201	-	Bonds	15	1,695	-	1,199	-
2,278	-	Long-term financial debt and other financial liabilities	16	1,517	-	2,184	-
33	-	Other liabilities	17	28	-	30	-
4,939	**-**	**Total non-current liabilities**		**4,693**	**-**	**4,898**	**-**
20	-	Bonds		781	-	721	-
1,088	16	Short-term financial debt		674	15	611	15
1,283	22	Trade payables		1,523	50	1,469	41
22	-	Current taxes payable		20	-	38	-
528	30	Other liabilities		393	12	466	71
2,941	**-**	**Total current liabilities**	18	**3,391**	**-**	**3,305**	**-**
-	**-**	**Liabilities held for sale**		**-**	**-**	**-**	**-**
15,945	**-**	**Total liabilities and shareholders' equity**		**16,267**	**-**	**16,457**	**-**

(*) The data for "Property, plant and equipment" and "Other intangible assets" are being presented merely for comparative purposes to reflect the adoption of IFRIC 12.

Income Statement

2009 full year (*)		(in millions of euros)		1st half 2010		1st half 2009 (*)	
	of which related parties		See Note		of which related parties		of which related parties
8,867	301	Sales revenues	19	5,087	201	4,589	153
517	77	Other revenues and income	20	268	27	226	26
9,384	**378**	**Total net revenues**		**5,355**	**228**	**4,815**	**179**
(7,673)	(72)	Raw materials and services used (-)	21	(4,602)	(66)	(3,967)	(23)
(240)	-	Labor costs (-)	22	(127)	-	(116)	-
1,471		**EBITDA**	23	**626**		**732**	
(772)	-	Depreciation, amortization and writedowns (-)	24	(362)	-	(378)	-
699		**EBIT**		**264**		**354**	
(156)	-	Net financial income (expense)	25	(51)	-	(80)	-
(3)	-	Income from (Expense on) equity investments	26	(1)	-	1	-
(11)	3	Other income (expense), net	27	30	-	2	3
529		**Profit before taxes**		**242**		**277**	
(278)	-	Income taxes	28	(96)	-	(150)	-
251		**Profit (Loss) from continuing operations**		**146**		**127**	
-	-	Profit (Loss) from discontinued operations		-	-	-	-
251		**Profit (Loss)**		**146**		**127**	
		Broken down as follows:					
11		Minority interest in profit (loss)		4		5	
240		**Group interest in profit (loss)**		**142**		**122**	
		Earnings per share (in euros)	29				
0.0448		Basic earnings per common share		0.0261		0.0224	
0.0748		Basic earnings per savings share		0.0561		0.0524	
0.0448		Diluted earnings per common share		0.0261		0.0224	
0.0748		Diluted earnings per savings share		0.0561		0.0524	

(*)The data are being presented merely for comparative purposes to reflect the adoption of IFRIC 12.

Other Components of the Comprehensive Income Statement

2009 full year	(in millions of euros)	See Note	1st half 2010	1st half 2009
251	**Profit (Loss) (Minority and Group interest)**		**146**	**127**
	Other components of comprehensive income:			
298	- Change in the cash flow hedge reserve	11, 30	15	219
2	- Profit (Loss) from available-for-sale financial assets	11, 30	(2)	(1)
7	- Differences on the translation of assets in foreign currencies	30	4	5
-	- Pro rata interest in other components of comprehensive income of investee companies	30	-	-
(110)	Income taxes attributable to other components of comprehensive income (-)	11, 30	(6)	(81)
197	**Total other components of comprehensive income net of taxes**		**11**	**142**
448	**Total comprehensive profit (loss)**		**157**	**269**
	Broken down as follows:			
11	Minority interest in comprehensive profit (loss)		4	5
437	**Group interest in comprehensive profit (loss)**		**153**	**264**

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in the first half of 2010. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

2009 full year		(in millions of euros)		1st half 2010		1st half 2009	
	of which related parties		See Note		of which related parties		of which related parties
240	-	Group interest in profit (loss) from continuing operations		142	-	122	-
-	-	Group interest in profit (loss) from discontinued operations		-	-	-	-
11	-	Minority interest in profit (loss) from continuing operations		4	-	5	-
251	**-**	**Profit (Loss)**		**146**	**-**	**127**	**-**
772	-	Amortization, depreciation and writedowns	24	362	-	378	-
5	-	Interest in the result of companies valued by the equity method (-)		-	-	1	-
1	-	Dividends received from companies valued by the equity method		1	-	1	-
(9)	-	(Gains) Losses on the sale of non-current assets		7	-	4	-
(1)	-	Change in the provision for employee severance indemnities	12	(1)	-	-	-
142	-	Change in other operating assets and liabilities		(297)	-	(180)	-
1,161	**-**	**A. Cash flow from continuing operations**		**218**	**-**	**331**	**-**
(1,745)	-	Additions to intangibles and property, plant and equipment (-)	1-5	(320)	-	(1,387)	-
(56)	-	Additions to non-current financial assets (-)		(2)	-	(34)	-
(80)	-	Price paid on Business Combinations (-)		-	-	(80)	-
43	-	Proceeds from the sale of intangibles and property, plant and equipment		6	-	13	-
15	-	Proceeds from the sale of non-current financial assets		-	-	-	-
-	-	Repayment of capital contribution by non-current financial assets		4	-	-	-
(4)	-	Other current assets		(40)	-	(12)	-
(1,827)	**-**	**B. Cash used in investing activities**		**(352)**	**-**	**(1,500)**	**-**
2,074	-	Receipt of new medium-term and long-term loans	15,16	533	-	1,375	-
(540)	-	Redemption of medium-term and long-term loans (-)	15,16	(620)	-	(126)	-
-	-	Capital contributions provided by controlling companies or minority shareholders		10	-	-	-
(278)	(208)	Dividends paid to controlling companies or minority shareholders (-)		(238)	(178)	(278)	(208)
(26)	-	Change in short-term financial debt		39	-	131	-
1,230	**-**	**C. Cash used in financing activities**		**(276)**	**-**	**1,102**	**-**
(4)	**-**	**D. Liquid assets from changes in the scope of consolidation**		**-**	**-**	**(4)**	**-**
-	**-**	**E. Net currency translation differences**		**-**	**-**	**-**	**-**
-	**-**	**F. Net cash flow from operating assets of discontinued operations**		**-**	**-**	**-**	**-**
560	**-**	**G. Net cash flow for the period (A+B+C+D+E+F)**		**(410)**	**-**	**(71)**	**-**
188	**-**	**H. Cash and cash equivalents at the beginning of the period**		**748**	**-**	**188**	**-**
748	**-**	**I. Cash and cash equivalents at the end of the period (G + H)**		**338**	**-**	**117**	**-**
748	**-**	**L. Total cash and cash equivalents at end of period (I)**		**338**	**-**	**117**	**-**
-	**-**	**M. (-) Cash and cash equivalents of discontinued operations**		**-**	**-**	**-**	**-**
748	**-**	**N. Cash and cash equivalents of continuing operations (L-M)**		**338**	**-**	**117**	**-**

Changes in Consolidated Shareholders' Equity

(in millions of euros)				Reserve for other components of comprehensive income							
	Share capital	Statutory reserve	Other reserves and retained earnings (loss carry-forward)	Differences on the translation of assets in foreign currencies	Cash flow hedge reserve	Reserve for available-for-sale investments	Interest in other components of comprehensive income of investee companies	Profit (Loss)	Group interest in sharehold. Equity	Minority interest in sharehold. Equity	Total sharehold. Equity
Balance at December 31, 2008	**5,292**	**72**	**2,377**	**(3)**	**(171)**	**(4)**	**-**	**346**	**7,909**	**164**	**8,073**
Appropriation of the previous year's profit	-	19	327	-	-	-	-	(346)	-	-	-
Dividends distributed	-	-	(268)	-	-	-	-	-	(268)	(12)	(280)
Other changes	-	-	2	-	-	-	-	-	2	1	3
Total comprehensive profit (loss)	-	-	-	5	138	(1)	-	122	264	5	269
of which:											
- Change in comprehensive income for the period	-	-	-	5	138	(1)	-	-	142	-	142
- Profit for 1st half of 2009	-	-	-	-	-	-	-	122	122	5	127
Balance at June 30, 2009	**5,292**	**91**	**2,438**	**2**	**(33)**	**(5)**	**-**	**122**	**7,907**	**158**	**8,065**
Change in the scope of consolidation	-	-	(2)	-	-	-	-	-	(2)	15	13
Other changes	-	(1)	-	-	-	-	-	-	(1)	(1)	(2)
Total comprehensive profit (loss)	-	-	-	2	50	3	-	118	173	5	178
of which:											
- Change in comprehensive income for the period	-	-	-	2	50	3	-	-	55	(1)	54
- Profit for 2nd half of 2009	-	-	-	-	-	-	-	118	118	6	124
Balance at December 31, 2009	**5,292**	**90**	**2,436**	**4**	**17**	**(2)**	**-**	**240**	**8,077**	**177**	**8,254**
Appropriation of the previous year's profit	-	35	205	-	-	-	-	(240)	-	-	-
Dividends distributed	-	-	(228)	-	-	-	-	-	(228)	(15)	(243)
Share capital increase	-	-	-	-	-	-	-	-	-	10	10
Other changes	-	-	5	-	-	-	-	-	5	-	5
Total comprehensive profit (loss)	-	-	-	4	9	(2)	-	142	153	4	157
of which:											
- Change in comprehensive income for the period	-	-	-	4	9	(2)	-	-	11	-	11
- Profit for 1st half of 2010	-	-	-	-	-	-	-	142	142	4	146
Balance at June 30, 2010	**5,292**	**125**	**2,418**	**8**	**26**	**(4)**	**-**	**142**	**8,007**	**176**	**8,183**

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL REPORT AT JUNE 30, 2010

CONTENT AND PRESENTATION

The Edison Group's Condensed Consolidated Semiannual Financial Report at June 30, 2010, which was the subject of a limited audit, was prepared in accordance with Article 154- *ter* of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures it provides are consistent with the provisions of IAS 34 "Interim Financial Reporting."

The abovementioned report is consistent with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the *Official Journal of the European Union (O.J.E.U.).* The accounting principles and consolidation criteria, the presentation formats of financial statement, the consolidation of foreign companies, the criteria used to translate items denominated in foreign currencies and the valuation criteria used to prepare this Condensed Consolidated Semiannual Financial Report are consistent with those applied in the preparation of the Consolidated Financial Statements at December 31, 2009, which should be consulted for more detailed information.

Amendments to the international accounting principles and interpretations applicable as of January 1, 2010 are reviewed below:

- IFRIC 12 "Service Concession Arrangements" is an interpretation applicable to the financial statements of private companies that operate activities of public interest on a concession basis, when the grantor (i) controls/regulates, by determining their price, which public utility services must be provided by the operator through infrastructures that the operator manages under concession or builds; and (ii) controls, through ownership or otherwise, the concession itself and any other residual interest in the infrastructures when the concession expires. Within the Edison Group, this interpretation applies exclusively to the low-pressure natural gas distribution operations. Uncertainty about the historical regulatory framework, coupled with the fact that the Group acquired control of most of the concessions through extraordinary transactions made a retrospective first-time adoption impractical. For this reason, the Group opted for a prospective adoption. On the date of first-time adoption, the affected infrastructures, which were carried as part of "Property, plant and equipment" at a value of 72 million euros, were reclassified under "Other intangible assets." The manner in which the rate charged for the services provided on a concession basis is structured makes it impossible to separate the margin attributable to the construction activity from the margin attributable to the operating activity. Therefore, given the fact that a significant portion of the construction work is performed by contractors, the corresponding investments are recognized as "Other intangible assets" based on the cost incurred, net of any compensation the grantor of the concession or private parties. Consistent with IAS 11 "Construction Contracts," these costs are capitalized indirectly through the income statement. The amount booked as an "Intangible asset", net of the estimated realizable value at the concession's end, is amortized based on technical and financial rates (for assets returnable for consideration) or at the lower between the remaining life of the concession and the technical and financial rates (for assets returnable at no cost).
- IFRS 1 revised, pursuant to which parties who adopt the IFRS principles for the first time must prepare a "First-time Adoption" document.
- Amendments to IFRS 2 concerning the accounting for Group Cash-settled Share-based Payment Transactions and withdrawal of IFRIC 8 and IFRIC 11.
- IFRS 3 revised, which introduces changes on how business combinations should be recognized, including the following: in case when the acquisition of control is achieved in multiple phases, the fair value of the equity interest held must be remeasured; transactions executed with third parties subsequent to the acquisition of control, and assuming that control will be maintained, must be recognized in equity; acquisition costs must be charged immediately to income; changes in contingent consideration are recognized in profit or loss.

- IAS 27 revised, concerning the valuation of investments in associates in case of increases or decreases of equity interests. If there is a change in the interest held but no loss of control, the effects must be recognized in equity. If there is loss of control, the remaining interest held in the former subsidiary must be measured at its fair value on the date of the loss of control.
- IFRIC 15 "Agreements for the Construction of Real Estate" does not apply to the Group at this point.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation." This interpretation applies to those cases in which a company wants to hedge the foreign exchange risk entailed by an investment in a foreign entity and qualify this transaction as a hedge pursuant to IAS 39.
- IFRIC 17 "Distribution of Non-cash Assets to Owners." This interpretation clarifies when a dividend should be recognized, how it should be valued and, when the dividend is distributed, how to recognize any difference between the book value of the distributed assets and the book value of the distributable dividend.
- IFRIC 18 "Transfers of Assets from Customers." This interpretation deals with how the assets received from customers (i.e., cash) for connecting them to a distribution network should be recognized. IFRIC 18 must be adopted only by parties who are not required to adopt IFRIC 12.
- Other marginal amendments to other accounting principles and interpretations.

Please note that the comparative data at June 30, 2009 and December 31, 2009 shown in the balance sheet for "Property, plant and equipment" and "Other intangible assets" and income statement are being presented exclusively for comparison purposes to reflect the adoption of IFRIC 12.

The publication of the Condensed Consolidated Semiannual Financial Report was authorized by the Board of Directors on July 23, 2010.

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

Changes in the Scope of Consolidation Compared with December 31, 2009

The changes in the Group's scope of consolidation that occurred in the first half of 2010 affected exclusively the **Electric Power Operations**:

- deconsolidation as of January 1, 2010 of Ascot Srl, in liquidation;
- establishment of Edison Energie Speciali Calabria Spa as a wholly owned subsidiary of Edison Spa;
- disposal to third parties of a 10% interest in Presenzano Energia Srl.

Financial Highlights for the First Half of 2010 of Companies Consolidated by the Proportional Method

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

	Edipower Spa	Sel Edison	Ibiritermo Sa	Parco Eolico Castelnuovo Srl	ED-Ina D.O.O.	IWH	Elpedison Bv	Elpedison Power Sa	Elpedison Trading Sa	Kinopraxia Thisvi	Abu Qir Petroleum Company	IGI Poseidon Sa
% of proportional consolidation	**50.0%**	**42.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**65.0%**	**50.0%**	**50.0%**
% interest held by the Group	**50.0%**	**42.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**50.0%**	**37.9%**	**50.0%**	**65.0%**	**50.0%**	**50.0%**
Income Statement												
Sales revenues	220	5	-	-	24	-	-	25	2	23	-	-
EBITDA	83	3	-	-	-	-	-	1	-	-	-	-
as a % of sales revenues	*37.7%*	*60.0%*	*n.a.*	*n.a.*	*n.m.*	*n.a.*	*n.a.*	*4.0%*	*n.m.*	*n.m.*	*n.a.*	*n.a.*
Depreciation, amortization and writedowns (-)	(69)	(1)	-	-	-	-	-	(5)	-	-	-	-
EBIT	**15**	**1**	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**-**	**-**
Profit (Loss)	**6**	**1**	**4**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**
Minority interest in profit (loss)	-	-	-	-	-	-	-	(1)	-	-	-	-
Balance Sheet												
Total assets	**2,040**	**53**	**101**	**2**	**9**	**-**	**66**	**295**	**2**	**14**	**2**	**10**
Shareholders' equity	**1,027**	**35**	**22**	**1**	**-**	**-**	**66**	**92**	**-**	**-**	**-**	**10**
of which Minority interest in shareholders' equity	-	-	-	-	-	-	-	24	-	-	-	-
Net financial debt (financial assets)	**640**	**12**	**(45)**	**-**	**(1)**	**-**	**-**	**160**	**-**	**(7)**	**(2)**	**(7)**

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbon Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009
Sales Revenues	**3,438**	**3,232**	**2,552**	**2,342**	**25**	**26**	**(928)**	**(1,011)**	**5,087**	**4,589**
- third parties revenues	3,436	3,230	1,645	1,352	6	7	-	-	5,087	4,589
- intra-Group revenues	2	2	907	990	19	19	(928)	(1,011)	-	-
EBITDA	**428**	**556**	**247**	**223**	**(49)**	**(47)**	**-**	**-**	**626**	**732**
as a % of sales revenues	12.4%	17.2%	9.7%	9.5%	n.m.	n.m.	-	-	12.3%	16.0%
Depreciation, amortization and writedowns	(266)	(260)	(90)	(114)	(6)	(4)	-	-	(362)	(378)
EBIT	**162**	**296**	**157**	**109**	**(55)**	**(51)**	**-**	**-**	**264**	**354**
as a % of sales revenues	4.7%	9.2%	6.2%	4.7%	n.m.	n.m.	-	-	5.2%	7.7%
Net financial income (expense)									(51)	(80)
Interest in result of companies valued by equity method									-	(1)
Income taxes									(96)	(150)
Profit (Loss) from continuing operations									**146**	**127**
Profit (Loss) from discontinued operations									**-**	**-**
Minority interest in profit (loss)									**4**	**5**
Group interest in profit (loss)									**142**	**122**

BALANCE SHEET	Electric Power Operations		Hydrocarbon Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009
Total assets	**11,767**	**11,743**	**4,287**	**4,194**	**5,524**	**5,445**	**(5,311)**	**(4,925)**	**16,267**	**16,457**
Total liabilities	**4,430**	**4,031**	**2,890**	**2,826**	**4,087**	**4,327**	**(3,323)**	**(2,981)**	**8,084**	**8,203**
Net financial debt									**4,171**	**3,858**

OTHER INFORMATION	Electric Power Operations		Hydrocarbon Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
(in millions of euros)	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009	1st half 2010	1st half 2009
Capital expenditures	138	186	95	128	63	1	-	-	296	315
Investment in exploration	-	-	21	55	-	-	-	-	21	55
Investment in intangibles	1	3	1	1,011	1	3	-	-	3	1,017
Total capital investments	**139**	**189**	**117**	**1,194**	**64**	**4**	**-**	**-**	**320**	**1,387**

	Electric Power Operations		Hydrocarbon Operations		Corporate Activities and Other Segments		Adjustments		Edison Group	
	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009	06.30.2010	12.31.2009
Number of employees	**1,950**	**1,946**	**1,366**	**1,357**	**635**	**620**	**-**	**-**	**3,951**	**3,923**

Thus far, the Group has not viewed **geographic area** information as meaningful, since it is essentially located and active in Italy. However, beginning in 2009, the Group started to expand its international operations and, at the end of the first half of 2010, non-current assets held outside Italy totaled 1,658 million euros, including 243 million euros for assets of the Electric Power Operations, mainly in Greece, and 1,415 million euros for assets of the Hydrocarbons Operations, the largest component of which was 1,067 million euros for the Abu Qir concession in Egypt. At June 30, 2010, the contribution of foreign operations accounted for 8% of EBITDA and 13% of net invested capital.

As for the disclosure about the so-called "**major customers**," the Group's sales are generally not concentrated, except for the Electric Power Operations, where one major customer generated sales revenues totaling 596 million euros in the first half of 2010, equal to about 11% of the total sales revenues of Electric Power Operations.

NOTES TO THE BALANCE SHEET

Assets

1. Property, Plant and Equipment

The table that follows shows a breakdown of the changes that occurred in the first half of 2010:

(in millions of euros)	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2009, as published	**820**	**6,139**	**10**	**5**	**543**	**7,517**
Adoption of IFRIC 12	-	(69)	(3)	-	-	(72)
Balance at 12.31.2009, comparative (A)	**820**	**6,070**	**7**	**5**	**543**	**7,445**
Changes in the first half of 2010:						
- Additions	63	34	1	1	197	296
- Disposals (-)	-	(11)	-	(1)	(1)	(13)
- Depreciation (-)	(22)	(275)	(1)	(1)	-	(299)
- Writedowns (-)	-	(4)	-	-	-	(4)
- Other changes	2	93	1	1	(91)	6
Total changes (B)	**43**	**(163)**	**1**	**-**	**105**	**(14)**
Balance at 06.30.2010 (A+B)	**863**	**5,907**	**8**	**5**	**648**	**7,431**

The Group adopted IFRIC 12 prospectively. Consequently, the opening balances for "Property, plant and equipment" and "Other intangible assets" attributable to the natural gas distribution infrastructures reflect reclassifications totaling 72 million euros.

A breakdown by business segment of **additions** totaling 296 million euros is as follows:

(in millions of euros)	1st half 2010	1st half 2009
Electric Power Operations	**138**	**186**
broken down as follows:		
- Thermoelectric area	94	79
- Hydroelectric area	31	33
- Renewable sources area (wind power, photovoltaic, etc.)	13	74
Hydrocarbons Operations	**95**	**128**
broken down as follows:		
- Hydrocarbon fields in Italy	10	20
- Hydrocarbon fields outside Italy	72	89
- Transmission and storage infrastructures	13	19
Corporate Activities and Other Segments	**63**	**1**
Total for the Group	**296**	**315**

A significant addition in the first half of 2010 was the purchase by **Corporate Activities and Other Segments** of a building at 35, Foro Buonaparte, in Milan, for a total amount of 62 million euros. The building will be used for office space.

Capitalized borrowing costs recognized as part of property, plant and equipment, as required by IAS 23 Revised, amounted to about 1 million euros.

The net carrying value of property, plant and equipment also includes the following items:

- **Assets transferable at no cost** with an aggregate value of 449 million euros (487 million euros at December 31, 2009), which are attributable primarily to the concessions held by the Edison Group (71 in the hydroelectric area). A 9-million-euro reduction is due to the reclassification provided for IFRIC 12.

- **Assets acquired under finance leases** recognized in accordance with the IAS 17 Revised method totaled 39 million euros (34 million euros at December 31, 2009), including 6 million euros for leases for the renewable sources segment executed in the first half of 2010. The remaining balance of the financial liability, which amounts to 36 million euros, is shown part under "Long-term financial debt and other financial liabilities" (33 million euros) and part under "Short-term financial debt" (3 million euros).

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, is valued at 11 million euros. The depreciation expense for the period and the sale of a building account for the decrease of 1 million euros compared with December 31, 2009.

3. Goodwill

Goodwill totaled 3,538 million euros, unchanged compared with December 31, 2009, including 2,838 million euros attributable to the Electric Power Operations and 700 million euros attributable to the Hydrocarbons Operations.
The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year.
No impairment indicators affecting the value of goodwill were detected in the first half of 2010.

4. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which include 81 mineral leases in Italy and abroad (including 3 storage concessions) for the extraction of hydrocarbon deposits, were valued at 1,230 million euros. The net decrease of 29 million euros, compared with December 31, 2009, reflects primarily the amortization for the period.

