SEMIANNUAL REPORT

AT JUNE 30, 2011

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SEMIANNUAL REPORT

AT JUNE 30, 2011

REPORT ON OPERATIONS
AT JUNE 30, 2011

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 2011 (1st half)		
Total Italian gross demand	162.9	TWh
Edison's gross sales in Italy (*)	34.9	TWh
incl.: - Deregulated market (*)	30.0	TWh
- CIP 6/92	3.0	TWh
- Captive	1.9	TWh

Facilities and Production Capacity in 2011 (1st half)		
Edison's installed capacity + Edipower (50%) (**)	12.5	'000 MW
Net production of electric power - Total Italy	141.3	TWh
Net production of electric power - Edison *(including 50% of Edipower)*	17.3	TWh
Share of total Italian production	12.2	%

(*) 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 Terna and Edison estimated data.

Hydrocarbons

Italian Market in 2011 (1st half)		
Total Italian demand	42.0	Bill. m^3
Edison's sales in Italy	7.8	Bill. m^3
Edison's sales/Total Italian demand	18.5	%

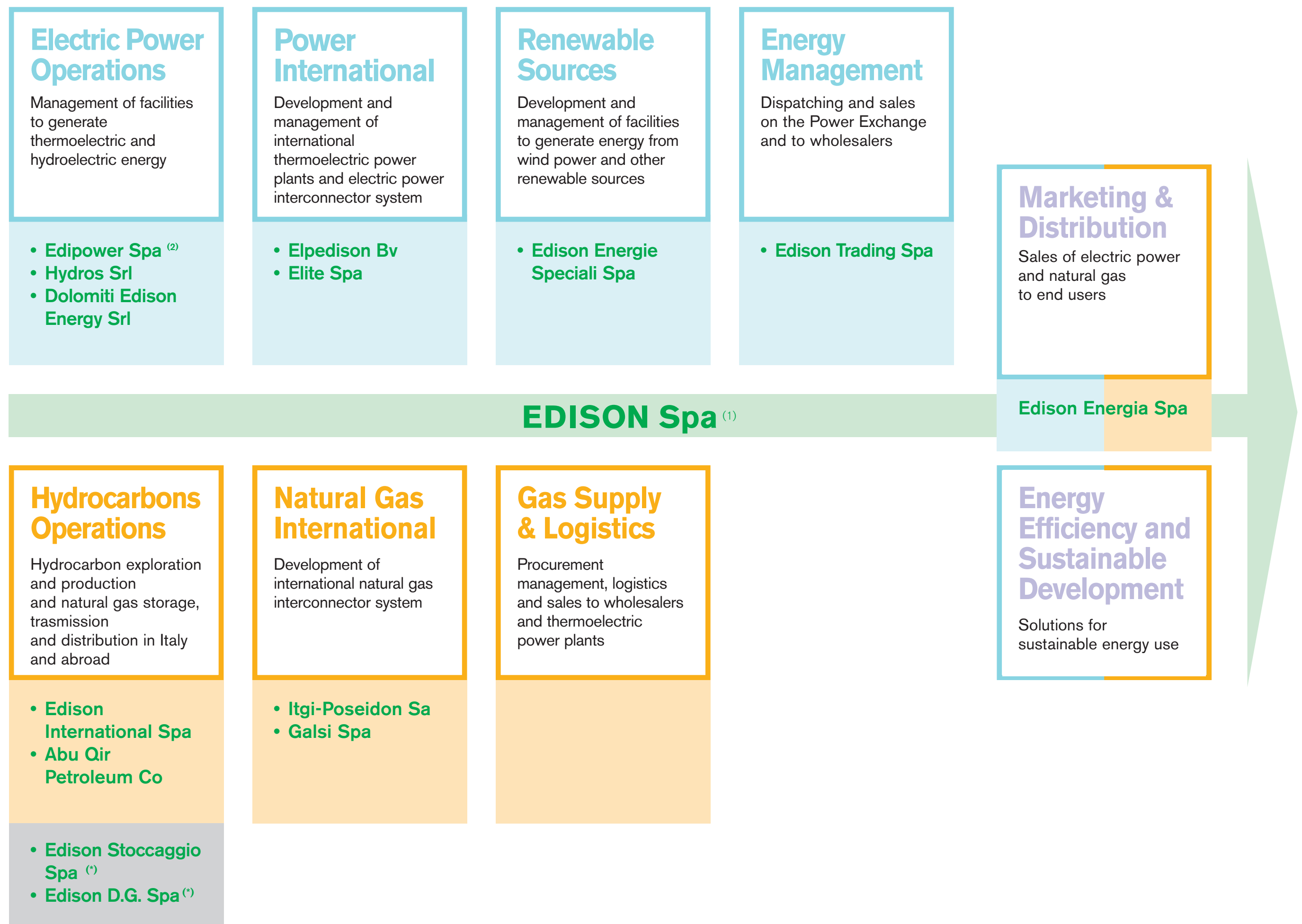
Facilities and Production Capacity in 2011 (1st half)		
Natural gas production - Total Italy	3.9	Bill. m^3
Natural gas production - Edison (Italy)	0.2	Bill. m^3
Share of total production	6.0	%
Number of concessions and permits in Italy	60	
Number of storage-centers concessions in Italy (*)	3	
Natural gas production - Edison (international)	0.8	Bill. m^3
Number of concessions and permits outside Italy	24	
Gas transmission network (low- and medium-pressure pipelines)	3.65	'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, 2011

Organization and Activities of the Business Units and Main Consolidated Companies



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

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

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

(*) Companies subject to functional unbundling requirements.

BOARD OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

Board of Directors [1]

Chairman		Giuliano Zuccoli [2]
Chief Executive Officer		Bruno Lescoeur [2]
Directors	Independent Director	Mario Cocchi [3] [5]
	Independent Director	Gregorio Gitti [3] [5] [6]
	Independent Director	Gian Maria Gros-Pietro [3] [4] [5] [6]
		Adrien Jami
		Jean-Louis Mathias [2] [3]
		Thomas Piquemal [4]
		Henri Proglio
		Renato Ravanelli [2]
		Paolo Rossetti
		Klaus Stocker [4]
		Andrea Viero [4]
Secretary to the Board of Directors		Lucrezia Geraci

Board of Statutory Auditors [7]

Chairman	Alfredo Fossati
Statutory Auditors	Angelo Palma
	Leonello Schinasi

Independent Auditors [8]

Deloitte & Touche Spa

(1) Elected by the Shareholders' Meeting of April 26, 2011 for a one-year period ending with the approval of the 2011 annual financial statements.
(2) Member of the Strategy Committee.
(3) Member of the Compensation Committee.
(4) Member of the Audit Committee.
(5) Member of the Committee of Independent Directors.
(6) Member of the Oversight Board.
(7) Elected by the Shareholders' Meeting of April 26, 2011 for a three-year period ending with the approval of the 2013 annual financial statements.
(8) Audit assignment awarded by the Shareholders' Meeting of April 26, 2011 for the nine-year period from 2011 to 2019.

INFORMATION ABOUT THE COMPANY'S SECURITIES

Number of shares at June 30, 2011

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

Shareholders with Significant Holdings at June 30, 2011

	% of voting rights	% interest held
Transalpina di Energia Srl	61.281%	60,001%
EDF Eléctricité de France Sa [1]	19.359%	18,954%
Carlo Tassara Spa [2]	10.025%	9,816%

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

KEY EVENTS

Growing Our Business

Edison is Awarded Three New Hydrocarbon Exploration Licenses in Norway: in the Barents Sea, the Norway Sea and the Southern North Sea

On January 19, 2011, Edison, through its Edison International Spa subsidiary, was awarded three new hydrocarbon exploration licenses in the Norwegian Continental Shelf which had been put out for bids by the Norwegian Oil and Energy Ministry. These new contracts officially sanction Edison's operator status in Norway, particularly under the challenging conditions of the Barents Sea.
The licenses include: blocks 7124/1 and 2 in the Barents Sea with Edison as operator with a 60% stake, through a joint venture with North Energy ASA (40%); block 6407/8 in the Norway Sea with Edison as operator with a 60% stake, through a joint venture with North Energy ASA (40%); blocks 7/1 and 2 and 16/10 in the southern North Sea with Edison having a 10% stake, through a joint venture with Talisman Energy (40%, operator), Det Norske ASA (20%), Skagen (10%) and Petoro AS (20%).
The three contracts call for an exploration period of three years, with the obligation of 3D seismic acquisition and the drilling of one well in the southern North Sea.

Edison Completes Price Renegotiations with ENI for the Supply of Natural Gas from Norway

On February 11, 2011, Edison successfully completed price renegotiations with ENI for the long-term contract to supply natural gas from Norway that expires at the end of this year. The agreement reached by Edison and ENI settles a dispute on the supply price, thereby obviating further litigation between the parties. Overall, this settlement agreement generates significant cost savings compared with the price previously in effect.

Edison Completes Price Renegotiations with Promgas for the Supply of Natural Gas from Russia

On July 21, 2011, Edison and Promgas signed an agreement renegotiating the procurement price of the long-term contract for the supply of natural gas from Russia, which will have an overall impact estimated at about 200 million euros on Edison's 2011 reporting year.
Negotiations began at the end of 2008, with Edison requesting a reduction of the purchase price. In August 2010, with the parties unable to resolve their differences, Edison filed for arbitration. The abovementioned agreement put an end to the arbitration proceedings.
With the signing of this agreement, Edison, which holds an important portfolio of long-term contracts, begins to resolve a challenge that is being faced by all major gas companies in Europe with similar commitments.

Edison Continues to Grow in Hydrocarbon Exploration and Production and Is Awarded Two New Exploration Licenses in Norway

On April 15, 2011, Edison, through its Edison International Spa subsidiary, was awarded two new hydrocarbon exploration licenses in the Norwegian Continental Shelf which had been put out for bids by the Norwegian Oil and Energy Ministry (21st Exploration Round).
The licenses include Block PL 601 in the Norway Sea, with Edison at 20% in a joint venture with Wintershall (operator at 40%), Rocksource (20%) and North Energy (20%) and Block PL 613 in the Barents Sea, with Edison at 25% in a joint venture with Dong (operator at 40%) and Det Norske (35%). The two agreements call for an exploration period of three years, at the end of which a drill-or-drop decision will have to be made.