5. Other Intangible Assets

The table below shows the main changes that occurred in the first half of 2010:

(in millions of euros)	Patents, licenses and similar rights	CO_2 emissions rights	Green Certificates	Hydrocarbon exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2009, as published	**20**	**5**	**-**	**-**	**6**	**5**	**36**
Adoption of IFRIC 12	72	-	-	-	-	-	72
Balance at 12.31.2009, comparative (A)	**92**	**5**	**-**	**-**	**6**	**5**	**108**
Changes in the first half of 2010:							
- Additions	2	-	-	21	-	1	24
- Disposals (-)	(1)	-	-	-	-	-	(1)
- Amortization (-)	(9)	-	-	(21)	-	-	(30)
- Other changes	4	(4)	14	-	-	(3)	11
Total changes (B)	**(4)**	**(4)**	**14**	**-**	**-**	**(2)**	**4**
Balance at 06.30.2010 (A+B)	**88**	**1**	**14**	**-**	**6**	**3**	**112**

As of January 1, 2010, as required by IFRIC 12, **Patents, licenses and similar rights** include the infrastructures used by the Group to distribute natural gas under the 62 concessions it holds in this area of business.
Green certificates include the rights exceeding the Group's requirements (14 million euros).
In the first half of 2010, no **exploration costs** were capitalized in connection with successful exploration activities leading subsequently to production.

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

The total includes 47 million euros in investments in associates and in unconsolidated subsidiaries and affiliated companies and 297 million euros in available-for-sale investments. The latter amount includes an investment in RCS Mediagroup Spa (7 million euros) and in Terminale GNL Adriatico Srl (282 million euros), which owns the offshore regasification terminal near Porto Viro (RO).
The table below shows the main changes that occurred in the first half of 2010:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2009 (A)	**43**	**304**	**347**
Changes in the first half of 2010:			
- Changes in share capital	2	(4)	(2)
- Valuations at fair value	-	(2)	(2)
- Other changes	2	(1)	1
Total changes (B)	**4**	**(7)**	**(3)**
Balance at 06.30.2010 (A+B)	**47**	**297**	**344**

The changes that occurred in the first half of 2010 included **changes in share capital** totaling 2 million euros, a breakdown of which is as follows:

- a repayment of capital contributions by Terminale GNL Adriatico Srl (4 million euros);
- a capital increase carried out by Galsi Spa (2 million euros).

Valuations at fair value totaling 2 million euros reflect for the most part the impact of marking to market the investment in RCS Mediagroup Spa, with the resulting loss recognized in equity.

7. Other Financial Assets

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

(in millions of euros)	06.30.2010	12.31.2009	Change
Loan receivables from Ibiritermo (IFRIC 4)	88	79	9
Interest-bearing escrow deposit (*)	-	14	(14)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	1	1	-
Total other financial assets	**93**	**98**	**(5)**

(*) Provided in connection with the sale of equity investments.

The interest-bearing escrow deposit provided in connection with the sale of equity investments was released and became available in the first half of 2010.

8. Deferred-tax Assets

Deferred-tax assets, which were valued based on realistic assumptions that they would be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 120 million euros (103 million euros at December 31, 2009).
They reflect differences in the valuation of:

- taxed provisions for risks of 49 million euros;
- differences in the valuation of property, plant and equipment of 43 million euros;
- a tax-loss carryforward of 13 million euros;

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

9. Other Assets

Other assets totaled 103 million euros or 82 million euros more than December 31, 2009. This account includes:

- 84 million euros related to the gas volumes that determined for the Group take or pay clauses, included in certain long term gas purchase contracts, that are expected to be recovered in the future;
- 7 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through June 30, 2010;
- 12 million euros in sundry receivables, consisting mainly of security deposits.

10. Current Assets

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

(in millions of euros)	06.30.2010	12.31.2009	Change
Inventories	273	308	(35)
Trade receivables	2,028	1,862	166
Current-tax assets	30	33	(3)
Other receivables	546	545	1
Current financial assets	70	30	40
Cash and cash equivalents	338	748	(410)
Total current assets	**3,285**	**3,526**	**(241)**

A review of the individual components is provided below:

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	Other	Total at 06.30.2010	Total at 12.31.2009	Change
Electric Power Operations	41	-	36	14	91	80	11
Hydrocarbons Operations	26	147	9	-	182	228	(46)
Total for the Group	**67**	**147**	**45**	**14**	**273**	**308**	**(35)**

The decrease that occurred in the first half of 2010 is due mainly to the utilization of the inventory of stored natural gas (about 54 million euros). Inventories also include about 24 million euros in strategic reserves of natural gas, the use of which is restricted.

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

(in millions of euros)	06.30.2010	12.31.2009	Change
Electric Power Operations	1,707	1,527	180
Hydrocarbons Operations	487	475	12
Corporate Activities and Other Segments and eliminations	(166)	(140)	(26)
Total trade receivables	**2,028**	**1,862**	**166**
of which Allowance for doubftul accounts	**(130)**	**(129)**	**(1)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 110 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolio, of which 106 million euros attributable to the Electric Power Operations and 4 million euros attributable to the Hydrocarbons Operations.
The Electric Power Operations account for most of the overall increase of 166 million euros in trade receivables, which is consistent with the upturn in the Group's sales volumes and the resulting rise in sales revenues. In the case of the Hydrocarbons Operations, the stability of the receivable amount reflects the combined impact of a seasonal decrease in natural gas consumption by residential customers, offset in part by higher demand in the industrial and thermoelectric segment.

Lastly transactions involving the assignment of receivables without recourse on a revolving and spot basis executed in the first half of 2010, consistent with the previous year's practice, totaled 1,959 million euros (2,828 million euros at December 31, 2009). As required by its credit policies, the Group use also these transactions to control and minimized credit risks. The residual risk of recourse associated with these transactions is virtually nil.

- **Current-tax assets** of 30 million euros include amounts owed by the tax authorities for overpayments of regional taxes (IRAP) and corporate income taxes (IRES) by companies that are not included in the consolidated income tax return filed by Transalpina di Energia Srl, the Group's controlling company.

- A breakdown of **other receivables**, which totaled 546 million euros, is provided in the table below:

(in millions of euros)	06.30.2010	12.31.2009	Change
Receivables arising from the valutation of derivatives	155	117	38
Amounts owed by partners and associates in hydrocarbon exploration projects	57	33	24
Advances to suppliers	30	67	(37)
Advances paid for the acquisition of equity investments	30	30	-
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	16	70	(54)
VAT credit	13	19	(6)
Sundry items	245	209	36
Total other receivables	**546**	**545**	**1**

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

(in millions of euros)	06.30.2010	12.31.2009	Change
Derivatives	59	18	41
Equity investments held for trading	8	9	(1)
Loans receivable	3	3	-
Total current financial assets	**70**	**30**	**40**

A comprehensive presentation of the overall effects of financial derivatives is provided in a separate section of these Notes.

- **Cash and cash equivalents** of 338 million euros consist of short-term deposits in bank and postal accounts and other short-term investments.

Liabilities and Shareholders' Equity

11. Group Interest and Minority Interest in Shareholders' Equity

Group interest in shareholders' equity amounted to 8,007 million euros, for a decrease of 70 million euros compared with December 31, 2009 (8,077 million euros). This reduction is the net result of the resolution approving a dividend distribution totaling 228 million euros (equal to a dividend of 0.0425 euros on each common share and 0.0725 euros on each savings share), offset in part by a change in the reserve for cash flow hedge transactions (increase of 9 million euros) and by the profit for the period amounting to 142 million euros.

Minority interest in shareholders' equity totaled 176 million euros, or 1 million euros less than at December 31, 2009 (177 million euros), due mainly to the impact of the distribution of dividends attributable to minority shareholders (15 million euros), offset in part by a share capital increase carried out by a joint ventures (10 million euros) and the profit for the period (4 million euros).

A breakdown of share capital, which consists of shares with a par value of 1 euro each, all with regular ranking for dividends, is as follows:

Share class	Number of shares	Millions of euros
Common shares	5,181,108,251	5,181
Saving shares	110,592,420	111
Total		**5,292**

The table below provides a breakdown of the changes that occurred in the reserve for cash flow hedge transactions, established upon the adoption of IAS 32 and IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	28	(11)	17
Changes in the first half of 2010	15	(6)	9
Reserve at June 30, 2010	**43**	**(17)**	**26**

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

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	(2)	-	(2)
Changes in the first half of 2010	(2)	-	(2)
Reserve at June 30, 2010	**(4)**	**-**	**(4)**

12. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which amounted to 63 million euros, reflects the accrued severance indemnities and other benefits owed to employees. A valuation in accordance with the actuarial criteria of IAS 19 was performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held by the Company.

The table below shows the changes that occurred in the first half of 2010:

(in millions of euros)	Provision for severance indemnities	Provision for pensions	Total
Balance at 12.31.2009 (A)	**54**	**10**	**64**
Changes in the first half of 2010:			
- Financial expense	2	-	2
- Utilizations (-)/Other changes	(3)	-	(3)
Total changes (B)	**(1)**	**-**	**(1)**
Balance at 06.30.2010 (A+B)	**53**	**10**	**63**

13. Provision for Deferred Taxes

The balance of 579 million euros (584 million euros at December 31, 2009) reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.
The following table shows a breakdown of this reserve by type of underlying temporary difference, keeping in mind that certain Group companies that meet the requirements of IAS 12 offset their deferred-tax liabilities against their deferred-tax assets:

(in millions of euros)	06.30.2010	12.31.2009	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	580	614	(34)
- Adoption of standard on finance leases (IAS 17)	21	18	3
- Adoption of standard on financial instruments (IAS 39) with impact on shareholders' equity	23	18	5
- Other deferred taxes	16	7	9
Total deferred-tax liabilities (A)	**640**	**657**	**(17)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	51	68	(17)
- Tax loss carryforward	-	2	(2)
- Other deferred-tax assets	10	3	7
Total deferred-tax assets (B)	**61**	**73**	**(12)**
Total provision for deferred taxes (A-B)	**579**	**584**	**(5)**

14. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 811 million euros, a decrease of 26 million euros compared with December 31, 2009.

The table below shows the changes that occurred in the first half of 2010:

(in millions of euros)	12.31.2009	Additions	Utilizations	Other changes and reclassifications	06.30.2010
- Disputed tax items	71	2	(2)	(1)	70
- Risks for disputes, litigation and contracts	159	3	(10)	3	155
- Charges for contractual guarantees on sale of equity investments	79	-	(10)	-	69
- Provisions for decommissioning and remediation of industrial sites	354	8	-	(2)	360
- Environmental risks	27	2	(5)	27	51
- Other risks and charges	147	14	(9)	(46)	106
Total for the Group	**837**	**29**	**(36)**	**(19)**	**811**

The changes that occurred in the first half of 2010 are reviewed below:

- The main components of **additions** of 29 million euros are financial expense on decommissioning provisions (8 million euros), statutory and tax interest accrued on existing provisions (4 million euros), additions to provisions for environmental risks (2 million euros) and legal and tax related risks for the balance.
- **Utilizations** of 36 million euros refer primarily to the cancellation of some guarantees provided in connection with the sale of equity investments and charges for legal disputes (22 million euros), charges for the decommissioning and remediation of some industrial sites and other environmental cleanup costs (5 million euros) and reversals of the portions of provisions for risks that exceeded the actual charge (3 million euros).
- **Other changes**, negative for 19 million euros, refer mainly to utilizations for purchases of environmental securities to cover the Group's requirements for 2009.

15. Bonds

The balance of 1,695 million euros (1,199 million euros at December 31, 2009) represents the non-current portion of the bonds issued by the Group, valued at amortized cost. In March, 500 million euros in new five-year bonds were issued within the framework of a Euro Medium-term Loan Program.

The table below shows the balance outstanding at June 30, 2010 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value			Fair value
							Non-current portion	Current portion	Total	
Edison Spa	Luxembourg Secur. Exc.	EUR	700	Annual in arrears	5.125%	12.10.2010	-	719	719	736
Edison Spa	Luxembourg Secur. Exc.	EUR	500	Quarterly in arrears	1.244%	07.19.2011	500	4	504	500
Edison Spa	Luxembourg Secur. Exc.	EUR	700	Annual in arrears	4.250%	07.22.2014	697	49	746	736
Edison Spa	Luxembourg Secur. Exc.	EUR	500	Annual in arrears	3.250%	03.17.2015	498	9	507	512
Total for the Group			**2,400**				**1,695**	**781**	**2,476**	**2,484**

The valuation at amortized cost of the March 2010 and July 2009 bond issues, a portion of which was hedged with derivatives against the risk of changes in fair value caused by the interest rate fluctuation, was carried out in accordance with hedge accounting for taking into account the variation in the risk hedged.

16. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in millions of euros)	06.30.2010	12.31.2009	Change
Due to banks	1,464	2,138	(674)
Due to other lenders	53	46	7
Total for the Group	**1,517**	**2,184**	**(667)**

The main changes, compared with December 31, 2009, included the following:

- Repayment of a 600-million-euro facility provided to the Group on a Club Deal basis in May 2009.
- Inclusion in the amount due to other lenders of the long-term portion (6 million euros) of the liability under a new lease for equipment used in the renewable sources business segment.

17. Other Liabilities

Other liabilities of 28 million euros represent sundry liabilities, including the suspension of the gain on the sale of a 51% interest in Dolomiti Edison Energy Srl (the company continues to be consolidated line by line) in 2008, while agreements providing both parties with put and call options are in effect.

18. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	06.30.2010	12.31.2009	Change
Bonds	781	721	60
Short-term financial debt	674	611	63
Trade payables	1,523	1,469	54
Current taxes payable	20	38	(18)
Other liabilities	393	466	(73)
Total current liabilities	**3,391**	**3,305**	**86**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 781 million euros, represent the value of the bond issues maturing on December 10, 2010 and the total accrued interest at June 30, 2010.
- **Short-term financial debt**, which totaled 674 million euros, essentially includes:
  - 414 million euros due to banks, 33 million euros of which represent the effect of measuring interest rate derivatives at fair value;
  - 36 million euros owed to minority shareholders of consolidated companies;
  - 224 million euros due to other lenders.
- **Trade payables** totaled 1,523 million euros. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2010	12.31.2009	Change
Electric Power Operations	1,217	1,098	119
Hydrocarbons Operations	451	492	(41)
Corporate Activities and Other Segments and eliminations	(145)	(121)	(24)
Total trade payables	**1,523**	**1,469**	**54**

  Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance.

  The higher level of trade payables compared with December 31, 2009 is consistent with increase in the Group's sales volumes during the period.

  This item also includes 108 million euros for the fair value of the physical energy commodity contracts held in the Trading Portfolios attributable mainly to the Electric Power Operations.

- **Current taxes payable** of 20 million euros represent the income taxes liability of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia Srl). These taxes are paid directly by the companies upon which they are levied.
- A breakdown of **other liabilities**, which totaled 393 million euros, is as follows:

(in millions of euros)	06.30.2010	12.31.2009	Change
Amounts owed to joint holders of permits and concessions for the production of hydrocarbons	88	60	28
Liabilities stemming from the measurement at fair value of derivatives	57	60	(3)
Payables for consulting and other services	35	77	(42)
Payables owed to Tax Administration (other than current tax payables)	31	36	(5)
Amount owed to employees	31	29	2
Payables owed to social security institutions	28	27	1
Amounts owed to shareholders for dividends declared	24	18	6
Amount owed to the controlling company in connection with the filing of a consolidated tax return	10	68	(58)
Sundry items	89	91	(2)
Total other liabilities	**393**	**466**	**(73)**

NET FINANCIAL DEBT

At June 30, 2010, net financial debt totaled 4,171 million euros, or 313 million euros more than the 3,858 million euros owed at the end of 2009.
The change reflects the positive effect of the cash flow from operations, which offset in part the period's outlays for capital expenditures (320 million euros), dividend (238 million euros) and income taxes (221 million euros) payments and net financial expense (51 million euros).

Consistent with the practice followed at the end of 2009, the table below provides a simplified breakdown of the Group's net financial debt:

(in millions of euros)	Balance Sheet note ref.	06.30.2010	12.31.2009	Change
Bonds - non-current portion	15	1,695	1,199	496
Non-current bank loans	16	1,464	2,138	(674)
Amounts due to other lenders - non-current portion	16	53	46	7
Other non-current financial assets (*)	7	(88)	(79)	(9)
Total net long-term financial debt		**3,124**	**3,304**	**(180)**
Bonds - current portion	18	781	721	60
Short-term financial debt	18	674	611	63
Current financial assets	10	(70)	(30)	(40)
Cash and cash equivalents	10	(338)	(748)	410
Total net short-term financial debt		**1,047**	**554**	**493**
Net financial debt		**4,171**	**3,858**	**313**

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

Net financial debt includes 216 million euros stemming from transactions with "significant parties" (162 million euros owed to Mediobanca, 18 million euros owed to Banca Popolare di Milano and 36 million euros owed to SEL Spa).
In addition, "Short-term financial debt" includes 15 million euros owed to unconsolidated Group subsidiaries.

The following changes occurred in the first half of 2010:
- Long-term net financial debt decreased as the result of contrasting developments: on the one hand, it grew due to the floatation of a new 500-million-euro bond issue, but was reduced by the early repayment of 600 million euros owed on bank financing provided to the Group in 2009 on a Club Deal basis.
- Net short-term debt increased due mainly to the utilization of cash and cash equivalents.

NOTES TO THE INCOME STATEMENT

Compared with the same period last year, the first half of 2010 was characterized by an upturn in domestic energy consumption and a concurrent decrease in the benchmark prices for electric power and natural gas.

Specifically, EBITDA totaled 626 million euros, or 106 million euros less than the 732 million euros earned in 2009 (-14.5%). The EBITDA performance of the individual business operations is reviewed below:

- At June 30, 2010, the **electric power operations** reported EBITDA of 428 million euros, down from 556 million euros in the first half of 2009, as the effect of higher sales volumes could offset only in part the impact of a reduction in the margins earned on sales of electric power and lower output by the hydroelectric power plants.
- The EBITDA earned by the **hydrocarbons operations** totaled 247 million euros, for an increase of 10.8% compared with the amount earned in the first half of 2009 (223 million euros). Differently from 2009 when the impact was significantly negative, reported EBITDA include gains from transaction executed to hedge the cost of imported natural gas, which, operationally, were also executed to benefit sales margins of electric power. In the first half of 2010, an increase in unit sales helped cushion the impact of a substantial reduction in the margins available in the natural gas distribution business, caused by the time lag with which changes in the cost of commodities are reflected in sales prices. The positive results reported by the international operations engaged in the production of natural gas and crude oil and the optimization of natural gas supply sources made possible by the gas imported through the LNG terminal contributed to the upbeat performance of the hydrocarbons operations.

The Group's interest in profit totaled 142 million euros, or 20 million euros more than the 122 million euros reported at June 30, 2009. In addition to the trends affecting industrial margins mentioned above, this increase is the result of the following factors:

- a decrease of 34 million euros in exploration costs;
- a reduction of 29 million euros in financial expense, due mainly to net foreign exchange gains;
- a positive impact from the reversal in earnings of provisions for risks and charges established in previous years and the favorable conclusion of arbitration proceedings;
- a lower tax burden resulting from the positive impact of the so-called Tremonti-ter tax provision and the nonrecurring benefit arising from the reduction in the rate of the Robin Hood Tax for the 2009 reporting year.

19. Sales Revenues

Sales revenues totaled 5,087 million euros, or 10.9% more than in the first six months of 2009. The table below provides a breakdown of sales revenues, which were booked for the most part in Italy:

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Revenues from the sales of:				
- Electric power	2,919	2,789	130	4.7%
- Natural gas	1,523	1,287	236	18.3%
- Steam	64	56	8	14.3%
- Oil	78	29	49	n.m.
- Green certificates	76	64	12	18.8%
- Water and other utilities	4	3	1	33.3%
- Other sales revenues	9	8	1	12.5%
Total sales revenues	**4,673**	**4,236**	**437**	**10.3%**
Revenues from services provided	11	10	1	10.0%
Storage services	23	19	4	21.1%
Margin on trading activities	4	5	(1)	(20.0%)
Transmission revenues	361	304	57	18.8%
Other revenues from sundry services	15	15	-	-
Total for the Group	**5,087**	**4,589**	**498**	**10.9%**

Breakdown by Business Segment

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Electric Power Operations	3,438	3,232	206	6.4%
Hydrocarbons Operations	2,552	2,342	210	9.0%
Corporate Activities and Other Segments	25	26	(1)	(3.8%)
Eliminations	(928)	(1,011)	83	(8.2%)
Total for the Group	**5,087**	**4,589**	**498**	**10.9%**

An analysis of sales revenues is provided below:

- The gain in sales revenues reported by the **electric power operations** compared with the first half of 2009 (+6.4%) reflects the combined impact of higher sales volumes (gains of 140% for wholesalers and 16% for end customers) driven by an upturn in domestic demand for electric power, the consolidation of the Greek operations and an increase in production from renewable sources (+32%) and captive segment (+29%). The benefit of these positive factors was offset in part by a decrease in average sales prices.
- The sales revenues of the **hydrocarbons operations** increased by 9% compared with the first six months of 2009, thanks to rising domestic demand for natural gas, which boosted sales volumes (gains of 36% for thermoelectric users, 19% for industrial users and 11% for residential users) which more than offset the impact of lower unit sales prices and the rising contribution provided by the international production activities (+44% for crude oil and +29% for natural gas).

20. Other Revenues and Income

Other revenues and income totaled 268 million euros. A breakdown is as follows:

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Commodity derivatives	130	59	71	n.m.
Margin on trading activities	1	9	(8)	(88.9%)
Recovery of fuel costs from Edipower's Tollers	50	72	(22)	(30.6%)
Out-of-period income	29	45	(16)	(35.6%)
Recovery of costs from partners in hydrocarbon exploration projects	9	7	2	28.6%
Reversals of provisions for risks	10	3	7	n.m.
Sundry items	39	31	8	25.8%
Total for the Group	**268**	**226**	**42**	**18.6%**

Out-of-period income, which amounted to 29 million euros, includes 5 million euros for refunds of costs incurred in 2008 for CO_2 emissions rights attributable to some CIP 6/92 power plants. In 2009, this item reflected the positive impact of AEEG Resolution No. 30/09 concerning the criteria for reimbursement of the costs incurred to purchase green certificates.

The increase in income from **commodity derivatives** reflects primarily financial hedging transactions, which have the purpose of mitigating the risk of fluctuation of the cost of gas used for the production and sale of electric power as well as for the sales of natural gas and the zone pricing system.

Sundry items include insurance settlements of 17 million euros for accidents that occurred at thermoelectric power plants and a gain of 1 million euros generated by the sale of a building held as investment property.

Margin on trading activities

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

(in millions of euros)	See note	1st half 2010	1st half 2009	Change	% change
Margin on physical contracts included in Trading Portfolios					
Sales revenues		1.198	490	708	n.m.
Raw materials and services used		(1,194)	(485)	(709)	n.m.
Total included in sales revenues	19	**4**	**5**	**(1)**	**(20.0%)**
Margin on financial contracts included in Trading Portfolios					
Other revenues and income		20	22	(2)	(9.1%)
Raw materials and services used		(19)	(13)	(6)	46.2%
Total included in other revenues and income	20	**1**	**9**	**(8)**	**(88.9%)**
Total margin on trading activities		**5**	**14**	**(9)**	**(64.3%)**

21. Raw Materials and Services Used

Raw materials and services used totaled 4,602 million euros, or 16.0% more than in the same period in 2009 (3,967 million euros).
The table that follows provides a breakdown of raw materials and services used:

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Purchases of:				
- Natural gas	1,979	1,673	306	18.3%
- Electric power	880	622	258	41.5%
- Dispatching and balancing market	175	85	90	n.m.
- Blast furnace, recycled and coke furnace gas	164	118	46	39.0%
- Oil and fuel	99	146	(47)	(32.2%)
- Demineralized industrial water	18	17	1	5.9%
- Green certificates	86	107	(21)	(19.6%)
- CO_2 emissions rights	26	13	13	100.0%
- Coal, utilities and other materials	55	58	(3)	(5.2%)
Total	**3,482**	**2,839**	**643**	**22.6%**
- Facilities maintenance	81	79	2	2.5%
- Transmission of electric power and natural gas	617	576	41	7.1%
- Regasification fee	47	-	47	n.m.
- Professional services	55	48	7	14.6%
- Insurance services	15	14	1	7.1%
- Writedowns of trade and other receivables	16	40	(24)	(60.0%)
- Commodity derivatives	41	167	(126)	(75.4%)
- Additions to provisions for miscellaneous risks	16	9	7	77.8%
- Change in inventories	47	59	(12)	(20.3%)
- Use of property not owned	52	40	12	30.0%
- Sundry items	133	96	37	38.5%
Total for the Group	**4,602**	**3,967**	**635**	**16.0%**

Breakdown by Business Segment

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Electric Power Operations	3,098	2,779	319	11.5%
Hydrocarbons Operations	2,384	2,153	231	10.7%
Corporate Activities and Other Segments	52	49	3	6.1%
Eliminations	(932)	(1,014)	82	(8.1%)
Total for the Group	**4,602**	**3,967**	**635**	**16.0%**

The increase in the amount shown for **natural gas**, compared with 2009, is due mainly to the effect of higher consumption by thermoelectric power plants and industrial uses, caused by the rise in demand for energy mentioned earlier in these Notes, offset in part by a decrease in purchasing prices compared with the first half of 2009. It is also reflects the positive impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (18 million euros).

The higher amount paid to purchase **electric power**, compared with 2009, reflects an increase in Power Exchange purchases, execute to take advantage of low purchase prices and boost industrial margins.

Most of the reduction (21 million euros) in **green certificate** costs is due to the newly acquired cogenerating status of a thermoelectric power plant.

Regasification fee (47 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services, which it began to provide in the last quarter of 2009.

The decrease in costs from **commodity derivatives** reflects primarily financial hedging transactions, which have the purpose of mitigating the risk of fluctuation of the cost of gas used for the production and sale of electric power as well as for the sales of natural gas.

Part of the increase in the costs incurred for the **use of property not owned**, amounting to 12 million euros, is due to the new Budget Law, which introduced, starting in 2010, and additional annual concession fee for the holders of large-scale water diversion concessions.

Change in inventories refers mainly to a decrease in natural gas held in storage.

Sundry charges include:

- sundry services (34 million euros);
- out-of-period charges (19 million euros);
- advertising expense incurred mainly for corporate communication campaigns (11 million euros);
- losses on disposals of property, plant and equipment (8 million euros);
- indirect taxes and fees (6 million euros);
- corporate services costs (5 million euros).

22. Labor Costs

Labor costs totaled 127 million euros, or about 9.5% more than in the first half of 2009, when they amounted to 116 million euros.
This increase is mainly the combined result of a larger average payroll (about 106 employees) compared with the same period of 2009, and salary increases.

23. EBITDA

EBITDA totaled 626 million euros, or 106 million euros less (-14.5%) than the 732 million euros earned in the first half of 2009.
A breakdown by business segment is provided in the table below:

(in millions of euros)	1st half 2010	as a % of sales revenues	1st half 2009	as a % of sales revenues	Change	EBITDA % change
Electric Power Operations	428	12.4%	556	17.2%	(128)	(23.0%)
Hydrocarbons Operations	247	9.7%	223	9.5%	24	10.8%
Corporate Activities and Other Segments	(49)	n.m.	(47)	n.m.	(2)	4.3%
Total for the Group	**626**	**12.3%**	**732**	**16.0%**	**(106)**	**(14.5%)**

More specifically:

- The **electric power operations** reported lower EBITDA than in the first half of 2009 (-23.0%), due to a reduction in unit sales margins, the effect of which was offset in part by a sharp increase in sales volumes and improved results from hedging transactions. Additionally, EBITDA had been reduced by the decrease by 14% of hydroelectric production, due to a reduction in the availability of water resources compared with the same period last year, by the reduction of margins earned in the dispatching services market and by the expiration of some incentivized periods affected activities in the CIP 6/92 segment.
- As for the **hydrocarbons operations**, the positive effect of an increase in the Group's sales volumes, driven by an upturn in domestic demand, was partially offset by a reduction in unit sales margins that was especially pronounced in the natural gas distribution area, due to the different timing with which changes in the cost of commodities are reflected in the sales prices of natural gas. In addition, the exploration and production activities performed particularly well, benefiting from increased production both in Italy and internationally (natural gas +13.5%, oil +38.9%) and higher oil prices. Thanks to the combined effect of these factors, the hydrocarbons operations reported EBITDA of 247 million euros, for a gain of 24 million euros (+10.8%) compared with the same

period last year. It is worth mentioning that reported EBITDA reflect the impact (positive in 2010, negative in 2009) of the hedging transactions executed in connection with natural gas importation contracts, which, operationally, were also executed to benefit sales margins of electric power.

24. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 362 million euros, is provided below:

(in millions of euros)	1st half 2010	1st half 2009 (*)	Change	% change
Depreciation of property, plant and equipment	299	289	10	3.5%
Amortization of hydrocarbon concessions	29	24	5	20.8%
Amortization of other intangible assets	30	64	(34)	(53.1%)
Writedowns of property, plant and equipment	4	-	4	n.m.
Writedown of intangibles assets	-	1	(1)	n.m.
Total for the Group	**362**	**378**	**(16)**	**(4.2%)**

(*) The data for "Depreciation of property, plant and equipment" and "Amortization of other intangible assets" is being presented merely for comparative purpose to reflect the adoption of IFRIC 12.

Breakdown by Business Segment

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Electric Power Operations	266	260	6	2.3%
Hydrocarbons Operations	90	114	(24)	(21.1%)
Corporate Activities and Other Segments	6	4	2	50.0%
Total for the Group	**362**	**378**	**(16)**	**(4.2%)**

More specifically:

- The net increase of 6 million euros reported by the **electric power operations** is attributable primarily to writedowns of the carrying value of some equipment parts (4 million euros) and to the additional depreciation resulting from a change in the scope of consolidation, mainly for the activities in Greece, for 3 million euros, offset only minimally by a reduction in depreciation expense in the hydroelectric area that resulted from the restatement of some residual values.
- The amount reported by the **hydrocarbons operations** (90 million euros) was lower by 24 million euros than in the first half of 2009. A decrease in exploration costs (down from 55 million euros in 2009 to 21 million euros in 2010), offset only in part by an increase in the amortization of concessions resulting from changes in the extraction profiles of hydrocarbon deposits, is the primary reason for this decrease.

25. Net Financial Income (Expense)

Net financial expense decreased to 51 million euros, or 29 million euros less than in the first six months of 2009 as the combined result of the following main factors:

- Higher **net foreign exchange gains** of 37 million euros due to derivative transactions that more than offset foreign exchange losses on commercial transactions.
- Higher **interest paid on bond issues**, in the amount of 38 million euros due to the new bonds issued in July 2009 and March 2010. This item includes the effect of applying fair value hedge accounting to the new bonds (21 million euros), whereas the realized gains or losses and the change in fair value of the corresponding hedging derivatives (positive net impact for 26 million euros) are recognized under **financial income and expense from financial derivatives**.
- A decrease of about 18 million euros in **interest paid to banks** made possible by lower market interest rates and a reduction in the debt owed to the banking system. As explained early in this Report, during the period was repaid the 600-million-euro facility (Club Deal).

A breakdown of net financial expense is as follows:

(in millions of euros)	1st half 2010	1st half 2009	Change
Financial income			
Financial income from financial derivatives	41	23	18
Interest earned on finance leases	7	6	1
Interest earned on bank and postal accounts	1	2	(1)
Interest earned on trade receivables	12	6	6
Other financial income	5	1	4
Total financial income	**66**	**38**	**28**
Financial expense			
Interest paid on bond issues	(63)	(25)	(38)
Financial expense from financial derivatives	(30)	(22)	(8)
Interest paid to banks	(22)	(40)	18
Bank fees	(7)	(5)	(2)
Financial expense on decommissioning projects	(8)	(7)	(1)
Financial expense in connection with employee severance benefits	(2)	(2)	-
Interest paid to other lenders	(5)	(3)	(2)
Other financial expense	(6)	(3)	(3)
Total financial expense	**(143)**	**(107)**	**(36)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	68	49	19
Foreign exchange translation losses	(42)	(60)	18
Net foreign exchange translation gain (loss)	**26**	**(11)**	**37**
Net financial income (expense) for the Group	**(51)**	**(80)**	**29**

26. Income from (Expense on) Equity Investments

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

(in millions of euros)	1st half 2010	1st half 2009	Change
Income from equity investments			
Dividends	-	1	(1)
Revaluations and valuations of investments by the equity method	1	-	1
Revaluations of trading securities	-	1	(1)
Total income from equity investments	**1**	**2**	**(1)**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(1)	(1)	-
Writedowns of trading securities	(1)	-	(1)
Total expenses on equity investments	**(2)**	**(1)**	**(1)**
Total Group income from (expense on) equity investments	**(1)**	**1**	**(2)**

27. Other Income (Expense), Net

Net other income of 30 million euros reported at June 30, 2010 is the result of nonrecurring items that are not directly related to the Group's industrial or financial operations. The main items included in this account are:

- **Income** of 49 million euros, mainly from the reversal into earnings of some provisions for risks and charges recognized in previous years (22 million euros) and the favorable conclusion of arbitration proceedings (23 million euros).
- **Expense** of 19 million euros arising mainly from settlements concluded during the period, additions to provisions for legal and tax risks and costs mainly for extraordinary transactions executed in previous years.

28. Income Taxes

The tax burden recognized in the financial statements decreased to 96 million euros in 2010, or 54 million euros less than in the previous year (150 million euros). The tax liability for the first half of 2009 and 2010 was affected by the following nonrecurring events:

- In the first half of 2009, the enactment of Decree Law No. 1441 (later converted into Law No. 99/2009, the so-called Robin Hood Tax Law) raised by one percentage point the corporate income tax rate, which had a negative impact of 16 million euros, including 12 million euros for deferred taxes.
- In the first half of 2010:
  - Circular No. 35/E issued by the Internal Revenue Agency on June 18, 2010, clarified that the abovementioned surcharge was applicable only starting in 2010, which produced a positive effect of 8 million euros on lower income current tax liability for previous years;
  - the benefit (12 million euros) provided by Law No. 10 of August 23, 2009 (the so-called Tremonti-ter Law), which was enacted to encourage investments in capital goods.

A breakdown of income taxes is provided below:

(in millions of euros)	1st half 2010	1st half 2009	Change
Current taxes	137	159	(22)
Net deferred-tax liabilities (assets)	(30)	(11)	(19)
Income taxes attributable to previous years	(11)	2	(13)
Total for the Group	**96**	**150**	**(54)**

Current taxes include 104 million euros for corporate income taxes (IRES), 20 million euros for regional taxes (IRAP) and 17 million euros for foreign taxes, offset only in part by a tax benefit of 4 million euros generated by filing a consolidated income tax return.
In relative terms, when the data are restated to eliminate the impact of the nonrecurring effects, the tax rate for both periods is substantially constant.

The table below provides a breakdown of deferred-tax liabilities and deferred-tax assets and shows the changes that occurred in the first half of 2010:

(in millions of euros)	12.31.2009	Additions	Utilizations	IAS 32/39 to sharehold. equity	Other changes/ Reclassif./ Offsets	06.30.2010
Provision for deferred taxes:						
Valuation differences of property, plant and equipment	614	-	(47)	-	13	580
Adoption of IAS 17 to value finance leases	18	1	-	-	2	21
Adoption of IAS 39 to value financial instruments						
with impact on shareholders' equity	18	-	-	5	-	23
Other deferred-tax liabilities	7	9	-	-	-	16
	657	**10**	**(47)**	**5**	**15**	**640**
Offsets	(73)	-	-	-	12	(61)
Provision for deferred taxes net of offsets	**584**	**10**	**(47)**	**5**	**27**	**579**
Deferred-tax assets:						
Tax loss carryforward	9	5	(1)	-	-	13
Taxed provisions for risks	108	7	(16)	-	1	100
Adoption of IAS 39 to value financial instruments:						
- impact on the income statement	1	1	-	-	-	2
- impact on shareholders' equity	7	-	-	(1)	-	6
Valuation differences of property, plant and equipment	38	5	(10)	-	10	43
Other deferred-tax assets	13	4	(2)	-	2	17
	176	**22**	**(29)**	**(1)**	**13**	**181**
Offsets	(73)	-	-	-	12	(61)
Deferred-tax assets net of offsets	**103**	**22**	**(29)**	**(1)**	**25**	**120**

29. Earnings per Share

A breakdown of earnings per share is as follows:

2009 full year			1st half 2010		1st half 2009	
Common shares	Saving shares (1)	(in millions of euros)	Common shares	Saving shares (1)	Common shares	Saving shares (1)
240	240	Group interest in profit	142	142	122	122
232	8	Profit attributable to the different classes of shares (A)	136	6	116	6
		Weighted average number of shares outstanding (common and savings) determinated for the purpose of computing profit per share:				
5,181,108,251	110,592,420	- basic (B)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
5,181,108,251	110,592,420	- diluited (C) (2)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
		Earnings per share (in euros)				
0.0448	0.0748	- basic (A/B)	0.0261	0.0561	0.0224	0.0524
0.0448	0.0748	- diluited (A/C) (2)	0.0261	0.0561	0.0224	0.0524

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in net income.
(2) When the Group reports a loss, the potential shares are deemed to have no dilutive effect.

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

In accordance with IAS 1, the table below analyzes the changes in other components of the statement of comprehensive income, provisionally recognized in equity.

Other Components of the Comprehensive Income Statement

(in millions of euros)	1st half 2010	1st half 2009
Cash flow hedge reserve:		
- Gains (Losses) arising during the period	15	227
- Adjustments for amounts transferred to initial carrying amount of hedged items (-)	-	(8)
- Income taxes (-)	(6)	(81)
Sub-total	**9**	**138**
Available for sale financial assets:		
- Gains (Losses) arising during the period	(2)	(1)
- Income taxes (-)	-	-
Sub-total	**(2)**	**(1)**
Differences on the translation of assets in foreign currencies	**4**	**5**
- Income taxes (-)	-	-
Sub-total	**4**	**5**
Pro rata interest in other components of comprehensive income of investee companies	**-**	**-**
- Income taxes (-)	-	-
Sub-total	**-**	**-**
Total comprehensive profit (loss) net of taxes	**11**	**142**
of which:		
- Minority interest in profit (loss)	**-**	**-**
- Group interest in profit (loss)	**11**	**142**

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	06.30.2010	12.31.2009	Change
Guarantees provided	1,402	1,527	(125)
Collateral provided	1,407	1,391	16
Other commitments and risks	478	530	(52)
Total for the Group	**3,287**	**3,448**	**(161)**

Guarantees provided totaled 1,402 million euros at June 30, 2010. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet, includes 150 million euros in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided in connection with the intra-Group assignment of tax credits. Guarantees provided by the Group's Parent Company to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

Collateral provided, which amounted to 1,407 million euros reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower shares (1,052 million euros) pledged to a pool of banks to secure a financing facility.
Collateral provided includes additional collateral for liabilities listed on the balance sheet (355 million euros), which generally consist of mortgages and encumbrances granted on facilities of the electric power operations to secure financing. The increase, compared with December 31, 2009, is due to a new collateral provided on a hydroelectric plant for a new financing facility.

Other commitments and risks, which totaled 478 million euros, reflect primarily commitments undertaken to complete investment projects under construction in Italy and abroad.
The main commitments are reviewed below:

- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/ Emission Reduction Units (ERUs), for the 2008-2012 period, Edison Spa, the Group's Parent Company, signed the following contracts, for a commitment of up to about 58 million euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013;
  - Management Agreement with EDF Trading (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013.
- The Group entered into the contracts for the importation of natural gas, which contain the take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract. In the accounting records of Edison Spa, the Group's Parent Company, advances to suppliers and commitments included 84 million euros and 16 million euros, respectively, for amounts still pending with counterparties. Moreover, gas delivery profiles and the economic recoverability are periodically updated during the year.
- For 16 million euros a commitment by Edison Spa related to a company sold in previous years.

Unrecognized Commitments and Risks

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

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

The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	14.9	68.9	193.2	277.0

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

2) The contract concerning Terminale GNL Adriatico Srl, a regasification company in which Edison Spa holds a 10% interest and which became operational in November 2009, includes the following conditions:
   - for Edison, the obligation not to transfer its equity interest until July 1, 2011;
   - for the other shareholders, the right to buy the 10% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised;
   - Edison will benefit from 80% of the terminal's regasification capacity for 25 years and the annual regasification fee is estimated in a range from 90 to 100 million euros.

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

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

3) Commitments in the **Electric Power Operations** include the following:
   - Edison granted to Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity;
   - Edison granted to Petrobras an option to buy its interest in Ibiritermo Sa exercisable in 2022;
   - Pursuant to agreements with the buyers in connection with the sale of 51% interest in Dolomiti Edison Energy Srl, Edison is the holder of a call option exercisable only if no extension of the hydroelectric concession is granted by March 31, 2018.

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

Status of the Main Pending Legal and Tax Disputes at June 30, 2010

A review, based on information currently available, of the main legal and tax disputes currently outstanding is provided below, listing separately actions involving Edison Spa and actions involving other Group companies. Legal disputes were subdivided further between those that could give rise to a probable liability, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and those that could give rise to a contingent liability, which is dependent on the occurrence of events that are possible, but not probable, or are probable but their impact cannot be quantified reliably. With regard to contingent liabilities, only a disclosure is provided in the Notes to the financial statements.

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

A) Edison Spa

European Commission - Antitrust Proceedings Against Ausimont

The hearing for oral arguments was scheduled for September 2, 2010 in the appeal filed by Edison before the E.U. Court of First Instance against the temporarily enforceable decision by the European Commission in the proceedings regarding violations of Article 81 of the EC Treaty and Article 53 of the SEE Agreement concerning a cartel in the market for hydrogen peroxide and its derivatives, sodium perborate and sodium percarbonate, by which Edison was fined 58.1 million euros, 25.6 million euros of which are payable jointly with Solvay Solexis. The purpose of the appeal is to see the fine voided or, alternatively, reduced. In 2006, Edison paid on a provisional basis the amount of 45.4 million euros, which is equal to the sum of the entire fine levied on it and one-half of the fine levied jointly on Edison and Solvay Solexis.

Stava Dam Disaster

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

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

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

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

Porto Marghera Petrochemical Facility - Civil Lawsuits Following the Conclusion of the Criminal Proceedings for Injuries Caused by Exposure to Monovinyl Chloride and for Damages to the Environment

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

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

In the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989, the preliminary hearing judge dismissed the charges against three defendants and issued indictment against the other defendants.

Claims for Damages Caused by Exposure to Asbestos

In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison Spa (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded.

Savings Shareholders/UBS: Challenge of the Resolution Approving the Merger of Edison into Italenergia and Claim of Compensation for Damages

In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of Edison and Italenergia Spa, in which the Court of Milan handed down a decision on July 16, 2008 that led to a settlement with UBS AG in June 2009, the Company is considering the position of some savings shareholders who, even though they failed to take legal action or take any other action that may have legal consequences, are nevertheless claiming compensation. The Company's objective is to avoid future legal disputes with these shareholders.

Sesto Siderservizi - Environmental Remediation of Concordia South Properties

On April 8, 2010, consistent with the terms of a broader settlement agreement reached by Edison and Falck, the latter agreed, promising and guaranteeing performance by its subsidiary Sesto Siderservizi pursuant to Article 1381 of the Italian Civil Code, to desist from all activities and actions related to the lawsuit filed by Sesto Siderservizi against Edison (in its capacity as the company that absorbed Termica Narni Spa) before the Court of Milan seeking payment for part of the costs incurred for the environmental remediation of the properties called Concordia South, in the city of Sesto San Giovanni and in connection with which Edison had filed claims asking Falck to stand surety. As a result of the settlement, Edison paid to Sesto Siderservizi 2.4 million euros in full settlement of any and all claims filed by all parties.

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

Edison and the municipal administrations of Cerro al Lambro and Melegnano continue to be engaged in negotiations to define the activities needed to ensure the safety of the aquifer used for human consumption with the aim of avoiding its contamination by a facility decommissioned in the 1960s and formerly owned by Industria Chimica Saronio Spa (of which Edison is the assign).

Farmoplant - 1988 Accident at the Massa Plant

On March 30, 2010, Edison reached a settlement with the Province of Massa-Carrara, the Municipalities of Massa and Carrara and the Ministry of the Environment and Civil Protection in connection with the civil action filed against Farmoplant (now Edison) seeking compensation for damages caused by an accident that occurred at Farmoplant's Massa facility in 1988. Pursuant to the settlement agreement, Edison paid a total of about 3 million euros in full settlement of any and all claims filed against it in connection with the abovementioned accident. SAI Fondiaria, a company that at the time of the accident provided insurance for the plant, will provide Edison with a reimbursement amounting to 1.8 million euros.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company

of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger through absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as an obligor (or co-obligor) in the abovementioned proceedings.

Industrial Site in Bussi sul Tirino (PE)

Within the framework of the site remediation process that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, is implementing in accordance with Ministry Decree No. 471/1999 in connection with the contamination of the Bussi sul Tirino industrial property, Solvay Solexis and Solvay Chimica Bussi, the former in its capacity as the owner of the property, following Ausimont's merger by absorption, and the latter in its capacity as the current operator of the property, served notice on Edison that they had filed a series of administrative complaints with the Regional Administrative Court of Latium – Rome seeking, among other remedies, the suspension of the enforcement and the subsequent voiding of the administrative decisions pursuant to which they are responsible for implementing activities to ensure the safety and remediation of the abovementioned property, insofar as these decisions fail to list Edison as a liable (or jointly liable) party in the abovementioned proceedings. Edison filed defense briefs contesting in fact and law the complainant's conclusions. On the other hand, in the criminal proceedings filed by the Public Prosecutor before the Court of Pescara in connection with the environmental conditions at the abovementioned industrial site and the consequences on the aquifer used also as a supply of drinking water, the preliminary hearing concerning the motion for indictment on the charges of water poisoning and disaster, for which several parties, including former directors and executives of Ausimont and Montedison Spa (now Edison), are being investigated, is continuing.

B) Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

There were no significant new developments with regard to the negative assessment action filed by Finimeg (now Nuova Cisa), parent company of Poggio Mondello, asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Italian Supreme Court in December 2001 be ruled unenforceable (the seizure also covers other real estate assets owned by Poggio Mondello) and the appeal concerning the same issues that was filed against the decision handed down by the Court of Palermo. With regard to the appeal, the lower court handed down a decision stating that it lacked jurisdiction (the criminal court being the proper court of venue) and denying the claims for damages filed by Finimeg (now Nuova Cisa) against the City of Palermo.

The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg (now Nuova Cisa), Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of their properties, proceeded through the various levels of the judicial system. In these proceedings, on June 14, 2010, the Palermo Court of Appeals, having ascertained that the buyers acted in good faith and with due diligence at the time of purchase, issued an order voiding the seizure of 14 of the homes sold by Poggio Mondello in connection with the abovementioned real estate development project.

Multiutility vs Edison Energia Spa

In the proceedings pending before the Court of Milan, in which Multiutility Spa is suing Edison Energia Spa alleging numerous instances of failure to comply with obligations arising from contracts executed by the two companies between 2004 and 2006 involving the wholesale supply of electric power, the hearing for closing arguments was postponed to January 2011.

Montedison Srl - Property in Bussi sul Tirino (PE)
Within the framework of the of the administrative proceedings launched with regard to the state of contamination of an industrial property owned by Montedison Srl adjacent to the industrial site in Bussi sul Tirino operated by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002, discussions continued with the Delegated Commissioner, appointed by the Council of Ministers, with the aim of finding an understanding with regard to the implementation of certain initial emergency activities to ensure the safety of the property. In addition, there were no significant new developments in the two separate appeals filed with the Regional Administrative Court by Montedison Srl, which never operated any activity at the property in question.