Edison and Mapei Inaugurate Two Photovoltaic Facilities

A photovoltaic facility built by Edison at a Mapei factory in Latina was inaugurated on May 21, 2011. This photovoltaic system, which was built on the roof of an industrial building at the Mapei factory, has

an installed capacity of 970 kW and produces 1,100,000 kWh a year. The system supplies 80% of its production to help meet the factory's energy requirements.
The construction of the facility required the installation of 4,708 photovoltaic modules of polycrystalline silicon that, with an initial conversion of sunlight to energy of more than 13%, offer the best performance in terms of maintaining yield over time. The area covered by the solar panels totals over 6,800 square meters.
Subsequently, on May 27, 2011, another photovoltaic facility built by Edison was inaugurated at a factory of the Mapei Group at Robbiano di Mediglia, in the province of Milan.
This photovoltaic system, which was built on the roof of an industrial building at the Mapei factory, has an installed capacity of 865 kW and produces 880,000 kWh a year. The system supplies 95% of its production to help meet the factory's energy requirements.
The construction of the facility required the installation of 3,680 photovoltaic modules of polycrystalline silicon that cover an area of more than 6,000 square meters.

Strengthening Our Balance Sheet

Edison Signs an Agreement with ExxonMobil and Qatar Terminal to Reduce Its Stake in Terminale GNL Adriatico

On April 22, 2011, exercising its Tag Along option, Edison sold to ExxonMobil Italiana Gas Srl and Qatar Terminal Ltd a 2.703% stake in Terminale GNL Adriatico Srl for a price of 78.2 million euros. This transaction, which generated a gain of 5.1 million euros for Edison, will lower Edison's equity stake in Terminale GNL Adriatico Srl to 7.297%. However, it will have no impact on the agreements concerning the availability of regasification capacity expiring in 2034, pursuant to which Edison has access to 80% of the regasification capacity, equal to 6.4 billion cubic meters of gas a year. The remaining 20% of the capacity is available to market operators in accordance with the procedures required by the Electric Power and Natural Gas Authority (AEEG). The gas processed at the terminal for Edison originates from the North Field in Qatar, which, with estimated reserves in excess of 25,000 billion cubic meters, is currently the world's largest oil field.

Edison Signs an Agreement for a Bank Facility of 700 million Euros

On June 13, 2011, Edison signed an agreement for a facility of 700 million euros with a pool of banks that includes Banco Bilbao Vizcaya Argentaria Sa, Banco Santander Sa, Milan Branch, Bank of America Securities Limited, BNP Paribas Italy Branch, Commerzbank Aktiengesellshaft Milan Branch, Crédit Agricole Corporate & Investment Bank, Milan Branch, Intesa Sanpaolo Spa, JPMorgan Chase Bank, N.A., Milan Branch, Mediobanca, Banca di Credito Finanziario Spa, Société Générale Corporate & Investment Banking, Milan Branch, The Royal Bank of Scotland Plc, Milan Branch, UniCredit Spa, in the capacity as Mandated Lead Arrangers, and Banca IMI, in the capacity as Agent Bank.
This financing transaction, which was executed on a Club Deal basis, requires no syndication activity. It is an Unsecured Revolving Credit Senior Facility, indexed to the Euribor, plus a spread in line with current best market conditions, and has a duration of 18 months (after the first year, the Company has the option of extending the maturity by six months).
The main purpose of this facility is to fund the Company's operating and financing needs, including the repayment of 500 million euros in bonds maturing in July 2011.

Other Key Events

Moody's Confirms Edison's Rating and Revises the Outlook from Stable to Negative

On June 17, 2011, the Moody's rating agency confirmed Edison's long-term rating of Baa3 and revised the outlook from stable to negative.
According to the rating agency, this revision reflects a deterioration of the Group's risk profile, caused by persistent weakness in the energy market and the risks entailed by the potential inability to renegotiate long-term gas procurement contracts.

Standard & Poor places Edison's Rating Under "Credit Watch Developing"

On June 21, 2011, the Standard & Poor's rating agency placed Edison's BBB long-term credit rating under "Credit Watch Developing".

According to the rating agency, this wording indicates the possibility that Edison's rating may be upgraded or downgraded over the short term. Standard & Poor's thus seeks to take into account potential changes in the Group's stock ownership and governance, as well as of the impact that persisting weakness in the energy market and delays in the process of renegotiating long-term gas procurement contracts could have on the Company's risk profile.

According to Standard & Poor's, the current rating reflects Edison's role as the acknowledged second-largest electric power and natural gas operator in Italy, the efficiency of its production facilities, the increased financial discipline achieved by the Group through strict control of capital expenditures and the positive impact of the financial support provided by the shareholder EdF.

Edison Signs an Agreement Selling Its Taranto Production Facilities to ILVA

On June 23, 2011, Edison signed an agreement selling to ILVA (Riva Group) the business operations comprised of the thermoelectric power plants CET 2 and CET 3. This transaction will be carried out through the sale of an ad hoc company to which Edison will have conveyed the business operations corresponding to the two power plants.

These facilities, which are located inside ILVA's industrial complex in Taranto and are fueled with natural gas and steel-mill gases, have a total capacity of 1,065 MW. CET 2 is a captive 480-MW power plant that supplies electric power to the Taranto steel mill, while CET 3, which has a capacity of 585 MW, supplies steam to the steel mill and produced electric power sold to the Electrical Services Manager (abbreviated as GSE in Italian) under a CIP 6/92 contract.

This transaction, which calls for a consideration of about 162,5 million euros, adjustable upon the satisfaction of certain conditions precedent related to the actual date of the transfer of ownership and to the industrial performance of the power plants, is subject to the approval of the relevant antitrust authorities. The transaction is expected to close before the end of 2011. The transfer of the power plants to ILVA could occur earlier if Edison were to avail itself of the option to terminate early the CIP 6/92 contract for CET3, as allowed by the amended Ministry Decree (mononomial rate facilities).

Significant Events Occurring After June 30, 2011

Information about events occurring after the end of the six-month period covered by this Report is provided in the section of the Condensed Consolidated Semiannual Financial Statements entitled "Significant Events Occurring After June 30, 2011."

FINANCIAL HIGHLIGHTS – FOCUS ON RESULTS

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

Edison Group

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
10,446	Sales revenues	5,662	5,087	11.3%
1,369	EBITDA	491	626	(21.6%)
13.1%	*as a % of sales revenues*	*8.7%*	*12.3%*	
273	EBIT	106	264	(59.8%)
2.6%	*as a % of sales revenues*	*1,9%*	*5.2%*	
172	Profit (Loss) before taxes	11	242	(95,5%)
21	Group interest in net profit (loss)	(62)	142	n.m.
505	Capital expenditures	236	299	(21.1%)
52	Investments in exploration	7	21	(66.7%)
11,845	Net invested capital (A+B) (1)	11,914	12,354	0.6%
3,708	Net financial debt (A) (1) (2)	3,866	4,171	4.3%
8,137	Total shareholders' equity (B) (1)	8,048	8,183	(1.1%)
7,939	Shareholders' equity attributable to the shareholders of the controlling company (1)	7,879	8,007	(0.8%)
2.35%	ROI (3)	1,83%	4.44%	
0.26%	ROE (4)	n.m.	3.53%	
0.46	Debt/Equity ratio (A/B)	0.48	0.51	
31%	Gearing (A/A+B)	32%	34%	
3,939	Number of employees (1) (5)	3,927	3,951	(0.3%)
119	- including these employees of discontinued operations	119	-	-

(1) End-of-period data. The changes are computed against the data at December 31, 2010.
(2) A breakdown of this item is provided in the "Net Financial Debt" section of the Notes to the Condensed Consolidated Semiannual Financial Statements.
(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 shareholders' equity attributable to the shareholders of the controlling company. Average shareholders' equity is the arithmetic average of the shareholders' equity at the end of the period and at the end of the previous year.
(5) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.

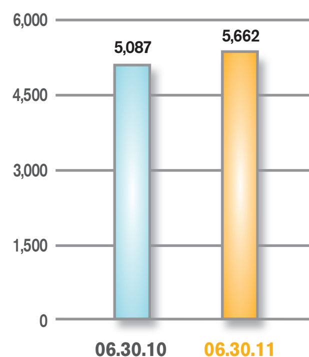
Edison Spa

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
5,591	Sales revenues	2,851	2,882	(1.1%)
368	EBITDA	97	225	(56.9%)
6.6%	*as a % of sales revenues*	*3.4%*	*7.8%*	
(36)	EBIT	(85)	46	n.m.
n.m.	*as a % of sales revenues*	*n.m.*	*1.6%*	
(86)	Net profit (loss)	(96)	196	n.m.
201	Capital expenditures	70	129	(45.7%)
8,534	Net invested capital	8,738	8,144	2.4%
1,670	Net financial debt	1,965	1,043	17.7%
6,864	Shareholders' equity	6,773	7,101	(1.3%)
0.24	Debt/Equity ratio	0,29	0.15	
1,740	Number of employees	1,724	1,750	(0.9%)

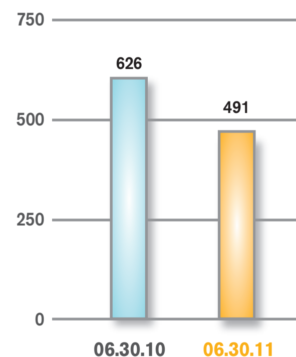
Key Group Data

(in millions of euros)

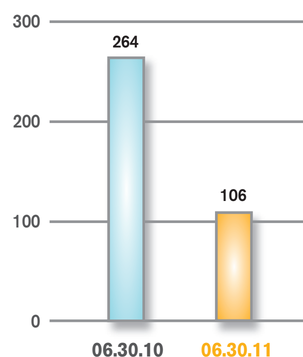
Sales revenues



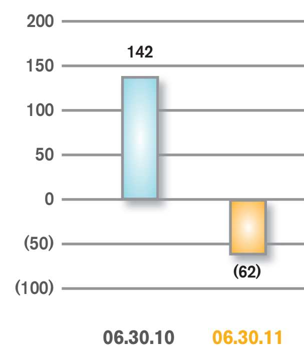
EBITDA



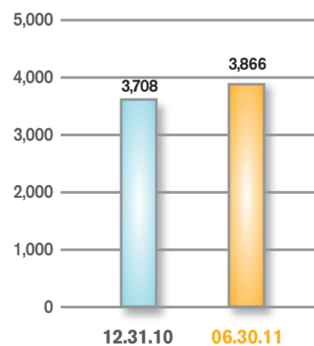
EBIT



Group interest in net profit (loss)