* * * * *

The current status of the principal **legal disputes** that have arisen from past events which are dependent on the occurrence of events that are possible, but non probable, or are probable but their impact cannot be quantified reliably and that are likely to result in a cash outlay of an amount that cannot reasonably be estimated as a result of obligations that existed on the balance sheet date, based on available information, is reviewed below:

Environmental Legislation
In recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the objective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws.
In Italy, this approach is becoming established practice at both the administrative level (the relevant provisions are being enforced very aggressively) and the judicial level (criminal laws and civil liability provisions concerning instances of environmental damage are being interpreted very restrictively).
In this area, several proceedings are pending before administrative judges, at different stages of development and judicial levels, against decisions issued by national and local governments ordering the Company to carry out environmental remediation projects both at facilities that the Company no longer owns and at industrial properties that it still owns (mainly thermoelectric power plants) that were contaminated by work carried out in past years. More in general, without questioning the validity of these new legislative assumptions and the procedural accuracy of their implementation and interpretation, and taking into account the current and past scope of the Company and Group's industrial operations, particularly in the chemical industry, their wide geographical distribution and their environmental impact based on the time when they were being carried out and the technology existing at the time, which was in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new charges may be levied against the Company in addition to those issued in the existing administrative and civil proceedings. It is also probable that current legislation will be applied with the strictness and severity mentioned above to all contamination events that occurred in the past.
At this point, based on the available information and the documents filed in the proceedings reviewed above, it is impossible to determine whether damages will in fact be assessed nor the amount of those damages.

A) Edison Spa

Verbania Factory/1 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
In the trial for injuries caused by exposure to asbestos dust at a Verbania plant formerly owned by Montefibre Spa, the Court of Cassation upheld the complaint filed by the defendants, former Directors and executives of Montefibre Spa, some of whom were also Directors and executives of Montedison Spa (now Edison), setting aside a decision by the Court of Appeals of Turin that found all defendants guilty of involuntary manslaughter and returning the proceedings to the lower court.

Verbania Factory/2 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
The preliminary hearing is continuing in the criminal proceedings that followed the filing of a motion by the Public Prosecutor of the Court of Verbania seeking an indictment against the same defendants as in the proceedings discussed in the preceding paragraph in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory.

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

Montedison (now Edison) - Finanziaria Agroindustriale Merger
The action filed before the Court of Appeals seeking to overturn the decision handed down by the Court of Genoa in December 2000 in the suit filed by Mittel Investimenti Finanziari and other shareholders of Finanziaria Agroindustriale against Edison ended with a decision that granted only in part the requests put forth by the plaintiffs, who had refused to join the settlement reached by Edison and Mittel Investimenti Finanziari. The Company is waiting for the Court to publish the details of its decision before deciding on the best course of action.

Sale of Tecnimont: Edison/Falck Arbitration
On April 8, 2010, Edison and Falck signed a settlement agreement that ended the arbitration proceedings started by Edison due to the failure to complete the sale of the entire share capital of Tecnimont Spa to Falck. This agreement also settled three other disputes pending between the parties and/or their subsidiaries concerning Termica Lucchese and Termica Narni (absorbed by Edison following its acquisition of the Falck Group) and a lawsuit pending before the Trieste Court of Appeals that had been filed by Neviera Srl against Edison, with a call on Ecosesto Srl (a Falck Group company) as guarantor. Pursuant to the settlement agreement, Falck paid to Edison the sum of 22.5 million euros, including 15 million euros originally paid by Falck to Edison as an advance on the price of the Tecnimont shares, in full settlement of any and all claims filed by Edison in the abovementioned arbitration proceedings, as well as 2 million euros for claims filed by Edison against Falck in the dispute concerning Termica Lucchese. Concurrently, Edison paid to Sesto Siderservizi 2.4 million euros in full settlement of any and all claims filed by Sesto Siderservizi against Edison in the dispute concerning Termica Narni. Lastly, with regard to the lawsuit pending before the Trieste Court of Appeals, Ecosesto Spa agreed to hold Edison harmless for an amount of up to 500,000 euros in the event of an unfavorable decision for Edison, it being understood that, by accepting the abovementioned amount, Edison agreed to stand surety for Sesto Siderservizi in the event of third-party claims.

Pagnan vs Edison
By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison, by means of a third-party summons, by Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of the Land and the Sea and the Ministry of Infrastructures for alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park.

Vega Offshore Hydrocarbon Field - Vega Oil Vessel
A preliminary hearing is currently under way in the proceedings filed by the Public Prosecutor of Modica against several parties, including some Edison Directors and executives, in connection with the alleged pollution caused by the Vega Oil vessel.

Meraklon/Edison - Edison Energia Spa Dispute
The lawsuit filed by Meraklon against Edison Energia Spa and Edison Spa in relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon's challenge of an injunction issued by the Court of Milan in favor of Edison Energia Spa for the purpose of collecting receivables owed pursuant to the abovementioned contract, is continuing in the discovery phase. In the course of the abovementioned proceedings, Meraklon sued Edison Energia Spa and Edison Spa (the original counterpart in the abovementioned supply contract), putting forth a series of counterclaims against both companies in connection with disputes concerning the supply of electric power, heat and other utilities to the Terni factory.

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

Torviscosa Power Plant - Cooperativa Fabbri Meccanici a r.l vs Edison
The arbitration proceedings activated by Cooperativa Fabbri Meccanici a r.l., in composition with creditors proceedings, against Edison are continuing. The complainant is asking that Edison be ordered to pay about 950,000 euros for alleged receivables arising from the performance of a contract for the construction of a building at the Torviscosa power plant. Edison countersued asking that the cooperative be ordered to pay it about 560,000 euros.

B) Other Group Companies

Edison Energie Speciali Spa (Edens) - VSV Srl Arbitration
The arbitration proceedings activated by the sellers of an equity interest in VSV Srl, a company that owned wind power projects in Calabria, which Edison Energie Speciali Spa (Edens) purchased in November 2008, are continuing. The sellers are complaining that Edens failed to pay the second installment of the equity interest's purchase price, amounting to 1.5 million euros, the payment of which, pursuant to the terms of the sales contract, was subject to the condition precedent of ascertaining that the VSV wind farm projects would not suffer any harmful consequences as a result of the implementation of Calabrian Regional Law No. 15/2008 by which the Regional Administration of Calabria established a moratorium on the construction of new wind farms, and Edens claims that certain contractual guarantees have been violated.

Edison Trading – Investigative Proceedings Concerning Prices in Sicily
On February 2, 2010, the Italian Antitrust Authority served notice on Edison Spa, Edison Trading Spa and Edipower Spa, as well as on A2A Spa, A2A Trading Srl, Iride Mercato Spa, Alpiq Energia Italia Spa and Alpiq Holding Sa, that they were the targets of investigative proceedings launched to determined whether there existed an agreement restricting competition executed by the abovementioned parties

in their capacity as Tollers under a Tolling Contract with Edipower Spa and/or as shareholders of Edipower Spa. Concurrent with the service of the notice, the Antitrust Authority executed a search of the offices of all the abovementioned companies. In April 2010, the Antitrust Authority heard testimony from the Tollers, subsequent to which the Tollers agreed to offer a series of commitments aimed at eliminating the alleged anticompetitive conduct cited by the Authority, which is now expected to offer a response to the proposals put forth by the Tollers.

* * * * *

An update of the developments happened in the period that affect the main **tax disputes** is provided below:

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

Following the appeal filed with the Court of Cassation by the Office of the Solicitor General, acting on behalf of Milan Revenue Agency No. 1, against the decision, substantially favorable to the Company, handed down in 2009 by the Regional Tax Commission in connection with the assessment of corporate income taxes (IRPEG) and regional taxes (IRAP) for the 2002 fiscal year, the Company presented its arguments and, in turn, filed an appeal against a portion of the decision pursuant to which the assessment had not been voided for the full amount.

EDF Energia Italia Srl - Customs VAT Assessment for 2001, 2002 and 2003

The appeal filed by Edison Energia Spa against the unfavorable decision handed down by the Milan Provincial Tax Commission with regard to the notice of assessment for VAT owed for 2001, 2002 and 2003 is pending before the Milan Regional Tax Commission. A hearing date has not yet been set.
In any case, any charges that may be incurred as a result of the abovementioned audits are covered by special guarantees provided by EDF International Sa.

Edipower - Assessment for VAT Due on Green Certificates for 2004

In February 2010, Edipower filed an appeal challenging the notice of assessment for VAT penalties for 2004, asking the Tax Commission of venue to void in full the assessment.

Edipower - Assessment for VAT Due for 2004 - 2007

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

Assessment of Registration Fees for 2008 of Edison Spa

Early in July, the Rho Revenue Agency served on the Company a notice requesting payment of proportional registration, mortgage and property-register fees totaling about 11 million euros, assessed in connection with the conveyance of business operations, consisting of five thermoelectric power plants, to Co Energy Power Srl in February 2008. Co Energy Power Srl was later sold to Cofathec Spa (now Cofely Italia Spa) - GdF Suez Group.
The Agency sought to "requalify" the abovementioned conveyance, with regard to the assessment of registration, mortgage and property-register fees, as a sale of business operations with real estate property. The Company believes that such requalification is completely unlawful and unjustified and will defend its position in the appropriate venues, asking that the assessment be voided in full. However, since the filing of an appeal does not suspend payment, except for repetition following a favorable decision, a provision has been set aside to cover this liability.

GROUP FINANCIAL RISK MANAGEMENT

This chapter describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions credits, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk).
In accordance with IFRS 7, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

The Edison Group is exposed to the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, coal, petroleum products and environmental securities), which have an impact on the revenues and expenses of its production, storage and marketing operations. These fluctuations affect the Group both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, the Group is also exposed to the resulting exchange rate risk.

Consistent with its Energy Risk Policies, the Group may use hedging financial derivatives to minimize or contain risk.
From an organizational standpoint, the governance model adopted by the Group requires the separation of the risk control and management functions from the trading activity in the financial markets.
At the operational level, the net exposure is computed for the Group's entire portfolio of assets and contracts (Industrial Portfolio) except for those related to pure trading activities described below (Trading Portfolio), which is the net residual exposure after maximizing all available vertical and horizontal integrations provided by the different business operations. This net exposure is then used to compute the overall level of Economic Capital involved (stated in millions of euros), which measured in terms of Profit at Risk (PaR[1]) with a confidence index of 97.5% and an annual time horizon.
Each year, the Board of Directors approves the Economic Capital ceiling concurrently with the approval of the annual budget. The Risk Management Committee, which is headed by a representative of Senior Management, reviews monthly the Group's net exposure and, if the Profit at Risk is higher then the predetermined ceiling, defines the appropriate Strategic Hedging policies, which may involve the use of suitable financial derivatives.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives and with the Group's total exposure, the Edison Group, responding to specific requests from individual Business Units, may also use other types of hedges called Operational Hedges.

At June 30, 2010, outstanding financial derivatives were measured at fair value against the forward market curve on the reference date of the financial statements, when the underlying assets were traded on markets that provided official and liquid forward prices. When no forward market quotes were available, projected price curves based on simulation models developed internally by the Edison Group were used.
The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the OTC markets operated by brokerage firms (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the GME (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer than one year.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used to measure at fair value the abovementioned products.

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

As required by IFRS 7, a simulation is carried out for the financial derivatives that hedge the Industrial Portfolio, as defined before, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives. The simulation is carried out for a length of time equal to the residual lives of outstanding financial contracts, the farthest maturity of which is currently December 31, 2011. For financial contracts maturing in 2010, the method requires the simulation of 10,000 scenarios, as they apply to each material price driver, taking into account the volatility data and correlations of the spot markets. For financial contracts maturing after 2010, the method requires the use of the volatilities and correlations of the forward markets. If available, the forward market curves on the date of the financial statements are used as a reference level.
Having thus obtained a probability distribution for changes in fair value, it then becomes possible to extrapolate the maximum expected negative change in the fair value of outstanding financial contracts over the length of a reporting year with a level of probability of 97.5%.
Based on the method explained above, the maximum negative variance in the fair value of financial instruments expected by the end of 2010, with a 97.5% probability, compared with the fair value determined at the first half of 2010, is 82.7 million euros (145 million euros at June 30, 2009), as shown in the table below:

Profit at Risk (PaR)	**1st half 2010**		1st half 2009	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	**97.5%**	**82.7**	**97.5%**	**145**

The corresponding value at December 31, 2009 was 87.4 million euros.

In other words, compared with the fair value determined for hedging financial contracts outstanding at June 30, 2010, the probability of a negative variance greater than 82.7 million euros by the end of 2010 is limited to 2.5% of the scenarios.
The decrease, compared with the level measured at June 30, 2009, is due primarily to a lower volume of outstanding financial contracts and, to a lesser extent, to a different monthly profile. Specifically, while in 2009 the bigger volumes referred to longer maturities and, consequently, reflected a higher degree of volatility, in 2010, the distribution of hedging contracts shows a greater concentration in the shorter maturities, with lower volatility.
The hedging strategy deployed in the first half of 2010 enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in the first half of 2010 would have been equal to 101% of the approved limit, with a peak of 120% in January 2010. The amount of Economic Capital absorbed at June 30, 2010 was equal to 88% of the approved limit.
With hedging, the average amount of economic capital absorbed in the first half of 2010 by the Industrial Portfolio was 61%, with a peak of 67% in June 2010. At June 30, 2010, the amount of Economical Capital absorbed was equal to 61% of the approved limit.

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial Portfolio. Trading Portfolio are monitored based on strict risk ceilings. As is the case for the Industrial Portfolio, compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR[2]) limit with a 95% probability on the Trading Portfolios is 3.1 million euros, with a stop loss limit of 16.5 million euros. The VaR limit was 34% utilized at June 30, 2010, with an average utilization of 33% for the first half of the year.

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

As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for possible structured or illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 48 million euros. This limit was 34% utilized at June 30, 2010, with an average utilization of 34% for the first half of the year.

2. Foreign Exchange Risk Not Related to the Commodity Risk

In addition to the issues mentioned above in connection with the commodity risk, the Group is exposed to foreign exchange risk on some cash flows in foreign currencies (usually U.S. dollars) in connection with investments in international development and exploration projects by the Hydrocarbons Operations and, for limited amounts, purchases of equipment. Another type of foreign exchange risk to which the Group has a marginal exposure arises from the translation of the financial statements of certain foreign subsidiaries. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.

3. Interest Rate Risk

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

Gross Financial Debt	06.30.2010			12.31.2009		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,956	1,885	40%	1,419	1,109	24%
- variable rate portion	2,711	2,782	60%	3,296	3,606	76%
Total gross financial debt (*)	**4,667**	**4,667**	**100%**	**4,715**	**4,715**	**100%**

(*) For a breakdown of gross financial debt see the "Liquidity Risk" section of this Report.

Considering that, at June 30, 2010, the Group held 338 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial debt, they become about 56% (variable rate) and about 44% (fixed rate), respectively.
The 16% increase in gross financial debt at fixed rates, compared with December 31, 2009, equal to an amount of 776 million euros, is explained in part by the new bond issue and in part by the hedging strategies implemented during the first half of 2010.
More specifically:

- with regard to the new bond issued floated in March 2010, a portion amounting to 275 million euros was left at its contractual rate of 3.25%, while the balance of 225 million euros was converted to a variable rate with Interest Rate Swaps;
- a derivatives structure for 500 million euros had been negotiated; such structured at present allows to stay floating within a cap and a floor contractually established.

With this strategy, the Group benefits from the lower costs provided by the variable rate compared with the fixed rate, thereby lowering its borrowing costs, while being protected from possible future increases in interest rates.

The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in 2010 and provides a comparison with the same period in 2009.

Sensitivity analysis	1st half 2010			06.30.2010		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50bps	base	-50bps	+50bps	base	-50bps
Edison Group	84	71	71	(16)	(18)	(21)

Sensitivity analysis	1st half 2009			12.31.2009		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50bps	base	-50bps	+50bps	base	-50bps
Edison Group	72	62	58	(18)	(22)	(25)

4. Credit Risk

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

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

Edison Group is currently a party to contracts assigning receivables without recourse on a revolving monthly basis.

The receivables assigned without recourse during the first half of 2010 totaled 1,959 million euros. At June 30, 2010, the amount of receivables assigned under the program that were exposed to the risk of recourse was not material.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Group deals only with entities with a high credit rating. At June 30, 2010, there was no significant exposure to risks related to a possible further deterioration of the overall financial environment.

The table below shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The higher amount of receivables outstanding at June 30, 2010, compared with the balance at December 31, 2009, is largely due to the increase in revenues booked in the first half of 2010. The increase of receivables more than 9 months in arrears is mainly due to costumers belonging to the Italian public administration.

(in millions of euros)	06.30.2010	12.31.2009
Gross trade receivables	2,158	1,991
Allowance for doubtful accounts (-)	(130)	(129)
Trade receivables	**2,028**	**1,862**
Guarantees held	519	556
Receivables 9 to 12 months in arrears	56	34
Receivables more than 12 months in arrears	87	73

5. Liquidity Risk

The liquidity risk is the risk that the Group may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. The table that follows provides a worst-case scenario, showing undiscounted nominal future cash flows required for financial liabilities that include, in addition to principal and accrued interest, all future interest payments estimated for the entire length of the underlying debt obligation, and taking into the effect of interest rate derivatives. The result is a disclosure of the aggregate liability, which is an

amount greater than the gross financial debt amount used to compute the Group's net financial debt. In addition, assets (cash and cash equivalents, trade receivables, etc.) are not taken into account and financing facilities are treated as if repayable on demand, in the case of revocable lines of credit, or on the first due date when repayment can be demanded, in other cases.

Worst case (in millions of euros)	06.30.2010			12.31.2009		
	1 to 3 months	more than 3 months and up to 1 year	After 1 year	1 to 3 months	more than 3 months and up to 1 year	After 1 year
Bonds	31	759	1,887	2	772	1,329
Financial debt and other financial liabilities	201	216	1,543	170	178	2,282
Trade payables	1,452	71	-	1,413	56	-
Total	**1,684**	**1,046**	**3,430**	**1,585**	**1,006**	**3,611**
Guarantees provided to third parties (*)	**329**	**557**	**516**	763	198	566

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

The Group's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity and implementing on a timely basis negotiations for the funding of maturing financing facilities.
In any case, at June 30, 2010, in addition to liquid assets totaling 338 million euros, the Edison Group had access to unused committed lines of credit amounting to 956 million euros, provided primarily by a syndicated standby credit line of 1,500 million euros that expires in 2013. At June 30, 2010, a total of 650 million euros has been drawn against this credit line, which is shown under financial debt due after one year.
The main components of short-term debt, which is carried at the gross amount of 1,207 million euros due within one year, are:

- 736 million euros for the bond issue floated by Edison Spa in 2003 (700 million euros in face value);
- 180 million euros owed by the Elpedison Power Sa subsidiary in Greece, which will be restructured into a medium-term facility;
- 158 million euros for the principal and interest due on the maturing installments of the loan owed by Edipower Spa.

Overall, long-term debt was down slightly (-181 million euros) compared with December 31, 2009 as the result of contrasting developments: on the one hand, it increased by 500 million euros due to the new five-year bond issue floated in March 2010 (3.25% fixed rate), but was reduced by the full amount of 600 million euros owed on bank financing provided on a Club Deal basis, which was repaid ahead of schedule in the first half of 2010.

(in millions of euros)	06.30.2011	06.30.2012	06.30.2013	06.30.2014	06.30.2015	After 5 years	Total
Bonds	781	499	(1)	(2)	1,199	-	2,476
Financial debt and other financial liabilities owed to outsiders:							
- due to banks	414	673	678	83	11	19	1,878
- due to other lenders	260	5	5	12	5	26	313
Gross financial debt	**1,455**	**1,177**	**682**	**93**	**1,215**	**45**	**4,667**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).
Four issues of debt securities (Euro Medium-term Notes), for a total face value of 2,400 million euros, are outstanding. As mentioned earlier in these Notes, the last issue, which was placed with investors with a settlement value date of March 17, 2010, has a face value of 500 million euros and is due in five years.

Description	Issuer	Market where traded	ISIN code	Terms (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0181582056	7	12.10.2010	700	Fixed annual	5.125%
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	07.19.2011	500	Variable quarterly	1.244%
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed annual	4.250%
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%

In addition, considering the pro rata consolidation of Edipower's debt, the Group is a party to non-syndicated loan agreements totaling 486 million euros and syndicated loan agreements with a total face value of 2,321 million euros (956 million euros unused at June 30, 2010).

A comprehensive presentation of outstanding transactions and of the corresponding loan agreements and covenants is provided in the Consolidated Financial Statements at December 31, 2009. The only significant change occurring in the first half of 2010 concerns the 600-million-euro facility provided to Edison Spa on a Club Deal basis in May 2009. Thanks to its strong financial position and the resulting availability of more attractive funding alternatives, the Group repaid in advance 300 million euros in March 2010 and the balance in April 2010, discharging in full the corresponding obligation.

At present, none of the Group companies has been declared in default by any of the lender banks.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

The Edison Group engages in trading for its own account in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with special Energy Risk Policies. Accordingly, it defined an appropriate risk control structure and the necessary guidelines and specific procedures. The Group views this activity as part of its regular operations and the results derived from it are recognized in the income statement and are included in reported EBITDA. Whenever possible, the Group uses hedge accounting, provided the transactions comply with the requirements of IAS 39.
Forward transactions and derivatives can be classified as follows:

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

Fair Value Hierarchy According to IFRS 7

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

The IFRS 7 ranking is based on the following hierarchy:

- **Level 1:** Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets. Instruments with which Edison Group operates directly in active markets (e.g., futures) are included in this category.
- **Level 2:** Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward contracts or swaps in futures markets).
- **Level 3:** Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs). At the moment, there are two types of instruments that are included in this category.

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

Instruments Outstanding at June 30, 2010

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

- Fair value hierarchy;
- Derivatives that were outstanding, classified by maturity;
- The value at which these contracts are reflected on the balance sheet, which is their fair value;
- The pro rata share of the fair value referred to above that was recognized on the income statement as of the date of execution.

The difference, if any, between the value on the balance sheet and the fair value recognized on the income statement is the fair value of contracts that qualify as cash flow hedges, which, in accordance with the reference accounting principles, is posted directly to equity reserves.

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Balance sheet amount (**)	Cumulative impact on the income statement at 06.30.2010 (***)
		due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management:						
- Cash Flow Hedges in accordance with IAS 39	2	99	359	-	(18)	-
- Fair Value Hedges in accordance with IAS 39	2	-	725	-	40	40
- Contracts that do not qualify as hedges in accordance with IAS 39	2	357	581	10	4	4
Total interest rate derivatives		**456**	**1,665**	**10**	**26**	**44**

	Fair Value Hierarchy (****)	due within 1 year		due between 2 and 5 years	due after 5 years	Balance sheet amount (**)	Cumulative impact on the income statement at 06.30.2010 (***)
		receivable	payable	receivable	receivable		
Foreign exchange rate risk management:							
- contracts that qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	487	-	145	-	47	-
- on financial transactions	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	112	-	-	-	18	18
- on financial transactions	2	211	-	-	-	-	-
Total foreign exchange rate derivatives		**810**	**-**	**145**	**-**	**65**	**18**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.

(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.

(***) Represents the cumulative adjustment to fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.

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

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative impact on the income statement at 06.30.2010 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in millions of euros)	(in millions of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39, broken down as follows:						**16**	**2**
- Electric power	3	TWh	(0.08)	-	-	1	-
- LNG, oil	2	Barrels	8,020,125	2,020,285	-	15	2
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as hedges pursuant to IAS 39, margin hedges:						**14**	**14**
- Electric power	2/3	TWh	(2.35)	-	-	15	15
- LNG and oil	2	Barrels	(203,425)	5,000	-	(2)	(2)
- Coal	2	millions of tons	-	-	-	-	-
- CO_2	1	millions of tons	1.20	-	-	1	1
Total						**30**	**16**

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

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative impact on the income statement at 06.30.2010 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in millions of euros)	(in millions of euros)
Derivatives:						**3**	**3**
- Electric power	1/2	TWh	0.37	(0.08)	0.11	3	3
- LNG and oil	1/2	Barrels	2,400	-	-	-	-
- CO_2	1	millions of tons	(1.52)	-	0.23	-	-
Physical contracts:						**2**	**2**
- Electric power	2/3	TWh	(2.02)	(1.53)	(0.13)	1	1
- LNG and oil	3	Barrels	-	-	-	1	1
Total						**5**	**5**

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

Effects of Hedging Derivative and Trading Transactions on the Income Statement and Balance Sheet in the First Half 2010

The table below provides an analysis of the financial results generated by derivative hedging and trading transactions in the first half 2010, including the effects of physical energy commodity contracts.

(in millions of euros)	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.2009 (B)	Portion of (B) contracts realized during the period (B1)	Fair value recognized for contracts outstanding at 06.30.2010 (C)	Change in fair value during the period (D)=(C-B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 19 and 20 in the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	78	2	1	3	1	79
- not definable as hedges pursuant to IAS 39	25	12	11	19	7	32
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	19	19	19
Margin on trading activities						
- Sales revenues from physical contracts included in the trading portfolios (***)	1,193	105	73	110	5	1,198
- Other revenues and income from derivatives included in the trading portfolios (****)	6	11	1	25	14	20
- Raw materials and services used from physical contracts included in the trading portfolios (***) (&)	(1,178)	(90)	(62)	(106)	(16)	(1,194)
- Raw materials and services used from derivatives included in the trading portfolios (****)	(6)	(9)	(2)	(22)	(13)	(19)
Total margin on trading activities	*15*	*17*	*10*	*7*	*(10)*	*5*
Total (A)	**118**	**31**	**22**	**48**	**17**	**135**
Raw materials and services used (see Note 21 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	(25)	-	-	(1)	(1)	(26)
- not definable as hedges pursuant to IAS 39	(20)	(12)	(9)	(5)	7	(13)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	18	-	-	-	-	18
- not definable as hedges pursuant to IAS 39	(1)	-	-	(1)	(1)	(2)
Total (B)	**(28)**	**(12)**	**(9)**	**(7)**	**5**	**(23)**
TOTAL INCLUDED IN EBITDA (A+B)	**90**	**19**	**13**	**41**	**22**	**112**
Interest rate hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	-	7	3	40	33	33
- not definable as hedges pursuant to IAS 39	1	12	4	19	7	8
Total financial income (C)	**1**	**19**	**7**	**59**	**40**	**41**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	(9)	-	-	-	-	(9)
- definable as hedges pursuant to IAS 39 (FVH)	(7)	-	-	-	-	(7)
- not definable as hedges pursuant to IAS 39	(5)	(6)	-	(15)	(9)	(14)
Total financial expense (D)	**(21)**	**(6)**	**-**	**(15)**	**(9)**	**(30)**
Margin on interest rate hedging transactions (C+D)=(E)	**(20)**	**13**	**7**	**44**	**31**	**11**
Foreign exchange rate hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	12	-	-	-	-	12
- not definable as hedges pursuant to IAS 39	41	3	3	-	(3)	38
Total foreign exchange gains (F)	**53**	**3**	**3**	**-**	**(3)**	**50**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(3)	-	-	-	-	(3)
Total foreign exchange losses (G)	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**50**	**3**	**3**	**-**	**(3)**	**47**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 25 to the Income Statement)	**30**	**16**	**10**	**44**	**28**	**58**

(*) Includes the effective portion included in Raw materials and services used (Note 21 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in Sales revenues (Note 19 to the Income Statement) under margin on trading activities.
(****) Amounts included in Other revenues and income (Note 20 to the Income Statement) under margin on trading activites.
(&) Includes also the fair value adjustment of trading inventories (positive for 2 million euros).

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

(in millions of euros)	06.30.2010		12.31.2009	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	69	(4)	12	(30)
Interes rate transaction	59	(33)	18	(27)
Commodity transactions	196	(161)	210	(120)
Fair value recognized as current assets or current liability	**324**	**(198)**	**240**	**(177)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	110	(108)	105	(90)
- recognized as "Other receivables and payables"	155	(57)	117	(60)
- recognized as "Current financial assets" and "Short-term financial debt"	59	(33)	18	(27)

With regard to the items listed above, please note that the receivables and payables shown are offset by a positive cash flow hedge reserve amounting to 43 million euros, before the corresponding deferred-tax assets and liabilities.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at June 30, 2010.

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

Financial instrument type (in millions of euros)	Criteria applied to value financial instruments in the financial statements										
	Financial instruments valued at fair value: with change in fair value recognized in: earnings (a)	equity (b)	equity (c)	Total Fair Value (A)	Fair Value Hierarchy (notes a, b, c) 1	2	3 (m)	Financial instruments valued at amortized cost (B) (d)	Equity investments valued at cost (C) (e)	Carrying value at 06.30.2010 (A+B+C)	Fair Value at 06.30.2010
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	-	-	-	**-**	-	-	-	**-**	**290**	290	n.a.
- listed securities	-	-	7	**7**	7	-	-	**-**	**-**	7	7
										297	
Other financial assets (g) (l)	-	-	-	**-**	-	-	-	**93**	**-**	93	93
Other assets (l)	-	-	-	**-**	-	-	-	**103**	**-**	103	103
Trade receivables (i) (l)	110	-	-	**110**	14	92	4	**1,918**	**-**	2,028	2,028
Other receivables (f) (l)	71	84	-	**155**	1	142	12	**391**	**-**	546	546
Current financial assets (f) (h) (l)	67	-	-	**67**	8	59	-	**3**	**-**	70	70
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**338**	**-**	338	338
LIABILITIES											
Bonds	-	-	-	**-**	-	-	-	**2,476**	**-**	2,476	2,484
Financial debt (f) (l)	15	18	-	**33**	-	33	-	**2,158**	**-**	2,191	2,167
Trade payables (i) (l)	108	-	-	**108**	13	92	3	**1,415**	**-**	1,523	1,523
Other liabilities (f) (l)	34	23	-	**57**	-	57	-	**336**	**-**	393	393

(a) Assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes 88 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(h) Includes equity investments held for trading.
(i) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.
(l) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(m) The fair value on Level 3 is recorded for 1million euros on trading physical margin (4 million euros in sales revenues and 3 million euros in raw material and services used), for 11 million euros in other revenues and income and 1 million euros is recognized in equity.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

As required by Consob Resolution No. 15519 of July 27, 2006 and consistent with the policies adopted by the Group, an overview of transactions with related parties and significant parties with an impact on the income statement, balance sheet and financial position is provided below. The disclosure moreover complies with IAS 24. These transactions were carried out in the normal course of business, based on contractual terms mutually agreed upon by the parties that are consistent with market practice. A breakdown is as follows:

(in millions of euros)	Related parties					Significant parties						Total for related and significant parties	Total financial statem. line item	Impact %
	with unconsolidated Group companies	with the controlling company	EDF Group	A2A Group	**Sub total**	ENIA Group	SEL Group	Dolomiti Energia Group	Banca Popolare di Milano	Mediobanca	**Sub total**			
Balance sheet transactions														
Trade receivables	6	-	49	14	**69**	9	3	2	-	-	**14**	**83**	**2,028**	**4.1%**
Other receivables	3	16	11	-	**30**	-	-	-	-	-	**-**	**30**	**546**	**5.5%**
Trade payables	2	-	27	21	**50**	3	8	1	-	-	**12**	**62**	**1,523**	**4.1%**
Other payables	-	10	-	2	**12**	-	-	-	-	-	**-**	**12**	**393**	**3.1%**
Short-term financial debt	15	-	-	-	**15**	-	36	-	4	25	**65**	**80**	**674**	**11.9%**
Long-term financial debt and other financial liabilities	-	-	-	-	**-**	-	-	-	14	137	**151**	**151**	**1,517**	**10.0%**
Income statement transactions														
Sales revenues	19	-	144	38	**201**	2	8	3	-	-	**13**	**214**	**5,087**	**4.2%**
Other revenues and income	-	-	7	20	**27**	-	-	-	-	-	**-**	**27**	**268**	**10.1%**
Raw material and services used	-	-	24	42	**66**	1	23	-	-	-	**24**	**90**	**4,602**	**2.0%**
Financial expense	-	-	-	-	**-**	-	-	-	-	2	**2**	**2**	**143**	**1.4%**
Transactions with impact on cash flow														
Dividend paid	-	135	43	-	**178**	-	-	-	-	-	**-**	**178**	**238**	**74.8%**
Commitments and contingent risks														
Guarantees provided	-	-	-	-	**-**	-	-	-	37	-	**37**	**37**	**1,402**	**2.6%**
Collateral provided	-	-	-	-	**-**	-	-	-	-	42	**42**	**42**	**1,407**	**3.0%**
Other commitments and risks	-	-	29	-	**29**	-	-	-	-	-	**-**	**29**	**478**	**6.1%**

A) Intercompany Transactions

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

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

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for June 30, 2010 showed an overpayment of about 9 million euros.

Consolidated IRES Return

Following the renewal by Transalpina di Energia Srl, the Group's controlling company, of the option to file a consolidated income tax return for three years from 2009 to 2011, Edison Spa and its principal subsidiaries expect to determine their corporate income tax (IRES) liability in coordination with Transalpina di Energia Srl, the Group's controlling company, within the framework of the existing arrangements for a consolidated IRES return. The relationships between the filers of the consolidated tax return are governed by special agreements.
Group companies that engage in the exploration for and production of hydrocarbons and in the production and distribution of electric power are subject to the 6.5% corporate income tax (IRES) surcharge and are required to pay this surcharge directly, even if they are included in the consolidated IRES return.

B) Transactions with Other Related Parties

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

1) Commercial Transactions

EDF Group

Transactions executed with the EDF Group included the following:

- Revenues from the sale of electric power totaling about 3 million euros and electric power purchases and transmission costs for 5 million euros with ENBW;
- With Fenice Spa, sales revenues of about 26 million euros, mainly from sales of natural gas and electric power, and recovery of maintenance costs for about 7 million euros;
- With EDF Trading, sales revenues of 54 million euros and costs of 19 million euros stemming from sales and purchases of commodities;
- With EDF Trading revenues of 202 million euros and costs of 131 million euros and with ENBW revenues of 26 million euros and costs of 36 million euros from transactions executed during the first six months of 2010 as part of the trading activity; these amounts are included in sales revenues on a net basis;
- The preceding table shows the impact on the balance sheet of the various transactions reviewed above; in addition, dividend payments totaled 43 million euros in the first half of 2010;
- With EDF Trading, commitments of up to 29 million euros within the EDF Carbon Fund to purchase CER/ERU.

A2A Group

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

- Sales revenues of 45 million euros from contracts to supply electric power and steam to A2A Trading Srl and A2A Spa;
- Other revenues and income of 20 million euros from A2A Trading Srl for managing fuel procurement for some production sites, pursuant to the Tolling Agreement;
- Materials and services used totaling 42 million euros, broken down as follows: 11 million euros for purchases of electric power, 5 million euros for dispatching services by A2A Trading Srl, 11 million euros for purchases of natural gas by Plurigas Srl and 15 million euros for electric power and natural gas transmission services by A2A Spa;
- With A2A Trading Srl, revenues of 14 million euros and costs of 21 million euros from transactions executed during the first half as part of the trading activity; these amounts are included in sales revenues on a net basis;

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

ENIA Group
Transactions with Enìa Energia Spa resulted in revenues of 2 million euros from sales of electric power.

SEL Group
Transactions with the SEL Group resulted in revenues of about 8 million euros from the sale of electric power and costs of about 23 million euros for purchases of electric power.

Dolomiti Energia Group
Transactions executed pursuant to contracts for the supply of electric power resulted in revenues of 3 million euros.

2) Financial Transactions

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

- Banca Popolare di Milano was one of the lenders in a syndicated financing facility, originally totaling 2 billion euros, provided to Edipower in January 2007. At June 30, 2010, the portion of the facility underwritten by Banca Popolare di Milano was 40 million euros (20 million euros attributable to Edison) that had been drawn for 35 million euros (17.5 million euros attributable to Edison). Banca Popolare di Milano also provided Edison Spa with a 70-million-euro revocable line of credit. At June 30, 2010, this credit line was being used only in sureties for about 37.4 million euros, this amount is booked in guarantees provided.
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds. A portion of this loan has been repaid in accordance with the amortization schedule and a balance of about 98.2 million euros was outstanding at June 30, 2010. Mediobanca was also one of the banks that provided Edipower with the abovementioned syndicated loan originally amounting to 2 billion euros. At June 30, 2010, Mediobanca's share of the loan was 135 million euros (67.5 million euros attributable to Edison), drawn, by Edipower, for 118 million euros (59 million euros attributable to Edison). Furthermore, Gever, an Edison Group company, holds lines of credit in a financing pool totaling about 5.3 million euros, of which about 4.5 million euros have been drawn down. Lastly, Mediobanca is a party to interest risk hedging transactions executed by Group companies.

At June 30, 2010, SEL Spa, other minority shareholder, provided a financing facilities to Hydros Srl for 36 million euros.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

As required by the CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison Spa successfully settled the arbitration proceedings with Falck with regard to the sales agreement for Tecnimont. Edison Spa benefited from a financial gain of about 25 million euros and a positive cash flow of 7 million euros.

Transactions Resulting from Atypical and/or Unusual Activities

As required by the CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison Group declares that it did not execute atypical and/or unusual transactions, as defined in the abovementioned Communication, in the first half of 2010.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2010

Edison Energie Speciali Spa - Acquisition of Parco Eolico San Francesco Srl

On July 20, 2010, Edison Energie Speciali Spa acquired 100% control of Parco Eolico San Francesco Srl from Gamesa Energia Sa Unipersonal (a company of the Spanish Group Gamesa Corporation Tecnologica) for 41 million euros, amount that could be adjusted.
Parco Eolico San Francesco Srl operates a wind farm in the municipality of Melissa (KR) with a capacity of 26 MW.

Decree of the Ministry of Economic Development – Avoided Fuel Cost

On July 23, 2010 the Ministry of Economic Development issued the Decree for the establishment of value of the Avoided Fuel Cost (AFC) adjustment, a component of the CIP 6/92 tariff, for the year 2009, postponing the definition of the AFC updating modalities in adjustment and in advance.
The Company, considering the previous serious disputes pending before the Council of State regarding the 154/08 and 50/09 Resolutions, is assessing the implications of the Decree, that at June 30, 2010, based on a preliminary estimation, not fully reliable and so not applicable in this Semiannual Report, would seem to be favorable to the Group in the short term, and the opportunity to challenge the Decree before the Administrative Judge.

SCOPE OF CONSOLIDATION AT JUNE 30, 2010
LIST OF EQUITY INVESTMENTS

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 06/30/10	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
A) Investments in companies included in the scope of consolidation											
A.1) Companies consolidated line by line											
Group Parent Company											
Edison Spa	Milan	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese Ceb Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10,200	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single sharehold.) - Attività Energia Elettrica	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Calabria Spa (single shareholder)	Crotone (I)	EUR	120,000	100.00	-	100.00	Edison Spa	-	-	S	-
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	100,00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Eneco Energia Spa	Bolzano (IT)	EUR	222,000	100.00	100.00	90.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydro Power Energy Srl - Hpe Srl (single shareholder)	Merano (BZ) (IT)	EUR	50,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	100.00	90.00	Edison Spa			S	(i)
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	55.00	55.00	55.00	Edison Spa	-	-	S	-
Sistemi di Energia Spa	Milan (IT)	EUR	10,082,205	86.12	86,12	86.12	Edison Spa	-	-	S	(i)
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	22,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80,00	80.00	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Attività Idrocarburi	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison International Spa	Milan (IT)	EUR	17,850,000	100.00	100.00	70.00 30.00	Edison Spa Selm Holding International Sa	- -	- -	S	(i)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	81,497,301	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100.00	0.00 100.00	Edison Spa Selm Holding International Sa	- -	- -	S	-

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 06/30/10	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Corporate Activities and Other Operations											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	262,700	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	4,582,803	100.00	100.00	100.00	Edison Spa	-	-	S	-
Montedison Srl (single shareholder)	Milan (IT)	EUR	2,582,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.00	100.00	99.95 0.05	Edison Spa Montedison Srl (single shareholder)	- -	- -	S	-

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 06/30/10	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	37.50	75.78	Elpedison Bv	-	-	JV	-
Elpedison Trading Sa	Marousi Athens (GR)	EUR	500,000	50.00	50.00	100.00	Elpedison Bv	-	-	JV	-
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	JV	-
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	42.00	Edison Spa	-	-	JV	-
Hydrocarbons Operations											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50.00	50.00	Edison International Spa	-	-	JV	-
Ed-Ina D.o.o.	Zagabria (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa	-	-	JV	-
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Posei	Herakleio Attiki (GR)	EUR	22,100,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
Corporate Activities and Other Operations											
Elpedison Bv	Amsterdam (NL)	EUR	20,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.00	50.00	50.00	Edison Spa	-	-	JV	-

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
B) Investments in companies valued by the equity method											
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.00	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	2,888,500		48.45	Edison Spa	-	-	2.3	AC	-
Energia Senales Srl - Es Srl	Senales (BZ)(IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	2.2	AC	-
GTI Dakar Ltd	George Town Gran Caiman (KY)	EUR	14,686,479		30.00	Sondel Dakar Bv	-	-	-	AC	-
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000		32.26	Montedison Srl (single shareholder)	-	-	4.4	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	18.5	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-Itav. Sardeg. Galsi Spa	Milan (IT)	EUR	35,838,000		20.81	Edison Spa	-	-	15.3	AC	-
Utilità Spa	Milan (IT)	EUR	2,307,692		35.00	Edison Spa	-	-	1.2	AC	-
Total investments in companies valued by the equity method									**43.9**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions											
Ascot Srl	Bressanone (BZ) (IT)	EUR	10,330	50.00	50.00	Eneco Energia Spa	-	-		JV	-
Auto Gas Company S.A.E. (in liquid.)	Il Cairo (ET)	EGP	1,700,000		30.00	Edison Internat. Spa	-	-	0.2	AC	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	-	-	AC	-
Compagnia Elettrica Lombarda Spa (in liquidation)	Milan (IT)	EUR	408,000		60.00	Sistemi di Energia Spa	-	-	-	S	-
Coniel Spa (in liquidation)	Rome (IT)	EUR	1,020		35.25	Edison Spa	-	-	-	AC	-
Finsavi Srl	Palermo (IT)	EUR	18,698		50.00	Edison Spa	-	-	-	AC	-
Groupement Gambogi-Cisa (in liquid.)	Dakar (SN)	XAF	1,000,000		50.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	-	-	AC	-
Inica Sarl (in liquidation)	Lisbon (PT)	PTE	1,000,000		20.00	Edison Spa	-	-	-	AC	-
International Water (UK) Limited (in liquidation)	London (GB)	GBP	2,601,001		100.00	International Water Holdings Bv	-	-	0,2	JV	-
International Water Services Ltd (in liquidation)	Zug (CH)	CHF	100,000		100.00	International Water Holdings Bv	-	-	-	JV	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT	150,000,000		33.33	Montedison Srl (single shareholder)	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364,000		100.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Rome (IT)	LIT	300,000,000		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.8**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12/31/09	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
D) Investments in other companies valued at fair value											
D.1) Investments held for trading											
Acegas-Aps Spa	Trieste (IT)	EUR	283,690,763		1.30	Edison Spa	-	-	2.9	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	0.5	NG	-
Amsc-American Superconductor	Devens (US)	USD	447,893.59		0.36	Edison Spa	-	-	4.4	NG	-
D.2) Available-for-sale investments											
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.890	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Leipzig (DE)	EUR	40,050,000		0.760	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.280	Edison Spa	-	-	3.5	NG	-
MB Venture Capital Fund I Participating Comp. e Nv	PP Amsterdam (NL)	EUR	50,000		7.000	Edison Spa	-	-	1.5	NG	-
Prometeo Spa	Osimo (AN) (IT)	EUR	2,292,436		17.760	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company Rashpetco	Il Cairo (ET)	EGP	20,000		10.00	Edison International Spa	-	-	-	TZ	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.020	Edison Spa	1.060	1.060	7.4	NG	-
Syremont Spa	Messina (IT)	EUR	750,000		40.000	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		10.000	Edison Spa	-	-	282.4	NG	-
Sundry investments									1.0		
Total investments in other companies valued at fair value									**305.0**		
Total equity investments									**351.7**		

Notes

(a) The consolidated Group interest is computed on the basis of the interest held in the respective share capital by the Parent Company or subsidiaries consolidated on a line-by-line basis, and by jointly controlled companies consolidated by the proportional method.

(b) The interest in the share capital is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total share capital. In this computation, the denominator (total share capital) is net of any treasury shares held.

(c) The percentage of the voting securities held is equivalent to the ratio between the number of voting securities held directly (irrespective of the ownership of the voting rights) and the total number of voting securities (e.g. common and preferred shares) included in the share capital. The percentage is shown only if it is different from the overall interest held.

(d) The percentage of securities with exercisable voting rights is the ratio between the number of votes which can be effectively cast by the investor company attending an Ordinary Shareholders' Meeting and the total number of votes that can be cast at an Ordinary Shareholders' Meeting. The percentage is shown only if it is different from the overall interest held.

(e) S = subsidiary JV = joint venture AC = affiliated company NG = non-Group company

(f) The carrying value is shown only for companies valued by the equity method or at cost, owned directly by the Parent Company. For other companies consolidated on a line-by-line basis or by the proportional method, it is shown only if it is equal to or greater than one million euros.

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

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

(iii) This company is a contractual joint venture.

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

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

CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY,

at June 30, 2010

Balance Sheet at June 30, 2010

06.30.2009		(in millions of euros)		06.30.2010		12.31.2009	
	amt. with related parties		See Note		amt. with related parties		amt. with related parties
		ASSETS					
3,762		Property, plant and equipment	1	3,662		3,700	-
4		Investment property	2	2		2	-
2,632		Goodwill	3	2,632		2,632	-
202		Hydrocarbon concessions	4	185		194	-
28		Other intangible assets	5	19		21	-
1,971		Investments in associates	6	2,024		2,012	-
278		Available-for-sale investments	6	296		303	-
22		Other financial assets	7	8		22	-
-		Deferred-tax assets	8	-		-	-
10		Other assets	9	91		8	-
8,909		**Total non-current assets**		**8,919**		**8,894**	**-**
180		Inventories		162		218	-
821	193	Trade receivables		779	104	976	537
-		Current-tax assets		5		-	-
288	71	Other receivables		367	87	319	78
2,532	2,498	Current financial assets		2,680	2,614	2,343	2,315
3		Cash and cash equivalents		145		568	-
3,824		**Total current assets**	10	**4,138**		**4,424**	**-**
-		**Assets held for sale**	11	**-**		**-**	**-**
12,733		**Total assets**		**13,057**		**13,318**	**-**
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292		Share capital		5,292		5,292	-
91		Statutory reserve		125		90	-
557		Other reserves		603		613	-
711		Retained earnings (Loss carryforward)		885		711	-
362		Profit (Loss) for the period		196		423	-
7,013		**Total shareholders' equity**	12	**7,101**		**7,129**	**-**
30		Provision for employee severance-indemnities and provision for pensions	13	29		30	-
315		Provision for deferred taxes	14	291		302	-
643		Provisions for risks and charges	15	649		689	-
1,201		Bonds	16	1,695		1,199	-
1,461		Long-term financial debt and other financial liabilities	17	863		1,476	-
23		Other liabilities	18	22		22	-
3,673		**Total non-current liabilities**		**3,549**		**3,718**	**-**
20		Bonds		781		721	-
809	47	Short-term financial debt		529	380	702	472
877	285	Trade payables		846	154	759	123
9		Current taxes payable		-		18	-
332	39	Other liabilities		251	26	271	46
2,047		**Total current liabilities**	19	**2,407**		**2,471**	**-**
-		**Liabilities held for sale**	20	**-**		**-**	**-**
12,733		**Total liabilities and shareholders' equity**		**13,057**		**13,318**	**-**

Income Statement for the First Half of 2010

2009 full year		(in millions of euros)		1st half 2010		1st half 2009	
	amt. with related parties		See Note		amt. with related parties		amt. with related parties
5,007	2,337	Sales revenues	21	2,882	1,090	2,699	729
239	27	Other revenues and income	22	139	11	111	5
5,246		**Total revenues**		**3,021**		**2,810**	**-**
(4,463)	(106)	Raw materials and services used (-)	23	(2,726)	(49)	(2,424)	(17)
(136)		Labor costs (-)	24	(70)		(69)	-
647		**EBITDA**	25	**225**		**317**	**-**
(369)		Depreciation, amortization and writedowns (-)	26	(179)		(183)	-
278		**EBIT**		**46**		**134**	**-**
(49)	72	Net financial income (expense)	27	(4)	37	(26)	33
309	323	Income from (Expense on) equity investments	28	144	144	314	312
(9)	4	Other income (expense), net	29	30		3	4
529		**Profit before taxes**		**216**		**425**	**-**
(106)		Income taxes	30	(20)		(63)	-
423		**Profit (Loss) from continuing operations**		**196**		**362**	**-**
-		Profit (Loss) from discontinued operations	31	-		-	-
423		**Profit (Loss) for the period**		**196**		**362**	**-**

Other Components of the Comprehensive Income Statement

2009 full year	(in millions of euros)	See Note	1st half 2010	1st half 2009
423	**Net profit for the period**		**196**	**362**
	Other components of comprehensive income:			
320	- Change in the cash flow hedge reserve	12	10	237
2	- Profit (loss) from available-for-sale financial assets	12	(2)	(1)
(118)	Income taxes attributable to other components of comprehensive income (-)		(4)	(87)
204	**Total other components of comprehensive income net of taxes**		**4**	**149**
627	**Total comprehensive net profit for the period**		**200**	**511**

Statement of Cash Flows

The table below analyzes the cash flows as they apply to short-term liquid assets (i.e., due within 3 months) in the first half of 2010, compared with the corresponding data for the same period in 2009.