Net financial debt



Sales Revenues and EBITDA by Business Segment

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
	Electric Power Operations [1]			
7,289	Sales revenues	3,832	3,438	11.5%
1,055	EBITDA	361	428	(15.7%)
1,130	Adjusted EBITDA (*)	388	483	(19.7%)
14.5%	*as a % of sales revenues*	*9.4%*	*12.4%*	
	Hydrocarbons Operations [2]			
5,040	Sales revenues	2,560	2,552	0.3%
413	EBITDA	180	247	(27.1%)
338	Adjusted EBITDA (*)	153	192	(20.3%)
8.2%	*as a % of sales revenues*	*7.0%*	*9.7%*	
	Corporate Activities and Other Segments [3]			
51	Sales revenues	24	25	(4.0%)
(99)	EBITDA	(50)	(49)	(2.0%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
	Eliminations			
(1,934)	Sales revenues	(754)	(928)	18.8%
	EBITDA			
	Edison Group			
10,446	**Sales revenues**	**5,662**	**5,087**	**11.3%**
1,369	**EBITDA**	**491**	**626**	**(21.6%)**
13.1%	***as a % of sales revenues***	***8.7%***	***12.3%***	

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

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

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

(*) Adjusted EBITDA reflect the effect of the reclassification of the results of Brent crude and foreign exchange hedges executed in connection with contracts to import natural gas. Within the framework of the policies to manage business risks, the purpose of these hedges is to mitigate the risk of fluctuations in the cost of natural gas earmarked for the production and sale of electric power and for direct gas sales. The gains or losses generated by these transactions, which are recognized by the Hydrocarbons Operations, were reclassified to the Electric Power Operations. This reclassification is being made in view of the material impact of fluctuations in commodity prices and foreign exchange parities that occurred during the reporting period and to provide an operational presentation of the Group's industrial results.

PERFORMANCE AND RESULTS OF THE GROUP IN THE FIRST HALF OF 2011

Operating Performance

Sales revenues totaled 5,662 million euros in the first half of 2011, or 11.3% more than in the same period last year.
Improved revenues were reported both by the Electric Power Operations (+11.5%) and, for the Hydrocarbons Operations, limited to revenues generated by sales to external customers (+11,1%; as shown in the Segment Information disclosure), due mainly to a rise in average sales prices tied to changes in the benchmark scenario.

EBITDA decreased to 491 million euros, or 135 million euros less (-21.6%) than the 626 million euros earned in the first half of 2010, due to shortfalls in the adjusted EBITDA [1] both of the Electric Power Operations (-95 million euros) and the Hydrocarbons Operations(-39 million euros).
Specifically, the negative change in the adjusted EBITDA [1] of the Electric Power Operations reflects primarily the reduced contribution provided by the CIP 6/92 segment, while the decrease in adjusted EBITDA [1] reported by the Hydrocarbons Operations is attributable to the activities engaged in buying and selling natural gas, which generated a loss in the first half of 2011, offset only in part by a positive performance in the Exploration and Production segment. It is worth noting that the EBITDA of the Hydrocarbons Operations for the period benefited from the renegotiation of the long-term contracts for the supply of natural gas from Norway and Russia completed wit ENI and Promgas, respectively.
More detailed information about the first six months of 2011 is provided in the section of the Report where the performance of the Group's businesses is analyzed.

EBIT totaled 106 million euros, down 158 million euros compared with the first half of 2010. In addition to the reduction in profitability discussed above, EBIT reflect the combined impact of higher asset writedowns of 58 million euros and the positive effect of lower depreciation and amortization of non-current assets, due mainly to the expiration of some CIP 6/92 contracts and the writedown recognized in 2010, and a decrease in investments in exploration.
The abovementioned writedowns refer almost exclusively to thermoelectric power plants. More specifically, they reflect an increase in the country risk for facilities located in Greece and, for the power plants located in Italy, a redefinition of their production profiles that takes into account the limited profitability of transactions in the Italy's electric power market.

The profit before taxes, which also reflects the impact of net financial expense of 94 million euros, totaled 11 million euros (profit before taxes of 242 million euros in the first half of 2010).

The net loss after taxes attributable to the Group amounted to 62 million euros, for a negative change of 204 million euros compared with the first half of 2010, and also includes the loss from discontinued operations, amounting to 22 millions euros, attributable for the most part to writedowns of the Taranto power plants that are being sold to the Riva Group.

At June 30, 2011, net financial debt totaled 3,866 million euros (4,171 million euros at June 30, 2010), up compared with the 3,708 million euros owed at December 31, 2010. More detailed information about the individual components of this item is provided in the "Net Financial Debt" section of the Condensed Consolidated Semiannual Financial Statements.

(1) See note on page 12.

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

2010 full year	(in millions of euros)	1st half 2011	1st half 2010
(3,858)	**A. Net Financial (Debt) at beginning of period**	**(3,708)**	**(3,858)**
1,369	EBITDA	491	626
148	Change in operating working capital	(252)	(77)
(304)	Income taxes paid (-)	(128)	(221)
(81)	Change in other assets (liabilities)	(30)	(51)
1,132	**B. Cash Flow from Operating Activities**	**81**	**277**
(557)	Investments in property, plant and equipment and intangibles (-)	(243)	(320)
(7)	Investments in non-current financial assets (-)	-	(2)
(42)	Acquisition price of business combinations (-)	-	-
8	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	96	6
8	Capital distributions from equity investments	9	4
1	Dividends received	1	1
543	**C. Free Cash Flow**	**(56)**	**(34)**
(144)	Financial income (expense), net	(94)	(51)
10	Contributions of share capital and reserves	-	10
(259)	Dividends paid (-)	(8)	(238)
150	**D. Cash Flow after Financing Activities**	**(158)**	**(313)**
-	Change in the scope of consolidation	-	-
150	**E. Net Cash Flow for the Period**	**(158)**	**(313)**
(3,708)	**F. Net Financial (Debt) at end of Period**	**(3,866)**	**(4,171)**

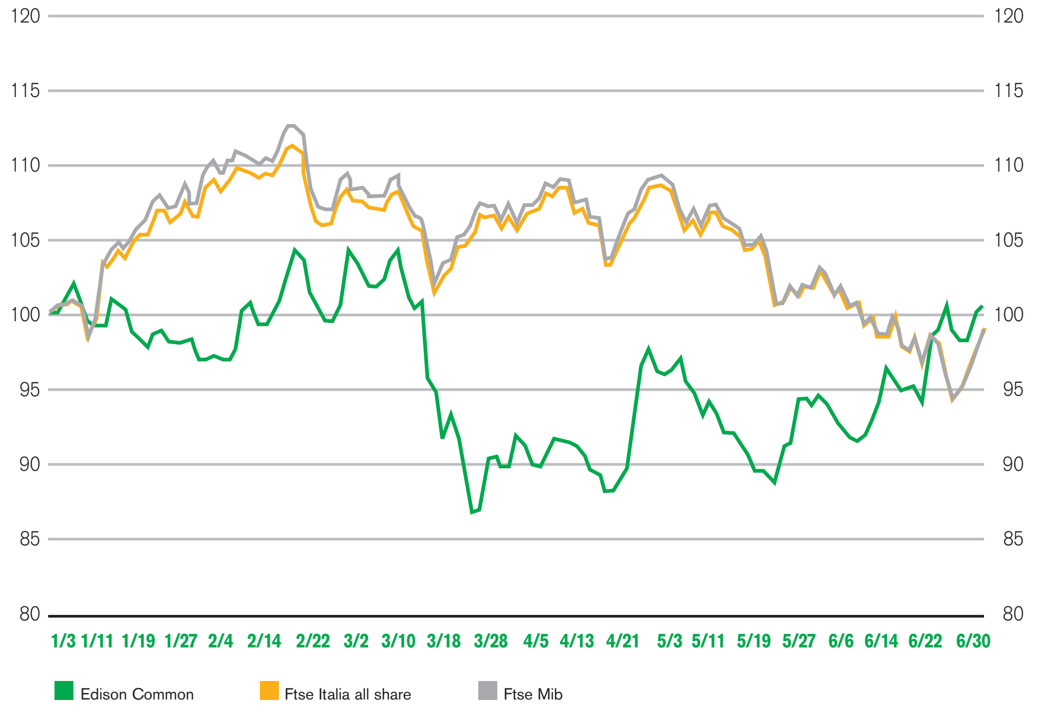
Outlook and Expected Year-end Results

The renegotiation of the long-term supply contract with Promgas makes it possible to confirm the EBITDA estimate of 900 million euros for 2011 announced to the market on March 14, 2011. The impact that challenging condition in the natural gas market are having on the Group's profitability will persist until the ongoing negotiations and arbitration proceedings for the long-term natural gas contracts reach a positive conclusion.

The Company's objective is to secure this year and in the new few years both reasonable margins on its gas contracts and lump-sum compensation payments for past years.

EDISON AND THE FINANCIAL MARKETS

Chart of the stock market prices of the Edison shares during the period from January 3 to June 30, 2011.



Stock Market Price and Other Per Share Data

	June 30, 2011	December 31, 2010
Edison Spa		
Stock market price (in euros) [(1)]:		
- common shares	0.8278	0.8660
- savings shares	0.9784	1.2365
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**
Gruppo Edison		
Profit (Loss) per share:		
basic earnings per common share [(2)]	(0.0125)	0.0034
basic earnings per savings share [(2)]	0.0250	0.0334
diluted earnings per common share [(2)]	(0.0125)	0.0034
diluted earnings per savings share [(2)]	0.0250	0.0334
Group interest in shareholders' equity per share (in euros)	1.489	1.500
Price/Earnings ratio (P/E) [(3)]	n.m.	254.38

(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 to basic earnings per share.