2009 full year			(in millions of euros)		1st half 2010		1st half 2009	
	amt. with related parties			See Note		amt. with related parties (a)		amt. with related parties
423			Profit (Loss) for the period of Edison Spa from continuing operations		196		362	-
-			Profit (Loss) for the period of Edison Spa from discontinued operations		-		-	-
423			**Total profit (loss) of Edison Spa**		**196**		**362**	**-**
368			Amortization, depreciation and writedowns	26	179		183	-
(9)			(Gains) Losses on the sale of non-current assets		1		3	-
15			(Revaluations) Writedowns of non-current financial assets		43		10	-
(1)			Change in the provision for employee severance indemnities	13	2		(1)	-
342			Change in other operating assets and liabilities		160		577	-
1,138		**A.**	**Cash flow from continuing operations**		**581**		**1,134**	**-**
(217)			Additions to intangibles and property, plant and equipment (-)	1 - 5	(129)		(85)	-
(172)			Additions to equity investments and other non-current financial assets (-)	6 - 7	(55)		(105)	-
37			Proceeds from the sale of intangibles and property, plant and equipment		2		6	-
-			Proceeds from the sale of non-current financial assets		-		-	-
-			Repayment of capital contribution by non-current financial assets		4		-	-
(1,397)			Other current assets		(338)		(1,587)	-
(1,749)		**B.**	**Cash used in investing activities**		**(516)**		**(1,771)**	**-**
2,050			Proceeds from new medium-term and long-term loans	17	500		1,350	-
(278)			Redemptions of medium-term and long-term loans (-)	17	(615)		(14)	-
-			Capital contributions provided by controlling companies or minority shareholders		-		-	
(268)	208		Dividends paid to controlling companies or minority shareholders (-)		(228)	178	(268)	208
(345)			Change in short-term financial debt	19	(144)		(448)	-
1,159		**C.**	**Cash used in financing activities**		**(487)**		**620**	**-**
548		**D.**	**Net change in cash and cash equivalents (A+B+C)**		**(422)**		**(17)**	**-**
20		**E.**	**Cash and cash equivalents at the beginning of the period**		**567**		**20**	**-**
568		**F.**	**Cash and cash equivalents at the end of the period (D+E)**		**145**		**3**	**-**

Statement of Changes in Shareholders' Equity at June 30, 2010

(in millions of euros)	Share capital	Statutory reserve	Other reserves and ret. earn. (loss carry-forward)	Reserve for other components of comprehensive income: Cash flow hedge reserve	Reserve for other components of comprehensive income: Reserve for available-for-sale investments	Profit for the period	Total shareholders' equity
Balance at December 31, 2008	**5,292**	**72**	**1,207**	**(172)**	**(4)**	**374**	**6,769**
Appropriation of the previous year's profit and dividend distribution	-	19	87	-	-	(374)	(268)
Total comprehensive profit for the period	**-**	**-**	**-**	**151**	**(1)**	**362**	**512**
broken down as follows:							
- Change in comprehensive profit for the period	-	-	-	151	(1)	-	150
- Net profit for the first half of 2009	-	-	-	-	-	362	362
Balance at June 30, 2009	**5,292**	**91**	**1,294**	**(21)**	**(5)**	**362**	**7,013**
Appropriation of the previous year's profit and dividend distribution	-	-	-	-	-	-	-
Total comprehensive profit for the period	**-**	**-**	**-**	**52**	**3**	**61**	**116**
broken down as follows:							
- Change in comprehensive profit for the period	-	-	-	52	3	-	55
- Net profit for the second half of 2009	-	-	-	-	-	61	61
Balance at December 31, 2009	**5,292**	**91**	**1,294**	**31**	**(2)**	**423**	**7,129**
Appropriation of the previous year's profit and dividend distribution	-	34	161	-	-	(423)	(228)
Total comprehensive profit for the period	**-**	**-**	**-**	**6**	**(2)**	**196**	**200**
broken down as follows:							
- Change in comprehensive profit for the period	-	-	-	6	(2)	-	4
- Net profit for the first half of 2010	-	-	-	-	-	196	196
Balance at June 30, 2010	**5,292**	**125**	**1,455**	**37**	**(4)**	**196**	**7,101**

NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY, AT JUNE 30, 2010

CONTENT AND PRESENTATION

The condensed semiannual financial statements of Edison Spa, the Group's Parent Company, at June 30, 2010 were prepared in accordance with Article 154-*ter* of Legislative Decree No. 58 of February 24, 1998, as amended, and the interim financial disclosures they provide are consistent with the provisions of IAS 34 "Interim Financial Reporting." The abovementioned financial statements comply with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as published in the *Official Journal of the European Union (O.J.E.U.).*

The accounting principles and the valuation criteria and estimates used are consistent with those applied in the preparation of the Separate Financial Statements at December 31, 2009, which should be consulted for additional information. Recent revisions of international accounting principles and interpretations, as published in the *O.J.E.U.* in the first half of 2010, are reviewed in a separate section of the Condensed Consolidated Semiannual Financial Report. These revisions affected only marginally the condensed semiannual financial statements of Edison Spa.

The Board of Directors authorized the publication of these separate financial statements at a meeting held on July 23, 2010.

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

The condensed semiannual financial statements of Edison Spa, the Group's Parent Company, at June 30, 2010 were the subject of a limited audit by PricewaterhouseCoopers.

NOTES TO THE BALANCE SHEET

Assets

1. Property, Plant and Equipment

Property, plant and equipment, which comprise the Company's production assets, totaled 3,662 million euros, or 38 million euros less than at December 31, 2009 due to the fact that depreciation exceeds additions. The table below provides a breakdown of this item and shows the changes that occurred in the first half of 2010:

(in millions of euros)	Land and buildings	Plant and machinery	Manufact. and distribution equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/09 (A)	**440**	**3,117**	**4**	**3**	**136**	**3,700**
Changes in the first half of 2010:						
- Additions	62	24	-	-	43	129
- Disposals (-)	-	-	-	-	(1)	(1)
- Depreciation (-)	(11)	(153)	(1)	(1)	-	(166)
- Other changes	2	7	-	1	(10)	-
Total changes (B)	**53**	**(122)**	**(1)**	**-**	**32**	**(38)**
Balance at 6/30/10 (A+B)	**493**	**2,995**	**3**	**3**	**168**	**3,662**

A breakdown of **additions** of 129 million euros is as follows:

- 62 million euros by **corporate activities,** to purchase the building at 35 Foro Buonaparte, which will be used for office space;
- 57 million euros by the **electric power operations,** to repower some hydroelectric and thermoelectric power plants;
- 10 million euros by the **hydrocarbons operations,** to develop some fields.

Depreciation totaled 166 million euros, for a decrease of 1 million euros compared with the first six months of 2009.

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, was valued at 2 million euros. The sale of some buildings during the first half of 2010 generated in the aggregate a gain of about 1 million euros.

3. Goodwill

Goodwill totaled 2,632 million euros, unchanged compared with December 31, 2009. The residual value of goodwill is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments but must be tested for impairment at least once a year. The method applied to determine the value of goodwill is consistent with the criteria for allocation by business operations, which are set forth in the definition of cash generating units provided in the Notes to the Condensed Consolidated Semiannual Financial Report.
No impairment indicators affecting the value of goodwill were detected during the first half of 2010.

4. Hydrocarbon Concessions

Hydrocarbon concessions, which were valued at 185 million euros, include 47 hydrocarbon production leases in Italy (the same as at the end of 2009). The decrease of 9 million euros compared with December 31, 2009 is the result of the amortization for the period.

5. Other Intangible Assets

The balance of 19 million euros refers to patents, licenses and similar rights consisting mainly of software licenses (16 million euros) and work in progress (2 million euros).
Costs totaling 1 million euros were incurred during the first half of 2010 for research and exploration of hydrocarbon deposits. These costs were charged in full to income during the same period.

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

Investments in associates of 2,024 million euros include 890 million euros in investments in subsidiaries and 1,134 million euros in investments in joint ventures and affiliated companies. Available-for-sale investments were valued at 296 million euros. They include 283 million euros for a 10% interest in Terminale GNL Adriatico Srl, the company that owns the offshore regasification terminal near Porto Viro (RO).
The table below shows the main changes that occurred in the first half of 2010:

(in millions of euros)	Investments	Available-for-sale in associates	Total investments
Balance at 12/31/09 (A)	**2,012**	**303**	**2,315**
Changes in the first half of 2010:			
- Changes in share capital and reserves	37	-	37
- Distribution of share capital and reserve	-	(4)	(4)
- Coverage of losses	18	-	18
- Reval. (+)/Writedowns (-) recog. in P&L	(43)	-	(43)
- Reval. (+)/Writedowns (-) recog. in S.E.	-	(3)	(3)
Total changes (B)	**12**	**(7)**	**5**
Balance at 6/30/10 (A+B)	**2,024**	**296**	**2,320**

Changes in share capital and reserves refers to capital contributions provided to the subsidiaries Edison International Holding NV (26 million euros) and Selm Holding International (7 million euros).

The **coverage of losses** amount refers to the Edison International Spa subsidiary, while the **writedowns recognized in profit and loss** reflect adjustments made to the carrying values of some subsidiaries.

7. Other Financial Assets

The net carrying amount, which totaled 8 million euros, or 14 million euros less than at December 31, 2009, represents loans receivable due in more than one year and long-term investment securities. The decrease compared with December 31, 2009 refers primarily to the cash in of a receivable for an escrow deposit provided in connection with the sale of Serene Spa.
The balance also includes a receivable for the “IPSE 2000” escrow deposit, amounting to 10 million euros, the full amount of which is offset by a corresponding allowance for doubtful accounts.

8. Deferred-tax Assets

As was done in the past, since this item met the requirements of IAS 12, it was offset against the “Provision for deferred taxes.” Additional information is provided in the corresponding note.

9. Other Assets

Other assets, which totaled 91 million euros, include 84 million euros for under-deliveries of natural gas that the Company expects to make up in the future but for which it incurred the take-or-pay obligation, pursuant to the corresponding procurement contracts.

10. Current Assets

(in millions of euros)	06.30.2010	12.31.2009	Change
Inventories	162	218	(56)
Trade receivables	779	976	(197)
Current-tax assets	5	-	5
Other receivables	367	319	48
Current financial assets	2,680	2,343	337
Cash and cash equivalents	145	567	(422)
Total current assets	**4,138**	**4,423**	**(285)**

A review of the individual components is provided below:

- **Inventories,** which decreased to 162 million euros due to a reduction in the inventory of stored natural gas, consist mainly of stored hydrocarbon products (130 million euros) and supplies and equipment used to maintain and operate the Company's production facilities (32 million euros);

- At 779 million euros, **trade receivables** were lower than at December 31, 2009. They stem mainly from contracts to supply electric power and steam, contracts to supply natural gas and sales of natural gas. A breakdown by type of business is provided below:

(in millions of euros)	06.30.2010	12.31.2009	Change
Electric power operations	379	576	(197)
Hydrocarbons operations	400	400	-
Total trade receivables	**779**	**976**	**(197)**
Broken down as follows:			
- amount owed by outside customers	463	454	9
- amount owed by subsidiaries and affiliated companies	316	522	(206)
Allowance for doubtful accounts	(40)	(44)	4

The largest trade receivables owed by subsidiaries and affiliated companies are those payable by Edison Trading (213 million euros), Edison Energia (75 million euros), Jesi Energia (12 million euros) and Termica Milazzo (7 million euros).
Moreover, during the first half of 2010, Edison Spa executed transactions assigning receivables valued at a total of 878 million euros. At June 30, 2010, the amount of assigned receivables that were exposed to the risk of recourse was largely immaterial.

- **Current-tax assets,** which totaled 5 million euros, reflect primarily the estimated income-tax payments made in June 2010, net of the liability of the period. They include 3 million euros in receivables for overpayment of the corporate income tax (IRES) surcharge (the so-called Robin Hood Tax) and 2 million euros in receivables for overpayment of the regional tax (IRAP).

- **Other receivables,** which increased to a total of 367 million euros compared with December 31, 2009, are shown net of an allowance for doubtful accounts of 16 million euros. They include receivables from the valuation of derivatives (108 million euros) and receivables that are part of the Trading Portfolios (4 million euros).

- A breakdown of **current financial assets,** which increased compared with December 31, 2009 to a total of 2,680 million euros, is as follows:

(in millions of euros)	06.30.2010	12.31.2009	Change
Equity investments held for trading	8	9	(1)
Loans receivable	2,614	2,316	298
Derivatives	58	18	40
Total current financial assets	**2,680**	**2,343**	**337**

Loans receivable reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intra-Group current accounts and loans provided to the abovementioned companies. The largest positions include 1,493 million euros owed by Edison International Spa and 553 million euros owed by Edison Energia Spa.

- **Cash and cash equivalents,** which totaled 145 million euros, consist of short-term deposits in bank and postal accounts and other readily available assets.

11. Assets Held for Sale

This account had a zero balance at June 30, 2010.

Liabilities and Shareholders' Equity

12. Shareholders' Equity

Edison's shareholders' equity amounted to 7,101 million euros, or 28 million euros less than at December 31, 2009.

This decrease is the combined result of the following items:

- the distribution of dividends totaling 228 million euros (equal to a dividend of 0.0425 euros per common share and 0.0725 euros per savings share);
- the profit of 196 million euros earned in the first half of 2010;
- a net positive change of 6 million euros in the Reserve for cash flow hedge transactions.

The main component of **Other reserves** is a reserve of 467 million euros established in connection with the adjustment to fair value as the deemed cost of property, plant and equipment upon transition to the IFRSs.

The capital stock of Edison Spa consists of shares with a par value of 1 euro each, regular ranking for dividends. A breakdown is as follows:

Share class	Number of shares	Millions of euros
Common shares	5,181,108,251	5,181
Savings shares	110,592,420	111
Total		**5,292**

The table below provides a breakdown of the change that occurred in the Reserve for cash flow hedge transactions, established upon the adoption of IAS 32 and IAS 39 for the accounting treatment of derivatives. The change refers to the provisional recognition in equity of changes in the fair value of derivatives executed to hedge price and foreign exchange risks on energy commodities and interest rates.

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	50	(19)	31
- Change in the first half of 2010	10	(4)	6
Reserve at June 30, 2010	**60**	**(23)**	**37**

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

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2009	(2)	-	(2)
- Change in the first half of 2010	(2)	-	(2)
Reserve at June 30, 2010	**(4)**	**-**	**(4)**

13. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which at 29 million euros was unchanged compared with December 31, 2009, reflects the accrued severance indemnities and other benefits owed to employees. A valuation in accordance with the actuarial criteria of IAS 19 was performed only for the liability corresponding to the Provision for employee severance indemnities that is still held by the Company. The table below shows the changes that occurred in the first half of 2010:

(in millions of euros)	06.30.2010
Balance at 12/31/09 (A)	**30**
Changes in the first half of 2010:	
- Utilizations (-)	(2)
- Actuarial (gains) losses (+/-)	-
- Financial expense (+)	1
- Other changes	-
Total changes (B)	**(1)**
Balance at 6/30/10 (A+B)	**29**

14. Provision for Deferred Taxes

The balance of 291 million euros (302 million euros at December 31, 2009) reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.

The following table shows a breakdown of this reserve by type of underlying temporary difference, keeping in mind that, since it met the requirements of IAS 12, this item was offset against available deferred-tax assets.

(in millions of euros)	06.30.2010	12.31.2009	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	278	305	(27)
- Adoption of standard on finance leases (IAS 17)	28	28	-
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	23	19	4
- Other deferred taxes	1	1	-
Total deferred-tax liabilities (A)	**330**	**353**	**(23)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	35	49	(14)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	1	1	-
- shareholders' equity	-	-	-
- Other prepaid taxes	3	1	2
Total deferred-tax assets (B)	**39**	**51**	**(12)**
Total provision for deferred taxes (A-B)	**291**	**302**	**(11)**

15. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 649 million euros. The decrease of 40 million euros compared with December 31, 2009 is the result of the changes listed in the table that follows:

(in millions of euros)	12.31.2009	Additions	Utilizations	Reclassifications	06.30.2010
- Disputed tax items	56	1	(2)	-	55
- Risks for disputes, litigation and contracts	145	2	(10)	3	140
- Charges for contractual guarantees on sale of equity investments	78	-	(10)	-	68
- Provisions for decommissioning and remediation of industrial sites	299	6	-	-	305
- Environmental risks	13	2	(4)	27	38
- Provision for CO_2 emissions rights and Green Certif.	31	-	(24)	-	7
- Other risks and charges	67	3	(4)	(30)	36
Total at 6/30/10	**689**	**14**	**(54)**	**-**	**649**

More specifically:

- The main components of **additions** of 14 million euros are financial expense on provisions for site decommissioning and remediation (6 million euros), statutory and tax interest accrued on existing provisions (4 million euros) and, lastly, additions to provisions for environmental, legal and tax related risks (4 million euros).
- **Utilizations** of 54 million euros refer primarily to the cancellation of some guarantees provided in connection with the sale of equity investments and charges for contract disputes (19 million euros pro rated), green certificates (15 million euros), CO_2 emissions rights (9 million euros) and environmental costs (4 million euros).
- **Reclassifications** refer to a more effective presentation of some provisions for risks.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the section of the Notes to the Condensed Consolidated Semiannual Financial Report entitled "Status of the Main Legal and Tax Disputes Pending at June 30, 2010."

16. Bonds

The balance of 1,695 million euros represents the non-current portion of the bonds issued, valued at amortized cost. The changes that occurred in the first half of 2010 are reviewed in the "Net Financial Debt" section of these Notes.

The table below shows the balance outstanding at June 30, 2010 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value			Fair value
							Non-current portion	Current portion	Total	
Edison Spa	Luxembourg Secur. Exc.	EUR	700	Annual in arrears	5.125%	12.10.2010	-	719	719	736
Edison Spa	Luxembourg Secur. Exc.	EUR	500	Quarterly in arrears	1.244%	07.19.2011	500	4	504	500
Edison Spa	Luxembourg Secur. Exc.	EUR	700	Annual in arrears	4.250%	07.22.2014	697	49	746	736
Edison Spa	Luxembourg Secur. Exc.	EUR	500	Annual in arrears	3.250%	03.17.2015	498	9	507	512
Total for the Group			**2,400**				**1,695**	**781**	**2,476**	**2,484**

The valuation at amortized cost of the March 2010 and July 2009 bond issues, a portion of which was hedged with derivatives against the risk of changes in fair value caused by the interest rate fluctuations, was restated in accordance with hedge accounting rules to take into account the variation in the hedged risk.

17. Long-term Financial Debt and Other Financial Liabilities

The balance of 863 million euros shows a decrease of 613 million euros compared with December 31, 2009. The changes that occurred in the first half of 2010 are reviewed in the "Net Financial Debt" section of these Notes. The main components of this item are 835 million euros due to banks and 27 million euros due under a finance lease for the Leonis ship.

18. Other Liabilities

The balance of 22 million euros reflects the suspension of the gain earned by Edison Spa on the sale of a 51% interest in Dolomiti Edison Energy in 2008, while agreements providing the parties with put and call options are in effect.

19. Current Liabilities

Current liabilities totaled 2,407 million euros, a decrease of 64 million euros compared with December 31, 2009. A breakdown is as follows:

(in millions of euros)	06.30.2010	12.31.2009	Change
Bonds	781	721	60
Short-term financial debt	529	702	(173)
Trade payables	846	759	87
Current taxes payable	-	18	(18)
Other liabilities	251	271	(20)
Total current liabilities	**2,407**	**2,471**	**(64)**

The main current liability accounts are reviewed below:

- **Bonds,** amounting to 781 million euros, represent the value of the bond issues maturing on December 10, 2010 (700 million euros) and the total accrued interest at June 30, 2010.
- **Short-term financial debt,** which at 529 million euros was lower than at December 31, 2009, essentially includes:
  - 381 million euros due to subsidiaries and affiliated companies, including 279 million euros owed to Edison Trading Spa;
  - 100 million euros payable to factor companies;
  - 35 million euros due to banks;
  - 10 million euros representing the effect of measuring interest rate and foreign exchange derivatives at fair value;
  - 3 million euros for the current portion of the amount owed under a finance lease for the Leonis ship.
- **Trade payables** totaled 846 million euros, an amount higher than at December 31, 2009. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2010	12.31.2009	Change
Electric power operations	390	300	90
Hydrocarbons operations	435	437	(2)
Corporate activities	21	22	(1)
Total	**846**	**759**	**87**

  Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance.
  This item also includes 2 million euros for the fair value of physical energy commodity contracts included in the Trading Portfolios.
- **Other liabilities,** which at 251 million euros were slightly lower compared with December 31, 2009, include 29 million euros in liabilities stemming from the valuation of derivatives.

20. Liabilities Held for Sale

This account had a zero balance at June 30, 2010.

NET FINANCIAL DEBT

At June 30, 2010, net financial debt totaled 1,043 million euros, or 145 million euros less than the 1,188 million euros owed at December 31, 2009. The positive cash flow from operating activities reflects primarily the combined impact of the following factors:

Positive items:

- 340 million euros from the positive effect of the change in the operating working capital;
- 225 million euros from EBITDA;
- 179 million euros from the collection of dividends from subsidiaries;

Negative items:

- 228 million euros for the payment of dividends;
- 146 million euros for the payment of taxes (including 116 million euros in current taxes);
- 129 million euros for investments in property, plant and equipment;
- 55 million euros for capital contributions provided to replenish the losses of some subsidiaries.

(in millions of euros)	Balance sheet note ref.	06.30.2010	12.31.2009	Change
Long-term financial debt				
Bonds - non-current portion	16	1.695	1,199	496
Non-current bank loans	17	835	1,447	(612)
Amounts due to other lenders - non-current portion	17	28	29	(1)
Total net long-term financial debt		**2,558**	**2,675**	**(117)**
Short-term financial debt				
Bonds - current portion	19	781	721	60
Current loans payable	19	529	702	(173)
Current financial assets	10	(2,680)	(2,343)	(337)
Cash and cash equivalents	10	(145)	(567)	422
Total net short-term financial debt		**(1,515)**	**(1,487)**	**(28)**
Net financial debt		**1,043**	**1,188**	**(145)**

The main transactions executed in the first half of 2010 that had a material impact in changing the composition of the Company's financial debt are reviewed below:

- **Bonds - non-current** increased, due to the placement of a new five-year bond issue amounting to 500 million euros, which was carried out in March within the framework of the Euro Medium Term Note Program. The bonds, which were placed at a 99.70 issue price, mature on March 17, 2015 and carry a gross annual fixed coupon of 3.25%.
- **Non-current bank debt** decreased, due to the repayment of 600 million euros owed under a facility provided to Edison on a Club Deal basis in May 2009.

Net financial debt includes 98 million euros stemming from transactions with related parties, as shown in a special table provided in the section of these Notes entitled "Intercompany and Related-Party Transactions."

NOTES TO THE INCOME STATEMENT

Operating Performance in the First Half of 2010

The **net profit** earned by Edison Spa in the first half of 2010 totaled 196 million euros, or 166 million euros less than the 362 million euros reported at June 30, 2009.

In the first six months of 2010, **sales revenues** grew by 6.8% compared with the same period last year, due to a gain in unit sales, which was offset in part by lower average unit sales prices.

EBITDA amounted to 225 million euros, or 29% less than in the first half of 2009. More specifically:

- the **electric power operations** reported EBITDA of 123 million euros, for a decrease of 40.6% compared with the 207 million euros earned in the first six months of 2009;
- the EBITDA of the **hydrocarbons operations** totaled 151 million euros, down slightly (-3.8%) from 157 million euros in the first half of 2009, when the reported amount was penalized by the charges for commodity hedging transactions.

At 4 million euros, **net financial expense** was 22 million euros lower than in the first six months of 2009, when it amounted to 26 million euros, reflecting the positive impact of net financial income from transactions hedging euro/U.S. dollar exchange differentials.

Lower dividends from subsidiaries and writedowns of some equity investments account for most of the decrease of 170 million euros in **net income from equity investments**, which totaled 144 million euros at June 30, 2010.

Net other income of 30 million euros reflects primarily the reversal of provisions for risks, following the cancellation of guarantees provided in previous years in connection with the sale of equity investments, and the settlement of some disputes.

Income taxes decreased to 20 million euros, or 43 million euros less than the 63 million euros owed in the first half of 2009, due to the lower amount earned compared with the first six months of 2009 and the positive impact of the so-called Tremonti-ter tax provision and Circular No. 35/E of 2010, which clarified how the 5.5% surchage should be applied to 2009 taxable income, consequently allowing the reversal of the excess liability recognized at the end of 2009.

21. Sales Revenues

A breakdown, compared with the data for the same period in 2009, is provided below:

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Revenues from the sale of:				
- Electric power	1,079	1,158	(79)	(6.8%)
- Natural gas	1,659	1,441	218	15.1%
- Steam	45	40	5	12.5%
- Oil	57	19	38	n.m.
- Sundry items	1	-	1	n.m.
Revenues from the sale of products	**2,841**	**2,658**	**183**	**6.9%**
Revenues from services provided	33	33	-	n.m.
Revenues from power plant maintenance	5	5	-	n.m.
Margin on trading activities	2	-	2	n.m.
Transmission revenues	1	3	(2)	n.m.
Revenues from the provision of services	**41**	**41**	**-**	**n.m.**
Total sales revenues	**2,882**	**2,699**	**183**	**6.8%**
breakdown by business segment:				
Electric power operations	1,142	1,213	(71)	(5.9%)
Hydrocarbons operations	1,728	1,473	255	17.3%
Corporate activities	12	13	(1)	(7.7%)
Total	**2,882**	**2,699**	**183**	**6.8%**

The **sales revenues of electric power operations** decreased to 1,142 million euros in the first half of 2010, or 5.9% less than in the same period last year, as the impact of an increase in unit sales was more than offset by a reduction in average sales prices, which reflected unfavorable changes in the benchmark scenario, and the higher competitive pressure.

The **sales revenues of the hydrocarbon operations** were up 17.3%, as gains in unit sales more than offset the impact of a reduction in unit sales prices, particularly in the residential and industrial segments. The crude oil operations posted a strong performance with increases both in unit sales (+36.6%) and revenues (+38 million euros).

22. Other Revenues and Income

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Commodity derivatives	70	27	43	n.m.
Insurance settlements	17	9	8	n.m.
Out of period income	16	28	(12)	(42,9%)
Sundry items	36	83	(47)	(56,6%)
Total other revenues and income	**139**	**111**	**(59)**	**(53,2%)**

The increase in income from commodity derivatives reflects primarily financial hedging transactions executed in connection with the sales campaign, while income from insurance settlement (17 million euros) refers to damages at thermoelectric power plants.

23. Raw Materials and Services Used

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
- Natural gas	1,932	1,664	268	16.1%
- Blast furnace, recycled and coke furnace gas	163	118	45	38.1%
- Green certificates	18	45	(27)	(60.0%)
- Oil and fuel	6	17	(11)	(64.7%)
- CO_2 emissions rights	30	14	16	n.m.
- Demineralized industrial water	17	17	-	n.m.
- Electric power	4	3	1	33.3%
- Utilities and other materials	30	10	20	n.m.
Total	**2,200**	**1,888**	**312**	**16.5%**
- Transmission of electric power and natural gas	256	176	80	45.5%
- Change in inventories	56	79	(23)	(29.1%)
- Facilities maintenance	44	42	2	4.8%
- Professional services	36	33	3	9.1%
- Commodity derivatives	17	129	(112)	n.m.
- Sundry charges	117	77	40	51.9%
Total materials and services used	**2,726**	**2,424**	**302**	**12.5%**
breakdown by business segment:				
Electric power operations	353	284	69	24.3%
Hydrocarbons operations	2,320	2,090	230	11.0%
Corporate activities	53	50	3	6.0%
Total	**2,726**	**2,424**	**302**	**12.5%**

The increase in the amount shown for **natural gas**, compared with 2009, is due mainly to the effect of higher consumption by thermoelectric power plants, caused by the rise in demand for energy mentioned earlier in these Notes, offset in part by a decrease in purchasing prices. It is also reflects the positive impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (18 million euros).
Insofar as the costs incurred to purchase CO_2 emissions rights are concerned, the increase of 16 million euros is due both to higher market prices and to the larger quantity required (deficit). On the other hand, green certificate costs decreased by 27 million euros, due mainly to the combined effect of an exemption from purchasing obligations and a concurrent increase in the production of green certificates generated by the district heating system of a thermoelectric power plant.

Margin on Trading Activities

The table below shows the results of the gas trading activity started in the first half of 2010, which are included in sales revenues and are generated by trading in physical energy commodity contracts held in the Trading Portfolios:

(in millions of euros)	Note	1st half 2010	1st half 2009	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		14	-	14	n.m.
Raw materials and services used		(12)	-	(12)	n.m.
Total margin on trading activities	21	**2**	**-**	**2**	**n.m.**

24. Labor Costs

(in millions of euros)	1st half 2010			1st half 2009			Change			
	Labor costs	Number of employees at end of period	Average number of employees	Labor costs	Number of employees at end of period	Average number of employees	Labor costs	%	Number of employees at end of period	%
Total	**70**	**1,750**	**1,740**	**69**	**1,724**	**1,714**	**1**	**n.m.**	**26**	**1.5%**

The Company's staff, which numbered 1,735 employees at December 31, 2009, reflected an increase of 15 employees at June 30, 2010.

25. EBITDA

(in millions of euros)	1st half 2010	as a % of sales revenues	1st half 2009	as a % of sales revenues	% change
Electric power operations	123	10.8%	207	17.1%	(40.6%)
Hydrocarbons operations	151	8.7%	157	10.7%	(3.8%)
Corporate activities	(49)	n.m.	(47)	n.m.	4.3%
Total	**225**	**7.8%**	**317**	**11.7%**	**(29.0%)**

The **EBITDA** decrease affected both the electric power operations and the hydrocarbon operations:

- the **electric power operations** reported EBITDA of 123 million euros, or 40.6% less than in the first six months of 2009 (207 million euros), due mainly to a reduction in unit margins, offset in part by an increase in production.
  Net production of electric power totaled 13,655 GWh, or 931 GWh more than in the first half of 2009 (+7.3%), as a decrease in hydroelectric output (-9%) caused by a reduced availability of water resources, compared with the first six months of 2009, was more than offset by an upturn in thermoelectric production (+9.2%).

  EBITDA also include the following:
  - 46 million euros for the positive impact of Resolution No. 77/08, which defines the criteria for compensation of the costs incurred to comply with emissions rights requirements for the Company's CIP6/92 power plants;
  - 17 million euros in insurance settlements;
  - 8 million euros for the reimbursement of green certificate costs pursuant to AEEG Resolution No. 113/06;
  - 4 million euros in out-of-period income for the reimbursement of CO_2 costs incurred by some power plants operating under CIP6/92 contracts.

- The decrease in the EBITDA reported by the **hydrocarbons operations,** which totaled 151 million euros, or 3.8% less than in the first six months of 2009 (157 million euros), reflects the impact of a sizable reduction in average sales prices caused by unfavorable changes in the benchmark scenario.
  In the first half of 2010, **net production of natural gas** decreased by 14.8% compared with the same period last year, reflecting the natural depletion of production fields.
  Crude oil production grew to 1,180,000 barrels, up from 864,000 barrels in the first six months of 2009, owing in part to the additional production generated when the Vega field was brought back into service.
  Imports were also up, rising by 2,954 million cubic meters, due to the impact of LNG from Qatar regasified at the LNG terminal in Rovigo. At the same time, purchases from other Italian operators decreased by 46.7%.
  It is also worth noting that, in the first half of 2009, the EBITDA amount reflected the impact of a charge of 102 million euros arising from financial derivatives hedging foreign exchange and commodity transactions, while in the first half of 2010 EBITDA benefited from a net positive effect of 59 million euros and a gain of 2 million euros from trading activities.

26. Depreciation, Amortization and Writedowns

(in millions of euros)	1st half 2010	1st half 2009	Change	% change
Depreciation of property, plant and equipment	166	167	(1)	(0.6%)
Amortization of hydrocarbon concessions	9	11	(2)	(18.2%)
Amortization of other intangible assets	4	5	(1)	(20.0%)
Tot. depreciation, amortiz. and writedowns	**179**	**183**	**(4)**	**(2.2%)**
breakdown by business segment:				
Electric power operations	142	147	(5)	(3.4%)
Hydrocarbons operations	32	32	-	-
Corporate activities	5	4	1	25.0%
Total	**179**	**183**	**(4)**	**(2.2%)**

Virtually the entire amount of the amortization of **other intangible assets** refers to patents, licenses and similar rights (3 million euros) and exploration costs of the hydrocarbons operations (1 million euros).

27. Net Financial Income (Expense)

Net financial expense decreased to 4 million euros, or 22 million euros less than in the first half of 2009, even though the average indebtedness for the period was higher than in the first six months of 2009. Net gains on foreign exchange derivatives executed primarily to hedge foreign exchange risk, which more than offset foreign exchange losses on commercial transactions, account for most of this improvement.
A breakdown of the components of financial income and expense and comparison with the first half of 2009 is provided below:

(in millions of euros)	1st half 2010	1st half 2009	Change
Financial income			
Financial income from financial derivatives	41	23	18
Financial income from Group companies	39	39	-
Interest earned on trade receivables	2	3	(1)
Total financial income	**82**	**65**	**17**
Financial expense			
Interest paid on bond issues	(63)	(25)	(38)
Financial expense from financial derivatives	(20)	(16)	(4)
Financial expense paid to Group companies	(1)	(1)	-
Interest paid to banks	(11)	(25)	14
Bank fees paid	(2)	(3)	1
Financial expense on decommissioning projects	(7)	(6)	(1)
Other financial expense	(5)	(2)	(3)
Total financial expense	**(109)**	**(78)**	**(31)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains, including:			
- gains on derivative transactions	50	2	48
- gains on commercial transactions	12	36	(24)
Foreign exchange translation losses including:			
- losses on derivative transactions	(1)	(1)	-
- losses on commercial transactions	(38)	(50)	12
Total foreign exchange translation gains (losses)	**23**	**(13)**	**36**
Total net financial income (expense)	**(4)**	**(26)**	**22**

28. Income from (Expense on) Equity Investments

Net income from equity investments totaled 144 million euros. Lower dividends from subsidiaries are the main reason for the decrease compared with the first six months of 2009. The table that follows provides a breakdown of this item:

(in millions of euros)	1st half 2010	1st half 2009	Change
Income from equity investments			
Dividends	188	324	-
Revaluation of trading securities	-	1	(1)
Total income from equity investments	**188**	**325**	**(1)**
Expense on equity investments			
Writedowns of equity investments	(43)	(11)	-
Writedowns of trading securities	(1)	-	(1)
Total expense on equity investments	**(44)**	**(11)**	**(1)**
Income (Loss) from equity investments, net	**144**	**314**	**(2)**

The largest dividend amount was paid by Edison Trading (110 million euros). Writedowns of equity investments reflect adjustments made to the carrying values of some subsidiaries.

29. Other Income (Expense), Net

Net other income, which totaled 30 million euros, or 27 million euros more than in the first half of 2009, is the result of nonrecurring items that are not related directly to the Group's industrial or financial operations. The main components of this account are:

- **income** of 48 million euros resulting mainly from the end of a risk for which provisions for risks and charges had been recognized in previous years (22 million euros) and the positive conclusion of arbitration proceedings (25 million euros);
- **expense** of 18 million euros, arising mainly from settlements concluded during the period, additions to provisions for legal risks not directly related to the Company's core businesses and costs mainly for extraordinary transactions executed in previous years.

30. Income Taxes

Income taxes amounted to 20 million euros, or 43 million euros less than the 63 million euros owed in the first half of 2009.

(in millions of euros)	1st half 2010	1st half 2009	Change
Current taxes	41	75	(34)
Net deferred-tax liabilities (assets)	(15)	(12)	(3)
Income taxes attributable to previous years	(6)	-	(6)
Total	**20**	**63**	**(43)**

Current taxes include 34 million euros for corporate income taxes (IRES) and 7 million euros for regional taxes (IRAP), net of a benefit of about 1 million euros generated by filing a consolidated income tax return. **Income taxes attributable to previous years** reflect the positive effect of the reduction of one percentage point in the rate of the so-called Robin Hood tax for the 2009 tax period. Specifically, Circular No. 35/E of June 18, 2010 clarified that the Robin Hood tax rate applicable for 2009 is 5.5%, as required by Law No. 99 of July 23, 2009, whereas the tax liability recognized for 2009 was based on a 6.5% tax rate.

The effective tax rate for the period was about 9%. The difference compared with the nominal theoretical tax rate of 37.9% is the net result of the following factors:

- the participation exemption on dividends;

- the benefit provided by the implementation of Law No. 10 of August 23, 2009 (the so-called “Tremonti-ter”);
- a reduction in the tax liability for 2009, in accordance with the abovementioned Circular, which set at 5.5% the corporate income tax surcharge for 2009.

The table that follows provides a breakdown of **deferred-tax liabilities and assets** and shows the changes that occurred in the first half of 2010:

(in millions of euros)	12.31.2009	Additions	Utilizations	06.30.2010
Provision for deferred taxes:				
Valuation differences of property, plant and equipment	305	-	(27)	278
Adoption of IAS 17 to value finance leases	29	-	(1)	28
Adoption of IAS 39 to value financial instruments:				
- impact on the income statement	-	-	-	-
- impact on shareholders' equity	19	23	(19)	23
Other deferred taxes	-	1	-	1
	353	**24**	**(47)**	**330**
Offsets	(51)	(3)	15	(39)
Provision for deferred taxes net of offsets	**302**	**21**	**(32)**	**291**
Deferred-tax assets:				
Taxed reserves for risks	49	-	(14)	35
Adoption of IAS 39 to value financial instruments:				
- impact on the income statement	1	-	-	1
- impact on shareholders' equity	-	-	-	-
Other deferred-tax assets	1	3	(1)	3
	51	**3**	**(15)**	**39**
Offsets	(51)	(3)	15	(39)
Deferred-tax assets net of offsets	**-**	**-**	**-**	**-**

31. Profit (Loss) from Discontinued Operations

This account had a zero balance at June 30, 2010.

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	06.30.2010	12.31.2009	Change
Guarantees provided	1,295	1,403	(108)
Collateral provided	1,157	1,160	(3)
Other commitments and risks	549	658	(109)
Total for Edison Spa	**3,001**	**3,221**	**(220)**

Guarantees Provided

The balance of 1,295 million euros, which is determined based on the undiscounted amount of the contingent commitment on the balance sheet date, is lower by 108 million euros compared with December 31, 2009.

Guarantees provided included the following:

- 150 million euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits;
- 50 million euros pursuant to the Tolling and Power Purchasing Agreements, according to which Edison is responsible for the commercial obligations undertaken by its Edison Trading Spa subsidiary toward Edipower;
- Guarantees provided by the Group's Parent Company on its own behalf and on behalf of subsidiaries and affiliated companies to secure the performance of contractual obligations account for the balance.

Collateral Provided

Collateral provided, which totaled 1,157 million euros, or 2 million euros less than at December 31, 2009, represents the value of the assets or rights provided as collateral on the balance sheet date. This item includes collateral provided for liabilities carried on the balance sheet, such as a pledge on Edipower shares (1,066 million euros) provided to a pool of banks to secure a loan. Encumbrances provided to secure other loans (61 million euros) account for the balance.

Other Commitments and Risks

This item, which totaled 549 million euros, reflects primarily commitments undertaken to complete investment projects under construction.

The main commitments are reviewed below:

- With regard to the procurement of CO_2 certificates and Certified Emission Reductions (CERs)/ Emission Reduction Units (ERUs), for the 2008-2012 period, Edison Spa, the Group's Parent Company, signed the following contracts, for a commitment of up to about 58 million euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013;
  - Management Agreement with EDF Trading (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013.
- With regard to contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay for any shortages between the stipulated maximum quantities and the quantity actually used, when these shortages are not due to causes allowed under the contracts, with the option for the buyer to make up, at certain conditions, the paid but unused volume, at June 30, 2010, advances to suppliers and commitments included 84 million euros and 16 million euros, respectively, for amounts still pending with the counterparties. The risk profiles and financial recoverability associated with these items are verified periodically during the year.
- 16 million euros for obligations undertaken by Edison with regard to companies sold in previous years.

Unrecognized Commitments and Risks

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

1) In the **hydrocarbon area,** the Group is a party to long-term contracts for the importation of natural gas from Russia, Libya, Norway, Algeria and Qatar. The contract with Qatar, which was activated in 2009, calls for the supply of 15.8 billion cubic meters a year, when fully operational. These contracts have terms ranging from 2 to 25 years.
   The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

	U.M.	within 1 year	between 2 and 5 years	after 5 years	Total
Natural gas	Billion m^3	14.9	68.9	193.2	277.0

   Also with regard to transactions concerning the importation of natural gas in future years, a contract to import natural gas from Algeria (*Protocole d'accord*) signed with Sonatrach in November 2006 calls for the supply of 2 billion cubic meters of natural gas a year through a new pipeline linking Algeria with Sardinia and Tuscany that will be built by Galsi.

2) The contract concerning Terminale GNL Adriatico Srl, a regasification company in which Edison Spa holds a 10% interest and which became operational in November 2009, includes the following conditions:
   - For Edison, the obligation not to transfer its equity interest until July 1, 2011;
   - For the other shareholders, the right to buy the 10% interest held by Edison, should Edison cancel the supply contract with RasGas, at a price equal to the sum of the capital contributions provided until the option is exercised;
   - Edison will benefit from 80% of the terminal's regasification capacity for 25 years and the annual regasification fee is estimated at between 90 and 100 million euros.

   With regard to the regasification fee payable, Edison's risk is limited to the following situations:
   - Edison has the right to cancel the regasification contract for force majeure events affecting the LNG chain (upstream and midstream) by paying an amount that may not be greater than the regasification fee payable for three years;
   - If a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount;
   - In the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

3) Commitments in the **electric power area** include the following:
   - Edison granted to Cartiere Burgo Spa a call option on 51% of the Gever Spa shares it holds. This option is exercisable when the existing contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the pro rata interest of Edison Spa in the company's shareholders' equity;
   - Edison granted to Petrobras an option to buy its investment in Ibiritermo. The option is exercisable in 2022;
   - Agreements executed in connection with the sale of a 51% interest in Dolomiti Edison Energy Srl provide Edison with a call option, which may be exercised only if the hydroelectric concession operated by the company has not been extended by March 31, 2018.

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

FINANCIAL RISK MANAGEMENT BY THE GROUP'S PARENT COMPANY

As required by IFRS 7, the paragraphs that follow provide information about the nature of risks concerning Edison Spa, the Group's Parent Company. Information about the policies and principles adopted to manage these risks and the methods applied to measure at fair value the financial derivatives held by Edison Spa is provided in the Notes to the corresponding items in the Condensed Consolidated Semiannual Financial Report.

Commodity Price Risk and Exchange Rates Risk Related to Commodity Transactions

Edison Spa is affected by the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, coal, petroleum products and environmental securities) because they have an impact on the revenues and costs of its production, storage and buying and selling activities. These fluctuations affect the Company 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, Edison Spa is also exposed to the resulting exchange rate risk.

Insofar as the derivatives held by the Group's Parent Company that were outstanding at June 30, 2010 are concerned, the maximum negative variance in the fair value of financial instruments expected, over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at June 30, 2010, is 81,8 million euros (89.1 million euros at December 31, 2009), as shown in the table below:

	06.30.2010		12.31.2009		06.30.2009	
(in millions of euros)	Level of probability	Expected negative variance in fair value	Level of probability	Expected negative variance in fair value	Level of probability	Expected negative variance in fair value
Edison Spa	97.5%	81.8	97.5%	89.1	97.5%	146.0

In other words, compared with the fair value determined for the financial contracts outstanding at June 30, 2010, the probability of a negative variance greater than 81,8 million euros by the end of 2010 is limited to 2.5% of the scenarios.

The decrease, compared with the level measured at December 31, 2009, is due primarily to a lower volume of outstanding financial contracts and, to a lesser extent, to a different monthly profile. Specifically, while in 2009 the bigger volumes referred to longer maturities and, consequently, reflected a higher degree of volatility, in 2010, the distribution of hedging contracts shows a greater concentration in the shorter maturities, with lower volatility.

The hedging strategy deployed in the first half of 2010 enabled Edison Spa to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of Economic Capital. Without hedging, the average amount of Economic Capital absorbed in the first half of 2010 would have been equal to 101% of the approved limit, with a peak of 120% in January 2010. The amount of Economic Capital absorbed at June 30, 2010 was equal to 88% of the approved limit.

With hedging, the average amount of Economic Capital absorbed in the first half of 2010 by the Industrial Portfolio was 61%, with a peak of 67% in June 2010. The amount of Economic Capital absorbed at June 30, 2010 was equal to 61% of the approved limit.

Starting this year, approved activities that are part of the core businesses of Edison Spa include physical and financial commodity (gas) trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios. Trading Portfolios are monitored using an appropriate system of risk limits that, similarly to the approach used for the Industrial Portfolio, includes the use of an Economic Capital ceiling, measured in this case based on the Value at Risk (Value at risk, or VaR, is a statistical measurement of the maximum potential negative variance

in the portfolio's fair value in response to unfavorable market fluctuations, within a given time horizon and confidence interval) and a stop-loss limit. More specifically, the daily VaR limit with a 95% probability on the Trading Portfolios is 0.1 million euros. At June 30, 2010, this limit was not utilized, as the net portfolio position was zero. The Economic Capital of the Trading Portfolios represents the total risk capital available to hedge the market risks entailed by trading activities, taking into account both the risk capital associated with the VaR and the risk capital estimated by means of stress tests for potentially illiquid positions. The Economic Capital ceiling for the Trading Portfolios of Edison Spa is 1 million euros. At June 30, 2010, this limit was not utilized.