Other Financial Indicators

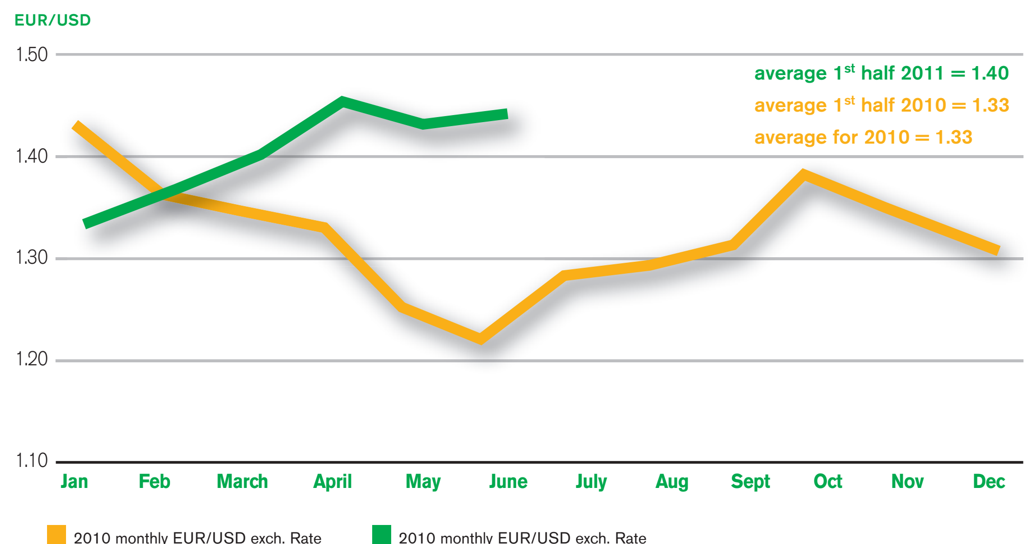
Rating

	Current	December 31, 2010
Standard & Poor's		
Medium/long-term rating	BBB	BBB
Medium/long-term outlook	Watch Dev.	Stable
Short-term rating	A-2	A-2
Moody's		
Rating	Baa3	Baa3
Medium/long-term outlook	Negative	Stable

ECONOMIC FRAMEWORK

In the first half of 2011, the global economy continued to expand thanks mainly to strong growth in the emerging countries and the consolidation of the recovery in the euro zone. The pace of the expansion in the emerging Asian economies (Korea and Taiwan in particular) appears to be accelerating, with a balanced mix of internal and external demand, but a major inventory buildup. In China, the main indicators for investments, construction and consumption are giving no indication of slowing down, despite a continuation of the restrictive policies applied to monetary and credit aggregates. In the euro zone, most of the growth is being provided by Germany, which is benefiting from a robust cycle of investments and an increase in consumer spending.
Overall, however, the recovery appears to have lost some of the momentum it showed at the end of 2010 and the beginning of 2011, due to a slowing of the U.S. economy, which continues to be dogged by weakness in the real estate sector. Other adverse factors include the negative impact of the earthquake in Japan, spiking raw material prices, tight monetary policies in the emerging countries and measures implemented to curtail government deficits. Lastly, this challenging environment is made worse by the deteriorating situations in Ireland, Portugal and Greece, which increased tension in the financial markets and fear of contagion to the marginal countries.
In Italy, growth is still fragile and the differentials compared with the average growth rates of the other E.U. countries, whose rate of expansion accelerated faster than anticipated in the first half of 2011, grew even wider.

Insofar as the euro/U.S. dollar exchange rate is concerned, the euro appreciated steadily in value from January through April, when the average exchange rate reached 1.44 U.S. dollars for one euro. The euro then declined slightly in value in May, only to bounce back in June. Overall, the average exchange rate for the full first half of 2011 was 1.40 U.S. dollars for one euro, a level 5.6% higher than the average for the same period last year.

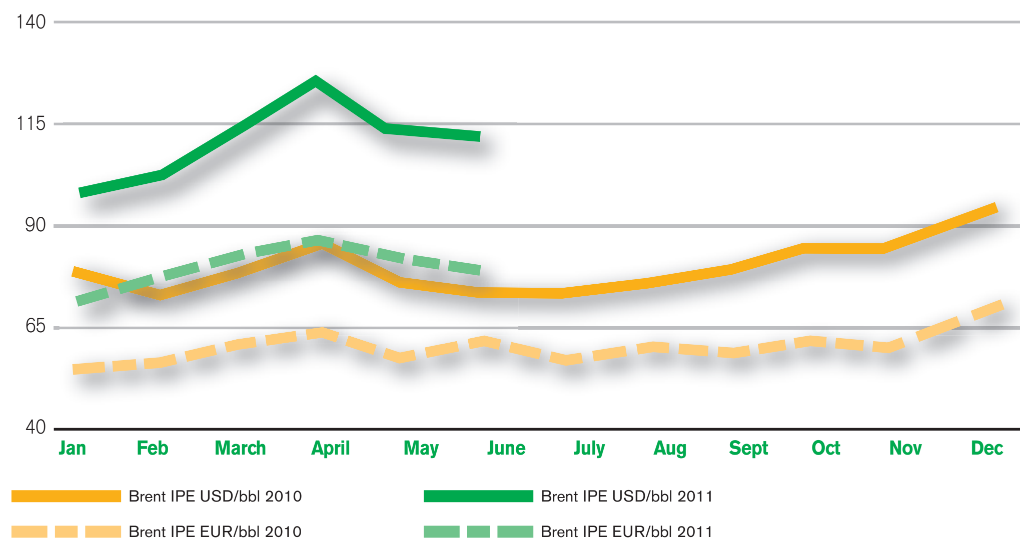


In the oil market, the price of Brent crude was extremely volatile in the first half of 2011. Specifically, the price of crude oil started the year with an average price of US$97 per barrel in January, rose to a post-recession high of about US$123 per barrel in April, due to political tension in North Africa, and settled at a level of about US$114 per barrel in May and June.

When the first half of 2011 is compared with the same period last year, the price of Brent crude in U.S. dollars shows an increase of 41.8%. The most significant factors that contributed to this sharp rise in price include: steady economic growth in China, where industrial production continued to expand at a double-digit rate in the first six months of 2011; political tension in the countries of North Africa; and fear of popular uprisings in Middle Eastern countries.
The appreciation of the euro versus the U.S. dollar helped mitigate the effect of higher crude prices, which, when stated in euros, show an increase of 34.2%, compared with the first half of 2010.
The table and chart provided below show the semiannual data and the monthly trends for 2011 and 2010:

2010 full year		1st half 2011	1st half 2010	% change
80.3	Oil price in USD/bbl [1]	111.1	78.4	41.8%
1.33	US$/euro exchange rate	1.40	1.33	5.6%
60.5	Oil price in EUR/bbl	79.2	59.0	34.2%

[1] Brent IPE



THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy and Market Environment

2010 full year	TWh	1st half 2011	1st half 2010	% change
286.5	Net production:	141.3	140.0	1.0%
218.3	- Thermoelectric	107.5	105.3	2.0%
53.2	- Hydroelectric	24.2	27.3	(11.3%)
15.0	- Other renewables [(1)]	9.6	7.4	30.0%
43.9	Net imports	22.7	22.9	(0.7%)
(4.3)	Pumping consumption	(1.1)	(2.6)	(55.1%)
326.1	**Total demand**	**162.9**	**160.3**	**1.6%**

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

In the first half of 2011, gross total demand for electric power from the Italian grid totaled 162.9 TWh (1 TWh = 1 billion kWh), or 1.6% 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 increase in consumption shows the same percentage gain.

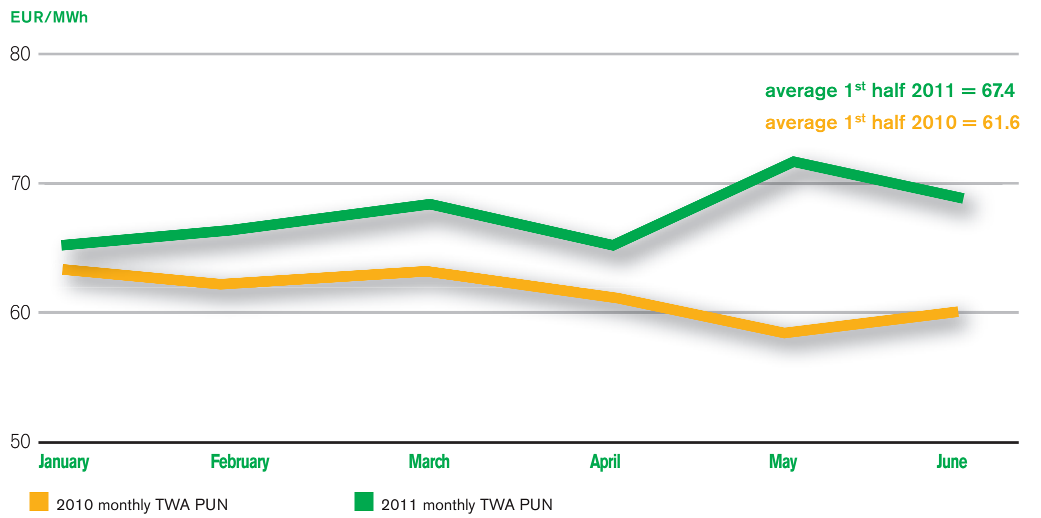
Higher demand for electric power (+2.6 TWh), coupled with a concurrent reduction of 0.2 TWh in net imports and a decrease of 1.5 TWh in pumping consumption, caused net domestic production of electric power to rise by 1.3 TWh. Net of pumping consumption, domestic production covered 86.0% of demand in the first half of 2011, up from 85.7% in the same period a year ago, with net imports falling from 14.3% to 14.0%.

Compared with the volumes that characterized the first half of 2010, the net import/export balance held relatively steady. In general, the price differential remained substantially the same with France, but narrowed considerable with Germany (6.0 euro/MWh). The higher prices recorded in Germany are due to the German government's decision to decommission nuclear power plants (eight reactors immediately and the rest closed by 2018), which caused supply to decrease and required the use of more expensive technologies, at least during hours of peak demand for electric power. A similar case can be made for prices in France, which is in the process of implementing safety controls at its nuclear power plants. More specifically, the reduction of 0.2 TWh (-0.7%) in net imports is the combined result of a reduction of 1.6 TWh in net imports from the Northeast (borders with Austria and Slovenia) and an increase of 1.4 TWh in net imports from the Northwest (borders with France and Switzerland). In addition, the net flow from Greece to Italy grew by about 0.1 TWh.
The increase of 1.3 TWh (+1.0%) in net domestic production is the result of the following factors:

- a decrease in hydroelectric output to a level more consistent with historical averages, for a reduction of 3.1 TWh (-11.3%);
- a strong gain in production from renewable energy sources, which increased by 2.2 TWh (+30.0%) thanks to explosive growth in production from photovoltaic facilities (+2.0 TWh), which almost quadrupled their output compared with the previous six-month period;
- the trends that characterized the thermoelectric sector in the first half of 2011, with production totaling 107.5 TWh, up slightly (+2.0%), due mainly to a higher output from coal-fired power plants.

Insofar as the pricing scenario is concerned, the time-weighted average (TWA) for the Single National Price (abbreviated as PUN in Italian) increased to 67.4 euros per MWh at June 30, 2011, up about 9.4% compared with the first half of 2010 (61.6 euros per MWh), due mainly to higher fuel prices, which caused the average power generation cost to rise above the average level reported in the first six months of 2010.

Price trends in peak hours and off-peak hours during the first half of 2011 provide a clearer picture of the dynamics suggested by an analysis of the TWA. Specifically, the increase in off-peak hour prices (up about 13%) was larger than the gain in peak hour prices (up about 4%), thereby narrowing the spread between peak and off-peak prices. This development shows that the rise in generation costs during peak hours is being mitigated by an increase in the reserve margin that reflects an expansion of installed and available capacity.



Demand for Natural Gas in Italy and Market Environment

2010 full year	in billions of m^3	1st half 2011	1st half 2010	% change
33.8	Services and residential customers	18.3	20.0	(8.3%)
17.6	Industrial users	9.1	8.9	2.3%
29.8	Thermoelectric power plants	13.9	14.4	(3.4%)
1.4	System usage and leaks	0.7	0.7	(4.8%)
82.6	**Total demand**	**42.0**	**44.0**	**(4.5%)**

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

In the first half of 2011, Italian demand for natural gas trended lower, compared with the same period a year ago, decreasing to about 42 billion cubic meters, for an overall reduction of about 2 billion cubic meters (-4.5%).
Warmer weather than in 2010 during the early part of the year, which lowered gas consumption by residential users, is the main reasons for this negative change.
The following factors characterized the first six months of 2011:

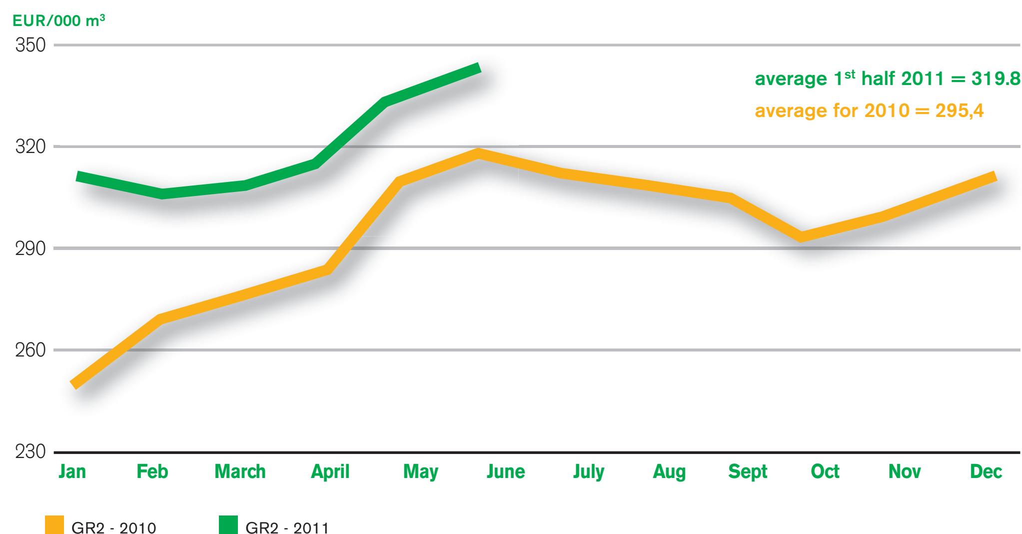
- a decrease of 8.3% in consumption by residential users, due to weather conditions characterized by warmer temperatures than in the previous year (in the first half of 2010, temperatures were lower than the historical average);
- higher demand by industrial users (+2.3%), spurred by tentative signs of economic recovery during the first six months of the year;
- lower consumption by thermoelectric power plants (-3.4%), due to higher production from coal-fired power plants and renewable energy systems.

With regard to supply sources, the following developments occurred the first six months of 2011:

- a decrease in domestic production (-6.2%, consistent with the downward trend of recent years, which is expected to continue in the future);
- a slight reduction in imports (-2.1%) that reflects a decrease in overall demand for natural gas in Italy; with regard to imports it is worth mentioning that, due to the upheaval in Libya, the supply of natural gas from that country through the Green Stream pipeline has been interrupted since February 22, 2011, causing an increase in imports from Russia;
- an increase in stored natural gas compared with 2010, due to the combined impact of a decrease in the volumes withdrawn in the first quarter of 2011, which reflected lower demand for natural gas, and an increase in the volume injected in the second quarter in response to a favorable trend in gas prices.

With regard to the pricing scenario at June 30, 2011, 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, the increase in natural gas prices was less than the gain shown by the formulas indexed to Brent crude priced in euros per barrel. Specifically, in the first six months of 2011, natural gas prices, which were affected only to a limited extent by changes in pricing fundamentals during the same period, reflected to a greater extent the combined impact of changes in crude prices and the euro/U.S. dollar exchange rate.

When the monthly price quotes of the Gas Release 2 (depicted in the chart provided below) are used as a benchmark, for the trend in the cost of natural gas imported under long-term contracts, the result is an increase of 11.8% for the Gas Release 2 formula compared with the first half of 2010 resulting from the high price levels of Brent crude.



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, was set at 298.7 euros per thousand cubic meters in the first half of 2011, for an increase of 16.9% compared with the rate of 255.5 euros per thousand cubic meters set in the same period last year.
It is important to keep in mind that the levels of the CCI for the two periods in question were set by two different resolutions (Resolution ARG/gas No. 64/09 and Resolution ARG/gas No. 89/10, respectively). More specifically, the second resolution, issued in a market environment characterized by low demand and potentially lower gas prices, aims at lowering the formula's level with the aim of *"ensuring that the benefits of cost reductions are equally shared by end customers with protected status and sellers."*

The table below shows the average prices for the Gas Release 2 and the CCI in the first half of 2011 and 2010:

2010 full year		**1st half 2011**	1st half 2010	% change
295.4	Gas Release 2 - euros/000 m^3 (1)	319.8	285.9	11.8%
270.0	CCI – euros/000 m^3 (2)	298.7	255.5	16.9%

(1) Gas Release 2: Gas sold by ENI to competitors pursuant to a 2007 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 Resolutions ARG/gas 192/08, 40/09, 64/09 and 89/10. 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 2011 that had an impact on the Group's businesses are reviewed below.

Electric Power

Production

Early termination of CIP 6/92 contracts: In 2010, Edison chose to file for early termination of CIP 6/92 contracts for power plants that use fossil fuels (Jesi, Milazzo, Porto Viro and Porcari), opting for payment of the consideration in installments. The termination is effective as of January 1, 2011.
The Ministry of Economic Development defined a decree setting forth the parameters and methods for early termination of contracts for power plants that use process fuels (Taranto and Piombino, for Edison). The decree is being reviewed by Italy's Audit Court (*Corte dei Conti*) and should be enacted before the end of July 2011.

Hydroelectric concessions: The hearing for oral arguments was held on June 8, 2011, in the appeal against the national provisions of Law No. 122/2010, which are being challenged before the Constitutional Court by the Regional Administration of Liguria (which is challenging Article 15, Section 6-*ter,* Letters b), d) and 6-*quater*) and the Regional Administration of Emilia Romagna (which is only challenging Section 6-*quater*) for alleged violation of Article 117, Section 3, of the Constitution. By Decision No. 205/2011 (filed on July 13, 2011), the Constitutional Court upheld the challenge filed by the Regional Administration of Liguria, ruling that Article 15, Section 6-*ter,* Letters b) and d), which provides a five-year extension of hydroelectric concessions and a further extension of seven year in special case, and the portion of Article 15, Section 6-*quater,* specifying that the provisions of Section 6-*ter,* Letters b) and d), shall apply until different statutes are enacted by the Regional Administrations in the areas under their jurisdiction, are unconstitutional (for violation of the allocation of jurisdictional authority outlined in Article 117, Section 3, of the Constitution).
With regard to the challenge filed by Italy's government against the Lombardy Regional Law (Article 14, Regional Law No. 19 of December 23, 2010) for alleged inconsistencies with the reference national and E.U. legislation, the hearing for oral arguments has been set for October 18, 2011. According to the central government, the regional legislators exceeded their jurisdiction and violated Article 117, Section 1, of the Constitution, as it applies to restrictions arising from E.U. legislation; Article 117, Section 2, Letter e), of the Constitution, as it applies to the protection of competition; and Article 117, Section 3, of the Constitution, as it applies to the production, transmission and national distribution of electric power.
In addition, by a letter dated March 15, 2011 giving notice of default, the European Commission began new proceedings for violation No. 2011/2026 with regard to Article 15, Section 6-*ter,* of Law No. 122/2010 (the "Budget Adjustment Law") because it found the measures adopted with regard to extensions of existing concessions to be in violation of the right of establishment provided under Article 49 of the Treaty on the Functioning of the European Union (TFEU). The Italian government provided its remarks by the required deadline (July 15, 2011).

Environment

Renewable Sources Decree: Legislative Decree No. 28 of March 3, 2011, concerning the "Implementation of Directive No. 2009/28/EC promoting the use of renewable energy sources, amending and subsequently repealing Directives No. 2001/77/EC and No. 2003/30/EC," was published on March 28, 2011 in issue No. 71 of the *Official Gazette of the Italian Republic.*
The new incentive system, which will go into effect on January 1, 2013, will be applied to new facilities, completely rebuilt or repowered facilities (added production capacity), hybrid power plants and facilities that have been partly of completely overhauled. The Decree calls for an ongoing incentive (feed-in incentive) over the entire length of the average standard useful life of each type of facility, starting from

the date the facility is commissioned, sufficient to provide a fair return on capital investments and operating costs. The incentive will be provided by means of contracts under private law between the Electrical Services Manager (abbreviated as GSE in Italian) and the party in charge of the facility (the contract will be defined by the Electric Power and Gas Authority - AEEG). Specifically:

- for facilities with a capacity yet to be defined (in any case, not less than 5 MW), the incentive will be diversified based on the energy source and capacity level and will be awarded when the facility is commissioned;
- for facilities with a capacity greater than the minimum specified threshold, the incentive will be awarded through a system of low bid auctions managed by the GSE.