Foreign Exchange Risk Not Related to the Commodity Risk

With the exception of the issues reviewed above in the paragraph that discusses the commodity risk, the Company does not have a significant exposure to currency risks.

Interest Rate Risk

Edison Spa is exposed to fluctuations in interest rates specifically with regard to the measurement of debt service costs. The Group's main interest rate exposure is to the Euribor.

Gross financial debt	06.30.2010			12.31.2009		
Breakdown betw. fixed and variable rate (in millions of euros)	without deriv.	with deriv.	% with deriv.	without deriv.	with deriv.	% with deriv.
- fixed rate portion (included structures with CAP)	1,930	1,355	35%	1,401	551	13%
- variable rate portion	1,938	2,513	65%	2,697	3,547	87%
Total gross financial debt	**3,868**	**3,868**	**100%**	**4,098**	**4,098**	**100%**

Considering that, at June 30, 2010, the Group held 145 million euros in liquid assets earning interest at market rates, the percentages provided above for net financial debt are substantially unchanged.
The 22% increase in gross financial debt at fixed rates, compared with December 31, 2009, equal to an amount of 804 million euros, is explained in part by the new bond issue and in part by the hedging strategies implemented during the first half of 2010.
More specifically:

- A portion of the new bond issued floated in March 2010 amounting to 275 million euros was left at its contractual rate of 3.25%, while the balance of 225 million euros was converted to a variable rate with interest rate swaps;
- A structured derivative executed for 500 million euros allows the interest rate to float at market rates within a contractually established cap and floor.

With this strategy, the Group benefits from the lower costs provided by the variable rate compared with the fixed rate, thereby lowering its borrowing costs, while being protected from possible future increases in interest rates.
The table below provides a sensitivity analysis that shows the impact on the income statement and shareholders' equity, respectively, of a hypothetical shift of the forward curve of plus or minus 50 basis points compared with the rates actually applied in the first half of 2010 and provides a comparison with the corresponding data in same period in 2009:

Sensivity analysis	1st half 2010			06.30.2010		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50bps	base	-50bps	+50bps	base	-50bps
Edison Spa	62.1	50.1	52.0	-	-	-

Sensitivity analysis	1st half 2009			12.31.2009		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow hedge reserve (S.E.)		
	+50bps	base	-50bps	+50bps	base	-50bps
Edison Spa	44	36	27	-	-	-

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.

To control this risk, the operational management of which is specifically the responsibility of the Credit Management Function, which is part of the corporate Finance Department, the Group implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

The Company is currently a party to contracts assigning receivables without recourse on a revolving monthly basis.

The receivables assigned without recourse during the first six months of 2010 totaled 878 million euros. At June 30, 2010, the amount of receivables assigned under the program that were exposed to the risk of recourse was not material.

When it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Group deals only with entities with a high credit rating. At June 30, 2010, there was no significant exposure to risks related to a possible further deterioration of the overall financial environment.

The table below provides an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The lower amount of receivables outstanding at June 30, 2010, compared with the balance at December 31, 2009, is largely due to seasonal factors.

(in millions of euros)	06.30.2010	31.12.2009
Gross trade receivables	819	1.020
Allowance for doubtful accounts (-)	(40)	(44)
Trade receivables	**779**	**976**
Guarantees held	156	200
Receivables 9 to 12 months in arrears	16	2
Receivables more than 12 months in arrears	36	41

Liquidity Risk

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

Worst case	06.30.2010			12.31.2009		
(in millions of euros)	1 to 3 months	More than 3 months and to 1 year	After 1 year	1 to 3 months	More than 3 months and to 1 year	After 1 year
Bonds	31	759	1,887	2	722	1,329
Financial debt and other financial liabilities	-	23	877	13	23	1,560
Trade accounts payable	809	37	-	851	35	-
Total	**840**	**819**	**2,764**	**866**	**830**	**2,889**
Guarantees provided to third parties (*)	**190**	**581**	**524**	**598**	**190**	**615**

(*) These guarantees, mainly of a commercial nature and related to the Group's core businesses, are shown based on their remaining contractual maturity. For further details, see the paragraph "Commitment and contingent risks".

The Company's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity and implementing on a timely basis negotiations for the funding of maturing financing facilities.
In any case, at June 30, 2010, in addition to liquid assets totaling 145 million euros, Edison Spa had access to unused committed lines of credit amounting to 850 million euros, provided primarily by a syndicated standby credit line of 1,500 million euros that expires in 2013. At June 30, 2010, a total of 650 million euros has been drawn against this credit line, which is shown under financial debt due after one year.

Maturing short-term financial debt of 813 million euros, includes bonds totaling 736 million euros (fixed coupon of 5.125%) maturing in December 2010.

Overall, long-term debt was down slightly compared with December 31, 2009 (-125 million euros), as the result of contrasting developments: on the one hand, it increased due to the floatation in March of a new five-year bond issue with a face value of 500 million euros, but was reduced by the full amount of 600 million euros owed on bank financing provided on a Club Deal, which was repaid during the first half of 2010.

(in millions of euros)	06.30.2011	06.30.2012	06.30.2013	06.30.2014	06.30.2015	After 5 Years	Total
Bonds	781	498	(1)	(1)	1,199	-	2,476
Financial debt and other financial liabilities owed to outsiders	149	106	667	71	3	16	1,012
Gross borrowings owed to outsiders	930	604	666	70	1,202	16	3,488
Goss intra-Group financial debt	380	-	-	-	-	-	380
Total gross borrowings	**1,310**	**604**	**666**	**70**	**1,202**	**16**	**3,868**

Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Edison is a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).
Four issues of Edison debt securities (Euro Medium-term Notes), for a total face value of 2,400 million euros, are outstanding (see table below, with amounts in millions of euros):

Description	Issuer	Market where traded	ISIN code	Term (years)	Maturity	Face value (in millions of euros)	Coupon	Current rate
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0181582056	7	12.10.2010	700	Fixed annual	5.125%
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	07.19.2011	500	Variable quarterly	1.244%
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed annual	4.250%
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%

In addition, Edison is a party to non-syndicated loan agreements with a total face value of 215 million euros and syndicated loan agreements with a total face value of 1.500 million euros, 850 million euros of which had not been drawn down as of June 30, 2010.

A comprehensive description of the transactions outstanding and the corresponding loan agreements, including the respective covenants, is provided in the notes to the Separate Financial Statements at December 31, 2009. The only material change from the situation at the end of 2009 concerns a facility of 600 million euros provided to Edison Spa in May 2009 on a Club Deal basis.

Specifically, Edison Spa's strong financial position enabled it to take advantage of more advantageous funding opportunities and repay the 600-million-euro facility ahead of schedule during the first half of 2010. Consequently, Edison is currently no longer a party to loan agreements that require compliance with financial covenants.

At present, there is no information available indicating that the Company may be in default.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

Whenever possible, Edison Spa uses hedge accounting, provided the transactions comply with the requirements of IAS 39.

Forward transactions and derivatives can be classified as follows:

1) **Derivates that qualify as hedges in accordance with IAS 39**. This category includes transactions that hedge the risk of fluctuations in cash flows (Cash Flow Hedges) and those that hedge the fair value of the hedged item (Fair Value Hedges).
2) **Forward transactions and derivates that do not qualify as hedges in accordance with IAS 39**. They can be:
   a. For all derivates that comply with internal risk management policies and procedures, realized results and expected value are either included in EBITDA, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts executed exclusively for trading purposes; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 7

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

The IFRS 7 ranking is based on the following hierarchy:

- **Level 1:** Determination of fair value based on quoted prices (unadjusted) for identical assets or liabilities in active markets.
- **Level 2:** Determination of fair value based on inputs other than the quoted prices of Level 1 but which are directly or indirectly observable (e.g., forward transactions or swap traded on the futures market)
- **Level 3:** Determination of fair value based on valuation models with inputs not based on observable market data (unobservable inputs).

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

Instruments Outstanding at June 30, 2010

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

- Derivatives that were outstanding at June 30, 2010, classified by maturity;
- The value at which these contracts are reflected on the balance sheet, which is their fair value;
- The pro rata share of the fair value referred to above that was recognized on the income statement from the date of execution.

The difference, if any, between the value on the balance sheet and the fair value recognized on the income statement is the fair value of contracts that qualify as cash flow hedges, which, in accordance with the reference accounting principles, is posted directly to equity reserves.

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Balalnce sheet amount (**)	Cumulative effect on income statement at 06.30.2010 (***)
		due within 1 year	due between 2 and 5 years	due after 5 years		
Interest rate risk management						
- cash flow hedges in accordance with IAS 39	2	-	-	-	-	-
- contracts hedging the risk of changes in the fair value of the hedged item in accordance with IAS 39 (fair value hedge)	2	-	725	-	40	40
- contracts that do not qualify as hedges in accordance with IAS 39	2	350	551	-	8	8
Total interest rate derivatives		**350**	**1.276**	**-**	**48**	**48**

(in millions of euros)	Fair Value Hierarchy (****)	due within 1 year		due between 2 and 5 years	due after 5 years	Balalnce sheet amount (**)	Cumulative effect on income statement at 06.30.2010 (***)
		receivable	payable	receivable	receivable		
Foreign exchange rate risk management							
- contracts that qualify as hedges in accordance with IAS 39							
- On commercial transactions	2	487	-	145	-	47	-
- On financial transactions	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39							
- On commercial transactions	2	112	-	-	-	18	18
- On financial transactions	2	207	-	-	-	-	-
Total foreign exchange rate derivatives		**806**	**-**	**145**	**-**	**65**	**18**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net receivable (+) or payable (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to the fair value of derivatives recognized on the income statement from the inception of the contract until the date of the financial statements.
(****) For the definitions, see the section above entitled "Fair Value Hierarchy According to IFRS 7."

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative effect on income statement at 06.30.2010 (***)
		Unit of measure	Due within one year	Due within two years	Due after two years	(in millions of euros)	(in millions of euros)
Price risk management for energy products							
A. Cash flow hedges pursuant to IAS 39, broken down as follows:						**15**	**2**
- LNG, oil	2	Barrels	8,020,125	2,020,285	-	15	2
B. Contracts that qualify as fair value hedges pursuant to IAS 39						**-**	**-**
- LNG, oil		Barrels	-	-	-	-	-
C. Contracts that do not qualify as fair value hedges pursuant to IAS 39						**(2)**	**(2)**
- LNG, oil	2	Barrels	(203.425)	5,000	-	(2)	(2)
- Coal	2	Millions of tons	0.01	-	-	-	-
Total						**13**	**-**

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

C) Trading Portfolios

	Fair Value Hierarchy (****)	Notional amount (*)				Balance sheet value (**)	Cumulative effect on income statement at 06.30.2010 (***)
		Unit of measure	Due within one year	Due within two years	Due after two years	(in millions of euros)	(in millions of euros)
Trading portfolios							
Physical contracts						**1**	**1**
- Gas	3	Million of terms	-	-	-	1	1
Total						**1**	**1**

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

Effects of Derivative Transactions on the Income Statement and Balance Sheet in the First Half of 2010

The table below provides an analysis of the financial results of derivative transactions and trading activities at June 30, 2010. Purchases of natural gas included in “Materials and services used” include 18 million euros representing the positive impact of the effective portion of commodity-related foreign exchange hedges.

(in millions of euros)	Realized in 1st half of 2010 (A)	Fair value recognized for contracts outstanding at 12.31.2009 (B)	Portion of (B) contracts realized in 1st half of 2010 (B1)	Fair value recognized for contracts outstanding at 06.30.2010 (C)	Change in fair value in 1st half of 2010 (D)=(C-B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 19 and 20 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	49	3	1	3	-	49
- not definable as hedges pursuant to IAS 39	8	9	9	3	(6)	2
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	19	19	19
Margin on trading activities						
- Sales revenues from physical contracts included in the trading portfolios (***)	10	-	-	4	4	14
- Other revenues and income from derivatives included in the trading portfolios (****)	-	-	-	-	-	-
- Raw materials and services used from physical contracts included in the trading portfolios (***)	(9)	-	-	(3)	(3)	(12)
- Raw materials and services used from derivatives included in the trading portfolios (****)	-	-	-	-	-	-
Total margin on trading activities	**1**	**-**	**-**	**1**	**1**	**2**
Total (A)	**58**	**12**	**10**	**26**	**14**	**72**
Raw materials and services used (see Note 21 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(15)	-	-	(1)	(1)	(16)
- not definable as hedges pursuant to IAS 39	(8)	(12)	(9)	(5)	7	(1)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	18	-	-	-	-	18
- not definable as hedges pursuant to IAS 39	-	-	-	(1)	(1)	(1)
Total (B)	**(5)**	**(12)**	**(9)**	**(7)**	**5**	**-**
TOTAL INCLUDED IN EBITDA (A+B)	**53**	**-**	**1**	**19**	**19**	**72**
Interest rate hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	-	6	3	40	34	34
- not definable as hedges pursuant to IAS 39	1	12	4	18	6	7
Total financial income (C)	**1**	**18**	**7**	**58**	**40**	**41**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(7)	-			-	(7)
- not definable as hedges pursuant to IAS 39	(5)	(2)	-	(10)	(8)	(13)
Total financial expense (D)	**(12)**	**(2)**	**-**	**(10)**	**(8)**	**(20)**
Margin on interest rate hedging transactions (C+D)=(E)	**(11)**	**16**	**7**	**48**	**32**	**21**
Foreign exchange rate hedges, broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	12	-	-	-	-	12
- not definable as hedges pursuant to IAS 39	41	3	2	-	(3)	38
Total foreign exchange gains (F)	**53**	**3**	**2**	**-**	**(3)**	**50**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(3)	-	-	-	-	(3)
Total foreign exchange losses (G)	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**50**	**3**	**2**	**-**	**(3)**	**47**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 25 to the Income Statement)	39	19	9	48	29	68

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

The table below provides a breakdown of the amounts recognized in the balance sheet following the measurement at fair value of the derivatives and physical contracts outstanding at June 30, 2010:

(in millions of euros)	06.30.2010		12.31.2009	
	Receiv.	Payab.	Receiv.	Payab.
Foreign exchange transactions	69	(4)	18	(1)
Interest rate transactions	58	(10)	12	(30)
Commodity transactions	43	(27)	97	(32)
Fair value recognized as current asset or current liability	**170**	**(41)**	**127**	**(63)**
broken down as follows:				
- recognized as "Trade receivables and payables"	4	(2)	-	-
- recognized as "Other receivables and payables"	108	(29)	109	(62)
- recognized as "Current financial assets" and "Short-term financial debt"	58	(10)	18	(1)

With regard to the items listed above, please note that the receivables and payables shown are offset by a positive cash flow hedge reserve amounting to 60 million euros, before the corresponding deferred-tax assets and liabilities.

Classification of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements, showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at June 30, 2010.

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

Financial instrument type	Criteria applied to value financial instruments in the financial statements										
(in millions of euros)	Financial instruments valued at fair value							Financial instruments valued at amortized cost	Equity investments valued at cost	**Carrying value at 06.30.2010 (A+B+C)**	Fair Value at 06.30.2010
	Financial instrument valued at fair value with change in fair value			Total Fair Value at 30.06.2010	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity			1	2	3	(B)	(C)		
	(a)	(b)	(c)	(A)			(l)	(d)	(e)		
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	-	-	-	-	-	-	-	-	289	289	n.d.
- listed securities	-	-	7	7	7	-	-	-	-	7	7
										296	
Other financial assets (h)	-	-	-	-	-	-	-	8	-	8	8
Other assets (i)	-	-	-	-	-	-	-	91	-	91	91
Trade receivables (h) (i)	4	-	-	4	-	-	4	775	-	779	779
Other receivables (f) (i)	24	84	-	108	-	108	-	259	-	367	367
Current financial assetsi (f) (g) (i)	66	-	-	66	8	58	-	2,614	-	2,680	2,680
Cash and cash equivalents (i)	-	-	-	-	-	-	-	145	-	145	145
LIABILITIES											
Long- and short-term bonds	-	-	-	-	-	-	-	2,476	-	2,476	2,484
Long and short-term financial debt (f) (i)	10	-	-	10	-	10	-	1,382	-	1,392	1,378
Trade payables (h) (i)	2	-	-	2	-	-	2	844	-	846	846
Other liabilities (f) (i)	7	22	-	29	-	29	-	222	-	251	251

(a) Financial assets and liabilities measured at fair value, with changes in fair value recognized in earnings.
(b) Cash flow hedges.
(c) Available-for-sale financial assets measured at fair value, with gains/losses recognized in equity.
(d) Loans, receivables and financial liabilities valued at amortized cost.
(e) Available-for-sale financial assets consisting of investments in unlisted securities the fair value of which cannot be measured reliably are valued at cost, reduced by any impairment losses.
(f) Includes receivables and payables resulting from the measurement of derivatives at fair value.
(g) Includes equity investments held for trading.
(h) Includes receivables and payables from the measurement at fair value of physical contracts in trading portfolio.
(i) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(l) The fair value on Level 3 is recorded for 1 million euros on trading physical margin (4 million euros in sales revenues and 4 million euros in raw material and services used) for 11 million euros in other revenues and inome and 1 million euros is recognised in equity.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

As required by Consob Resolution No. 15519 of July 27, 2006 and consistent with the policies adopted by the Edison Group, an overview of transactions with related parties and significant parties with an impact on the income statement, balance sheet and financial position is provided below. These transactions were carried out in the normal course of business, based on contract terms mutually agreed upon by the parties that are consistent with market practice.

(in millions of euros)	Related parties					Significant parties						**Total for related and significant parties**	**Total financial statem. line item**	**Impact %**
	with Group companies	with the controlling company	EDF Group	A2A Group	Total related parties	ENIA Group	SEL Group	Dolomiti Energia Group	Banca Popolare di Milano	Mediobanca	Total significant parties			
Balance sheet transaction														
Trade receivables	102	-	2	-	104	4	-	-	-	-	4	108	779	13.9%
Other receivables	64	13	10	-	87	-	-	-	-	-	-	87	367	23.7%
Trade payables	152	-	2	-	154	2	-	-	-	-	2	156	846	18.4%
Other payables	26	-	-	-	26	-	-	-	-	-	-	26	251	10.4%
Current financial assets	2,614	-	-	-	2,614	-	-	-	-	-	-	2,614	2,680	97.5%
Short-term financial debt	380	-	-	-	380	-	-	-	-	11	11	391	529	73.9%
Long-term financial debt and other financial liabilities	-	-	-	-	-	-	-	-	-	87	87	87	863	10.1%
Income statements transaction														
Sales revenues	1,085	-	-	5	1,090	-	-	-	-	-	-	1,090	2,882	37.8%
Other revenues and income	7	-	4	-	11	-	-	-	-	-	-	11	139	7.9%
Raw material and services used	38	-	-	11	49	-	-	-	-	-	-	49	2,726	1.8%
Financial income	38	-	-	-	38	-	-	-	-	-	-	38	144	26.4%
Financial expense	1	-	-	-	1	-	-	-	-	1	1	2	148	1.4%
Income from equity investments	188	-	-	-	188	-	-	-	-	-	-	188	188	100.0%
Expense on equity investments	44	-	-	-	44	-	-	-	-	-	-	44	44	100.0%
Cash flow items														
Dividends paid	-	135	43	-	178	-	-	-	-	-	-	178	228	78.1%
Commitments and contingent risks														
Guarantees provided	50	-	-	-	50	-	-	-	37	-	37	87	1,295	6.7%

In the area of commercial transactions, the Group's Parent Company, Edison Spa, sells natural gas and electric power to Edison Trading Spa and Edison Energia Spa, respectively, under special contracts that, taking into account the specific functions of the two buyer companies within the Group, provide the seller with adequate coverage of its fixed and variable costs.

In addition, the rate earned on transactions involving intra-Group current accounts is the Deposit Rate, while the rate paid is the Marginal Refinance Rate, both of which are determined by the European Central Bank.

More detailed information about these transactions, which are detailed in the table below, is provided in the Condensed Consolidated Semiannual Financial Report.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

As required by the CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison Spa discloses that, in the first half of 2010, it successfully settled the arbitration proceedings filed against Falck in connection with the sale of Tecnimont. As a result of the settlement of the dispute, Edison Spa benefited from a net gain of 25 million euros and a positive cash flow of 7 milioni di euro.

Transactions Resulting from Atypical and/or Unusual Activities

As required by the CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison Spa declares that it did not execute atypical and/or unusual transactions, as defined in the abovementioned Communication, in the first half of 2010.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2010

Information about significant events occurring after June 30, 2010 is provided in the corresponding section of the notes to the Condensed Consolidated Semiannual Financial Report.

Milan, July 23, 2010

The Board of Directors
by Giuliano Zuccoli
Chairman

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

1. We, the undersigned Umberto Quadrino, in my capacity as "Chief Executive Officer," and Marco Andreasi, in my capacity as "Dirigente Preposto alla redazione dei documenti contabili societari," employees of Edison Spa, taking into account the provisions of Article 154-*bis*, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the Condensed Semiannual Financial Statements for the period from January 1, 2010 to June 30, 2010:

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

2. We further certify that:

2.1. the Condensed Semiannual Financial Statements (Condensed Consolidated Semiannual Financial Report and Condensed Semiannual Financial Statements of Edison Spa)

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

2.2. the Interim Report on Operations includes a reliable analysis of significant developments that occurred during the first half of the year and of their impact on the Condensed Semiannual Financial Statements, together with a description of the main risks and contingencies for the remaining six months of the year. The Interim Report on Operations also provides a reliable analysis of transactions with related parties.

Milan, July 23, 2010

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

PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

To the shareholders of
EDISON SpA

1 We have reviewed the consolidated condensed interim financial statements of EDISON SpA and its subsidiaries (EDISON GROUP) as of 30 June 2010 and for the six months then ended, comprising the consolidated balance sheet, income statement, statement of other comprehensive income, cash flow statement, statement of changes in shareholders' equity and related explanatory notes. The directors of EDISON SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the consolidated condensed interim financial statements and about the consistency of the accounting principles used therein as well as the application of analytical review procedures on the amounts contained in the above mentioned consolidated condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the consolidated condensed interim financial statements.

The consolidated condensed interim financial statements show as comparatives the amounts of the prior year's consolidated financial statements and the prior year's consolidated condensed interim financial statements.
As illustrated in the explanatory notes, the directors modified the comparative amounts relating to the prior year's consolidated financial

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statements and the prior year's consolidated condensed interim financial statements, which we, respectively, audited and reviewed and on which we reported on 18 February 2010 and 28 July 2009, to reflect the changes in financial reporting introduced by IFRIC 12.

We have reviewed the method applied to re-determine the comparative amounts relating to the prior year's consolidated financial statements and the prior year's consolidated condensed interim financial statements, and the disclosures made in the explanatory notes, as concerns the modifications made to the aforementioned comparatives, for the purposes of issuing our report on the consolidated condensed interim financial statements as of 30 June 2010.

3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of EDISON GROUP as of 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 28 July 2010

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

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

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PricewaterhouseCoopers SpA

AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

To the shareholders of
EDISON SpA

1 We have reviewed the condensed interim financial statements of EDISON SpA as of 30 June 2010 and for the six months then ended, comprising the balance sheet, income statement, statement of other comprehensive income, cash flow statement, statement of changes in shareholders' equity and related explanatory notes. The directors of EDISON SpA are responsible for the preparation of the condensed interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

2 Our work was conducted in accordance with the criteria for a review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed interim financial statements and about the consistency of the accounting principles used therein as well as the application of analytical review procedures on the amounts contained in the above mentioned condensed interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed interim financial statements.

For the comparative amounts relating to the prior year's financial statements and the prior year's condensed interim financial statements presented in these condensed interim financial statements, reference is made to our audit and review reports dated, respectively, 18 February 2010 and 28 July 2009.

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3 Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements of EDISON SpA as of 30 June 2010 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Milan, 28 July 2010

PricewaterhouseCoopers SpA

Giulio Grandi
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