Future decrees will specify the methods for implementing the incentive system and the auction process. The implementation decrees will be enacted within six months from the effective date of the legislative decree.

The Decree also provides incentives for partial or total renovation projects, based on capacity contingents, of amounts equal to 25% and 50%, respectively, of the power generating incentive available for new facilities. For biomass facilities, the incentives for partial or total renovation projects are equal to 80% and 90%, respectively, of the power generating incentive available for new facilities (incentive not available for scheduled maintenance activities and for projects to comply with regulatory requirements). Consequently, Section 10 of Article 23 (renovations by facilities qualified as generators from renewable energy sources) was deleted.

Specific rules are also provided for a transitional period. Facilities commissioned by December 31, 2012 will continue to receive incentives under the current system (Green Certificates and all-inclusive tariff system) until 2015. While the Green Certificate system is in effect, the mandatory allocation will stay at the level set forth in the 2008 Budget Law (7.55%) until 2012 and then gradually decrease to zero in 2015. For the period from 2011 to 2015, the GSE will buy back each year surplus Green Certificates, until 2015, at a price equal to 78% of (180 - PUN). All-inclusive tariffs and multipliers will remain constant until 2015, frozen at the current level. The reference amount of 180 euros per MWh will also remain frozen for facilities commissioned before December 31, 2012. Lastly, the GSE will buy back Green Certificates generated with cogenerating facilities combined with a district heating system at a price equal to the average market price in 2010.

For the period after 2015, the Decree provides coverage during the transition from the old to the new incentive mechanism (also for facilities that are not based on renewable energy sources) through the transformation of the right to Green Certificate into the right to the incentive provided under the Decree (feed in), so as to provide an adequate return on the investments.

The cumulative amount invested in plant and equipment for facilities commissioned after January 1, 2013 will be deductible from the amount subject to corporate income tax.

The Ministry is currently defining the detail and implementation regulations, which should be issued in 2011, shortly after the end summer.

Fourth Energy Account: The Ministry Decree of May 5, 2011 setting forth the rules governing the incentives for the production of electric power from photovoltaic facilities and the development of innovative technologies for photovoltaic conversion was published on May 12, 2011 in issue No. 109 of the *Official Gazette of the Italian republic.*

The Fourth energy Account, which will apply to photovoltaic facilities commissioned after May 31, 2011 and up to December 31, 2016, includes the following provisions:

- increase in the target of installed photovoltaic capacity by 2020 from 8 GW to 23 GW with an annual projected expense of 6-7 billion euros;
- introduction of the definition of small and large systems: i) small systems installed on buildings, capacity < 1 MW; ii) small buildings installed on the ground, capacity < 200kW and on-site exchange status; iii) large systems all other systems;
- definition of the indicative annual cumulative cost of the incentives as the sum of the amounts obtained by multiplying the capacity of each system by the incentive provided for the actual annual production (if available) or the estimated production capacity;

- introduction of an annual expense cap for the period from June 1, 2011 to December 31, 2012, only for large systems with indicative capacity objectives;
- from 2013 until 2016, exceeding the indicative expense cap will not limit access to incentivizing rates, but will cause rates to decrease in the period immediately following;
- introduction of an indicative annual expense cap for the years from 2013 to 2016 for photovoltaic systems featuring innovative characteristics (Title III) and for concentration photovoltaic systems (Title IV);
- for the photovoltaic systems covered by Title III and Title IV, in the years from 2013 onward, exceeding the established expense cap in a given period will cause the rates to decrease in the period immediately following.

This new incentivizing mechanism is expected to make it possible to achieve grid parity (i.e., technological competitiveness) in 2017.

Wholesale Market

Units that are essential for the electrical system's safety (must run facilities): the AEEG implemented the regulations enacted in 2010. Specifically, pursuant to Resolution ARG/elt No. 247/10 (of December 28, 2010), the San Filippo del Mela (MS) was declared eligible for cost reimbursement limited to 2011 for units connected at 220 kV and until 2013 for units connected at 150 kV. Also on this subject, the AEEG issued Resolution ARG/elt No. 8/11 by which it further clarified offer procedures on the Day Ahead Market by must run facilities eligible for cost reimbursement and, at the same time, updated the method used to compute reimbursable variable costs.
As for developments involving disputes in administrative courts are concerned, the Company, acting within the framework of the dispute concerning Resolution ARG/elt No. 97/08, filed a claim for damages based on the criteria defined by the Council of State for a similar claim filed by Enel. In another matter, the European Court of Justice has still not rendered the opinion requested by the Regional Administrative Court of Lombardy with regard to the complaint filed against Resolution ARG/elt No. 52/09.

Reform of the electric power market: No noteworthy developments occurred in this area during the first half of 2011, except for a freeze on the payment of additional consideration provided under the transitional capacity payment rules (Resolution No. 48/04, as amended by Resolution ARG/elt No. 166/10), following a decision by the Regional Administrative Court of Lombardy granting the stay requested by Enel and other industry operators.

Internal User Networks: The concept of Internal User Network (IUN) has been defined in Law No. 99/09, by which the AEEG was tasked with identifying IUN locations in Italy and preparing the applicable regulations concerning the delivery of connection, sale, dispatching, transmission, distribution and metering services for electric power. Insofar as the Edison Group is concerned, the Terni, Torviscosa and Taranto locations were included in the IUN list (Resolution ARG/elt No. 66/10). Detailed regulations are yet to be issued. However, during the first quarter of 2011, the AEEG issued Resolution VIS No. 5/11, by which it launched a fact-finding investigation about the current situation at the Terni location, focusing in particular on the management of the power plant and Edison's proprietary network and on the contractual relationships in effect with the network's users.

Pumping Facilities: Legislative Decree No. 93 of June 1, 2011, concerning the "Implementation of Directives No. 2009/72/EC, No. 2009/73/EC and No. 2008/92/EC setting forth common rules for the domestic markets for electric power and natural gas and an EU procedure on the transparency of prices charged to end industrial consumers of natural gas and electric power, and repeal of Directives No. 2003/54/EC and No. 2003/55/EC," was published on June 28, 2011 in issue No. 148 of the *Official Gazette of the Italian republic.* The only significant change for the wholesale market is the prohibition for Terna to engage in the production of electric power and operate generating facilities, even on a temporary basis. Terna will add a special section to the three-year transmission grid development plan.

Retail Market

Delinquencies - Indemnification system: At the end of June, the AEEG issued resolution ARG/elt No. 89/11, by which it postponed the effective date of the Indemnification System in its current final form, originally scheduled for January 1, 2012, thereby extending the effectiveness of the simplified system. The effective date of the final version of the Indemnification System will depend on the completion of the Integrated Information System (IIS), which will be operated by the Single Buyer and through which distributors and retailers of electric power and natural gas will interface to manage, in addition to the issues of receivables owed by end customers who are switching supplier, also the supplier switching process and, ultimately, the management of meter reading data.
Edison is challenging Resolution ARG/elt No. 219/10 (Provisions Governing the Implementation of the Indemnification System) in an appeal filed with the Regional Administrative Court of Lombardy on February 7, 2011. At the first hearing in these proceedings, held on March 16, 2011, Edison withdrew its motion to stay the implementation of the abovementioned resolution, asking instead that the Court set short-term a date for a merit hearing, which will be held on October 27, 2011.

Rates: On July 1, 2011, the reference prices for electric power set by the AEEG for the July-September quarter will increase by 1.9%, due mainly to the incentives provided for renewable or equivalent sources, mainly in the photovoltaic area (Resolutions ARG/elt No. 83/11, ARG/com No. 87/11 and ARG/com No. 88/11).

Code of Commercial Conduct: With regard to the new rules of the Code of Commercial Conduct for electric power and natural gas (Resolution ARG/com No. 104/10, as amended), which Edison, other large operators and industry associations challenged in an appeal filed with the Regional Administrative Court of Lombardy, an hearing for oral arguments was held in connection with a motion to preventively stay the Code's implementation last May 26, but the court has not yet issued a decision.

Commercial Quality Standard: At the end of June, following numerous requests by Edison and other operators to the AEEG, the effective date of a new standard, specific for sellers, which consists of awarding to customer automatically increasing compensation for days of delay, when the request for service is forwarded to the distributor past the deadline of two business days from the date of the customer's request (Resolution ARG/com No. 82/11), was postponed by one year, i.e., to July 2012. On the other hand, a general standard that went into effect on July 1, 2011 requires the seller to set up an appointment with the customer within one business day. Edison and Edison Energia challenged before the Regional Administrative Court of Lombardy the resolution that introduced these two new quality standards as of July 1, 2011 (Resolution ARG/com No. 147/10) and they are currently waiting for the administrative judge to hand down a decision.

Hydrocarbons

Rates and Market

Recently, the AEEG took action with regard to natural gas customer with protected status by:

- redefining, consistent with the provisions of Legislative Decree No. 93/2011, the scope of end customers for natural gas entitled to protected status, to include non-residential customers with consumption of up to 50,000 standard cubic meters a year, as well as public or private service entities that perform an activity recognized as providing assistance, including, by way of non-exhaustive example, hospitals, nursing homes and rest homes, jails and schools (Resolution ARG/gas No. 71/11);
- defining new criteria to determine the sellers' Wholesale Distribution Charge (abbreviated as CCI in Italian) for the October 1, 2011 to September 30, 2012 thermal year and calling for the start of a process to define a program aimed at reforming the economic terms for the supply of natural gas to customers with protected status and, specifically, the CCI component, starting on October 1, 2012, taking also into account potential market changes caused by the upcoming implementation of economic merit balancing (Resolution ARG/gas No. 77/11);

- updating the economic terms applied to the market for gas customers with protected status for the July-September quarter and raising them by 4.2% compared with the previous quarter, due to an increase in international crude oil prices in the past nine months (Resolution ARG/gas No. 84/11).

Launch of the Balancing Market: By Resolution ARG/gas No. 45/11, the AEEG defined the rules of the economic merit balancing market, setting the launch of its operating activity on July 1, 2011. The AEEG itself then postponed this deadline to December 1, 2011, due to a delay in updating and completing the information systems of Snam Rete Gas, the company responsible for the balancing process.

Infrastructures

Natural gas distribution: A Decree issued by the Ministry of Economic Development on January 19, 2011 entitled "Determination of territorial districts for the distribution of natural gas," concerning the award of concessions for distribution services, was published on March 31, 2011 in Issue No. 74 of the *Official Gazette of the Italian Republic."*
A total of 177 districts were identified, ranging in size from 50,000 to 300,000 end customers, excluding major metropolitan areas. The Ministry of Economic Development must now issue another decree listing the municipalities included in each district. Pursuant to the abovementioned decree, pending calls for tenders that have not yet been decided or for which the bidding regulations have not yet been published were suspended. Nevertheless, the municipal administrations disregarded this provision.
The publication in the *Official Gazette of the Italian Republic* of Legislative Decree No. 93/2011, which incorporates into Italian law the so-called "Third Energy Package," settled this dispute by grandfathering pending municipal calls for tenders but blocking any further initiatives by municipal administrations. Calls for tenders to provide gas distribution services will thus be performed on an optimum offer package basis.

Natural Gas Storage: Legislative Decree No. 93/2011 introduced important new developments with regard to strategic storage and modulation storage.
Responsibility for strategic storage no longer rests exclusively with importers of natural gas from countries outside the European Union ad is now the responsibility of all importers.
In addition, both the method by which the Ministry of Economic Development computes the annual total volume of the strategic reserve and the rules governing the mandatory contributions of individual importers to the total volume were amended.
With regard to modulation storage, the roster of end customers (so-called "vulnerable customers"), whose consumption determines the quota of the modulation storage assigned on a priority basis (pro rated) to the companies that supply consumption by these customers was amended. Specifically, as of October 1, 2011, the category of vulnerable customers will include, in addition to residential customers, users who provide a public service, including hospitals, nursing homes and rest homes, jails and schools and other public or private entities who perform an activity recognized as providing assistance, but will no longer include residential and non-residential customers with consumption of less than 200,000 cubic meters a year, but rather those with consumption of up to 50,000 cubic meters a year.
The remaining modulation storage capacity will be allocated to wholesalers through competitive bidding procedures defined by the Electric Power and Natural Gas Authority.
Differently from the indications provided in the outlines circulated during its approval process, the Decree confirms the adoption of a regulated system for storage services.

Gas Transmission: Noteworthy provisions of Legislative Decree No. 93/2011 include those requiring segregation of the operators of natural gas transmission systems from the other activities of vertically integrated business entities. The decree introduces three models that could be adopted by a vertically integrated business entity (Edison Spa) by March 3, 2012 to comply with the obligation to segregate Edison Stoccaggio - transmission operations.
The three alternative solutions that could be adopted by the Company include the following:
- make Edison Stoccaggio - transmission operations conform with the model of an independent transmission operator (ITO), maintaining the ownership and management of the transmission infrastructure;

- designate an independent system operators (ISO), which could be the main transmission business entity (Snam Rete Gas), and maintain only the ownership of the transmission infrastructure;
- implement the ownership separation (OU) of the operator of the transmission system, transferring to a third party the ownership and management of the transmission infrastructure.

If the ITO model is selected, Edison Stoccaggio - transmission operations will also be required, by March 3, 2012, to be certified by the AEEG as an operator of a natural gas transmission system.

Issues Affecting Multiple Business Segments

Nuclear: A people's referendum to partially repeal provisions concerning new power plants for the production of energy from nuclear sources was held on June 12-13, 2011. The original government statute (Legislative Decree No. 112 of June 25, 2008, as amended and converted into Law No. 133 of August 6, 2008) for which signatures were collected, was amended by Decree Law No. 34 of March 31, 2011 (Sections 1 to 8 of Article 5), amended and converted into Law No. 75 of May 26, 2011. By virtue of a subsequent decision by the Constitutional Court (Decision No. 174 of 2011), the referendum question submitted to the voters was amended accordingly. Specifically, the Central Referendum Office, transferred the previous referendum question to Sections 1 and 8 of Article 5 of the new statute, concluding that "they were not susceptible of posing an impediment to the referendum proceedings" because they set forth provisions that "retain, in the immediate and against the referendum intent, a pro-nuclear choice, defining the methods and instruments by which such choice can, and will continue to be, immediately operational."
The voter turnout was 57.01% (decreased to 54.79% considering the votes of Italians abroad), with 94.05% of the voters in favor of repealing the law.

European Energy Policies

E.U. ETS and CO_2 market. The main developments concerning the CO_2 market and the Emissions Trading System (ETS) are reviewed below:

- **CO_2 ETS auctions for 2013 - 2020:** Starting in 2013, the emissions rights for Phase III of the E.U. Emissions Trading System for the thermoelectric sector will no longer be allocated through the National Allocation Plans and will have to be acquired for consideration through an auction system. The auctions and the market will be organized in accordance with criteria harmonized at the E.U. level that will be set forth in Regulations governing the implementation of the new ETS Directive. The Commission announced an earlier start (in 2012) for auction sales of EUA permits for 120 million tons of CO_2 and indicated that 1.4 billion tons equivalents in emissions permits will be deducted from the amount of the rights at auction to mitigate the impact of the economic crisis (decrease in emissions) and of the long market position of phase II. This should help make the system more efficient in conveying to the market price signals for investments in carbon reduction measures.
- **ETS Registers:** On June 17, 2011, representatives of governments from EU countries approved an EU Regulation that introduces additional security measures to protect the operations of ETS Registers, following cyber attacks and the resulting closing of these registers in January 2011. Even considering the possibility of using "trusted accounts" and other measures to protect operators in the event of theft of access credentials, the Regulations still contain provisions to maintain the anonymity of the serial numbers of the acquired securities. This measure puts at risk credits returnable for compliance purposes to the extent that the list of fraudulent EUAs can be updated at any time, making credits purchased in the market "in good faith" useless.
- **Clean Development Mechanism (CDM) market:** The governments of the E.U. countries, acting upon a proposal by the Commission, adopted a European Decision that bans the use of credits (CERs) generated by CDM projects involving industrial gases (HFC-23 and N_2O) starting on May 1, 2013. In addition, on the occasion of the Environmental Council meeting of June 21, 2011, sixteen E.U. governments (Germany, UK, France, Austria, Belgium, Estonia, Greece, Sweden, Slovenia, Czech Republic, Malta, Bulgaria, Latvia, Luxembourg and Slovakia, but not Italy) signed a declaration by the Danish government agreeing not to use HFC credits in the third ETS period for Effort Sharing compliance purposes.

PERFORMANCE OF THE GROUP'S BUSINESSES

Electric Power Operations

Quantitative Data

Sources

2010 full year	GWh (*)	1st half 2011	1st half 2010	% change
41,824	**Production in Italy:**	**17,273**	**20,321**	**(15.0%)**
35,361	- Thermoelectric power plants	14,316	17,336	(17.4%)
5,734	- Hydroelectric power plants	2,600	2,629	(1.1%)
729	- Wind farms and other renewables	357	356	0.2%
30,070	**Other purchases** [1]	**17,649**	**14,331**	**23.2%**
71,894	**Total sources in Italy**	**34,922**	**34,652**	**0.8%**
943	**Production outside Italy**	**1,037**	**330**	**n.m.**

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

Uses

2010 full year	GWh (*)	1st half 2011	1st half 2010	% change
10,733	**CIP 6/92 dedicated**	**2,964**	**5,460**	**(45.7%)**
3,641	**Captive and other customers**	**1,924**	**1,790**	**7.5%**
57,520	**Deregulated market:**	**30,034**	**27,402**	**9.6%**
27,276	End customers [1]	11,564	13,716	(15.7%)
1,327	IPEX and mandates	1,198	501	n.m.
15,422	Wholesalers and industrial portfolio	12,687	7,045	80.1%
13,495	Other sales [2]	4,585	6,140	(25.3%)
71,894	**Total uses in Italy**	**34,922**	**34,652**	**0.8%**
943	**Sales of production outside Italy**	**1,037**	**330**	**n.m.**

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

Financial Highlights

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
7,289	**Sales revenues**	**3,832**	**3,438**	**11.5%**
1,055	EBITDA	361	428	(15.7%)
1,130	Adjusted EBITDA [1]	388	483	(19.7%)
242	Capital expenditures	85	139	(38.8%)
1,949	Number of employees [2]	1,940	1,950	(0.5%)
119	- including these employees of discontinued operations	119	-	-

(1) See note on page 12.
(2) End-of-period data. The changes are computed against the data at December 31, 2010.

Production and Procurement

In the first half of 2011, Edison's portfolio of sources was substantially unchanged compared with the same period last year, even though the mix had changed.

Production in Italy decreased to 17,273 GWh, or 15% less than in the first six months of 2010 as thermoelectric production declined by 17.4% and the output of hydroelectric power plants contracted slightly (-1.1%), consistent with the national trend. On the other hand, production from wind farms and other renewable-source facilities held relatively steady (+0.2%), as the contribution provided by the San Francesco wind farm, purchased in July 2010, full-capacity utilization of the Mistretta wind farm and the investments made in the photovoltaic area more than offset a decrease in production by other wind farms caused by a reduced availability of wind power.

Other purchases carried out to round out the sources portfolio increased by 23.2% compared with the first half of 2010, 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 more than tripled, thanks to the contribution provided by the new power plant in Thisvi, in Greece, operated by Elpedison Power, which is being consolidated as of December 2010.

Sales and Marketing

In the first six months of 2011, sales of electric power totaled 34,922 GWh, roughly the same as in the same period last year.
Sales in the CIP 6/92 segment were down sharply (-45.7%), due to the early termination and contractually scheduled expiration of some contracts.
In the deregulated market, volumes sold to end customers decreased by 2,152 GWh (-15.7%), offset by a gain in unit sales to wholesalers, which grew by 5,642 GWh (+80.1%). These trends are also explained by a change in the way power is being supplied to some business customers (high energy users who are no longer served directly) who, in the first half of 2011, availed themselves of the “Interconnector” option, introduced at the end of 2009 by the Electric Power and Gas Authority with Resolution No. 179/09, as amended, which was enacted to implement Law No. 99/2009.
This option enabled customers in this market segment to purchase power on the wholesale market, with a virtual importation mechanism, thereby benefiting from energy prices typically available on European markets, provided they agreed to participate in investment projects for new importation infrastructures.
Also in connection with the “Interconnector” option, Edison offered a service for the physical delivery of electric power to customers in Italy through some subsidiaries that, as wholesalers, were bidders at auctions for shipping energy to customers who use the “Interconnector” option.
Lastly, given the scenario volatility and the deteriorating profitability of the spot market, the Group continued to pursue in 2011 a strategy of minimizing its exposure to the risk of fluctuations in commodity prices, limiting the volumes it offered on the Power Exchange.
As mentioned above in the section on procurement, other sales in the deregulated market include volumes generated as a result of specific operating modes of the production facilities.

Operating Performance

In the first half of 2011, sales revenues grew to 3,832 million euros, or 11.5% more than in the same period last year. Higher sales prices, driven by favorable conditions in the benchmark scenario, account for this improvement.
Adjusted EBITDA totaled 388 million euros at June 30, 2011 (483 million euros in the first six months of 2010). The decrease of 19.7% compared with the same period last year is largely the result of the early termination and contractually scheduled expiration of some CIP 6/92 contracts and reflect the impact of activities in the deregulated market, where the positive effect of higher sales volumes was offset by continued pressure on sales margins.

Capital Investments

Capital expenditures by the electric power operations, which totaled 85 million euros at June 30, 2011, were allocated as follows: about 28 million euros for thermoelectric operations, used mainly to revamping the Bussi power plant; about 20 million euros to streamline and modernize hydroelectric power plants; and about 37 million euros for renewable-source facilities. Renewable-source projects included repowering the San Giorgio wind farm and expanding the Foiano (BN) wind farm (about 20 million euros) and construction of new photovoltaic systems, including those located at Oviglio and Cascine Bianche (AL) (about 15 million euros).

Hydrocarbons Operations

Quantitative Data

Sources of Natural Gas

2010 full year	in millions of cubic meters	1st half 2011	1st half 2010	% change
509	Production in Italy	232	266	(12.8%)
7,671	Pipeline imports	3,105	4,047	(23.3%)
5,813	LNG imports	3,286	2,874	14.4%
1,873	Domestic purchases	1,057	710	48.8%
(27)	Change in stored gas inventory [1]	110	282	(61.1%)
15,839	**Total sources in Italy**	**7,790**	**8,179**	**(4.8%)**
1,458	**Production outside Italy [2]**	**788**	**725**	**8.7%**

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

Uses of Natural Gas

2010 full year	in millions of cubic meters	1st half 2011	1st half 2010	% change
2,975	Residential use	1,284	1,979	(35.1%)
1,460	Industrial use	768	771	(0.5%)
10,294	Thermoelectric fuel use	4,640	4,887	(5.1%)
1,110	Other sales	1,098	542	102.8%
15,839	**Total uses in Italy**	**7,790**	**8,179**	**(4.8%)**
1,458	**Sales of production outside Italy [1]**	**788**	**725**	**8.7%**

[1] Counting volumes withheld as production tax.

Crude Oil Production

2010 full year	in thousands of barrels	1st half 2011	1st half 2010	% change
2,331	Production in Italy	1,082	1,180	(8.3%)
1,159	Production outside Italy [1]	556	581	(4.2%)
3,490	**Total production**	**1,638**	**1,761**	**(6.9%)**

[1] Counting volumes withheld as production tax.

Financial Highlights

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
5,040	**Sales revenues**	**2,560**	**2,552**	**0.3%**
413	EBITDA	180	247	(27.1%)
338	Adjusted EBITDA [1]	153	192	(20.3%)
193	Capital expenditures	150	96	56.3%
52	Investments in exploration	7	21	(66.7%)
1,357	Number of employees [2]	1,352	1,366	(0.4%)

[1] See note on page 12.
[2] End-of-period data. The changes are computed against the data at December 31, 2010.

Production and Procurement

In the first half of 2011, production of natural gas, counting the output both of Italian and international operations, totaled 1,020 million cubic meters, up slightly (+2.9%) compared with the same period last year. A gain in production outside Italy (+8.7%) helped offset the impact of the natural depletion of existing fields in Italy. Production of crude oil totaled 1,638,000 barrels, compared with 1,761,000 barrels in the first six months of 2010. Production was down in Italy, reflecting the natural depletion of existing deposits.

Pipeline imports of natural gas under long-term contracts decreased by 23.3%, due to a reduction in consumption, mainly by residential and thermoelectric users.

A significant development in this area has been the interruption of the supply of natural gas from Libya through the Green Stream pipeline since February 22, 2011. The resulting shortfall was made up by stepping up imports under other contracts in the procurement portfolio, consistent with contractual flexibility options.
Import of LNG from Qatar, which is regasified at the Rovigo LNG terminal, were up 14.4%

Sales and Marketing

Unit sales of natural gas to customers in Italy totaled 7,790 million cubic meters, for a decrease of 4.8% compared with the first half of 2010.
Specifically, sales to residential users decreased by 35.1%, reflecting a loss of market share caused by falling gas prices, depressed to the point of being lower than procurement costs, while deliveries to thermoelectric users were down 5.1%, due mainly to lower gas consumption by the Group's thermoelectric power plants, offset only in part by higher sales to thermoelectric facilities of external customers. Sales to industrial users were substantially the same as in the corresponding period last year.
Sales to wholesalers and volumes traded on the virtual exchange facility totaled 1,098 million cubic meters (542 million cubic meters in the first half of 2010).

Operating Performance

In the first half of 2011, sales revenues amounted to 2,560 million euros, little changed compared with the same period last year, as the effect of rising benchmark prices helped offset the impact of lower unit sales.
Adjusted EBITDA totaled 153 million euros in the first half of 2011, down (-20.3%) compared with the same period last year. This reduction is attributable exclusively to the activities that engage in buying and selling natural gas, which generated a loss in the first six months of 2011. It is worth mentioning that, to this date, unit sales margins have remained negative in this business segment, due to strong competitive pressure that has driven market prices lower than the procurement costs paid under long-term importation contracts. The decline in market prices is the combined result of excess supply and the availability of large quantities of spot gas, offered at prices sharply lower than those paid under conventional long-term gas procurement contracts, magnified by a slump in Italian demand for natural gas compared with pre-crisis levels.
For this reason, as mentioned earlier in this Report, Edison began the process of renegotiating long-term contracts for the importation of natural gas, consistent with its commitment to restore reasonable levels of profitability to its portfolio of long-term contracts. It is worth noting that the EBITDA of the Hydrocarbons Operations for the first half of 2011 benefited from the successful renegotiation of the long-term contracts for the supply of natural gas from Norway and Russia completed wit ENI and Promgas, respectively.

The reduction in profitability described above was offset in part by a gain in the EBITDA of the E&P activities, which benefited from rapidly rising oil prices and the positive effect of an increase in natural gas production from the Rosetta and Abu Qir concessions, in Egypt.

Capital Investments

Capital investments totaled about 150 million euros in the first half of 2011.
The main investments in Italy included: 20 million euros for sidetrack drilling activities of wells 7 and 11 at the Daria field, 13 million euros to increase the capacity of the San Potito and Cotignola fields, 6 million euros to increase the capacity of the Collalto field, 3 million euros to develop the Argo and Panda offshore fields, and 1 million euros to develop the new Capparuccia (AP) field.
Investment projects in Egypt focused on the Abu Qir concession (89 million euros), where work continued on the construction of the new NAQ PII platform and the renovation and expansion of the existing NAQ PI platforms.

Exploration Activities

In the first six months of 2011, the Group invested about 7 million euros in exploration. Virtually the entire amount was allocated to projects outside Italy, focusing on Norway, where surveying and seismic data acquisition projects are continuing in connection with recently awarded exploration licenses.

Corporate Activities and Other Segments

Financial Highlights

2010 full year	(in millions of euros)	1st half 2011	1st half 2010	% change
51	**Sales revenues**	**24**	**25**	**(4.0%)**
(99)	EBITDA	(50)	(49)	(2.0%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*	
70	Capital expenditures	1	64	n.m.
633	Number of employees [1]	635	635	0.3%

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

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

Sales revenues and EBITDA were virtually unchanged compared with the first six months of 2010.

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

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 a reconciliation of the Group interest in net profit (loss) for the period and the shareholders' equity attributable to the shareholders of the controlling company at June 30, 2011 to the corresponding data for Edison Spa, the Group's Parent Company.

Reconciliation of the Net Profit (Loss) of Edison Spa to the Group Interest in Net Profit (Loss)

(in millions of euros)	1st half 2011	1st half 2010
Net profit (loss) of Edison Spa	**(96)**	**196**
Intra-Group dividends eliminated in the consolidated financial statements	(94)	(188)
Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa	121	123
Other consolidation adjustments	7	11
Group interest in net profit (loss)	**(62)**	**142**

Reconciliation of the Shareholders' Equity of Edison Spa to the Shareholders' Equity Attributable to the Shareholders of the Controlling Company

(in millions of euros)	06.30.2011	12.31.2010
Shareholders' equity of Edison Spa	**6,773**	**6,864**
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	(2,216)	(2,273)
- Recognition of the shareholders' equities of consolidated companies	3,290	3,326
Valuation of investments in associates measured by the equity method	10	8
Other consolidation adjustments	22	14
Shareholders' equity attributable to the shareholders of the controlling company	**7,879**	**7,939**

INNOVATION, RESEARCH AND DEVELOPMENT

In the first half of 2011, 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.
Research activities in collaboration with EDF's Research Department continued, within the framework of a specific agreement aimed at developing synergies between the respective competencies and research organizations.

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. In addition to laboratory activities, which are typically included in European or regional projects, field testing of a pre-commercial system got under way in the first half of 2011.

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 in the first six months of 2011. This area encompasses a wide spectrum of constantly evolving technologies, many of which are also part of the broader field of "smart grid technology."

HEALTH, SAFETY AND THE ENVIRONMENT

Contributing to the fight against climate change and the development of an energy system with a reduced environmental impact, while supporting the development of our employees and providing them with healthy and safe workplaces are two of the challenges inherent in Edison's responsibility.
With this in mind, Edison addresses and manages environmental and safety issues taking an integrated system approach. Accordingly, the Company 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 2011 and projects under development are reviewed below.

Occupational Safety

In the first half of 2011, the occupational safety performance for Group employees improved significantly compared with the previous year, with the Injury Incidence Rate falling to 1.8 (3.8 at the end of 2010) and the Lost Workday Incidence Rate decreasing to 0.02 (0.15 at the end of 2010). With regard to employees of contractors, the Injury Incidence Rate increased to 6.1 in the first six months of 2011 (3.8 the previous year), due in part to the smaller number of work hours. On the other hand, the Lost Workday Incidence Rate improved to 0.07 compared with 0.12 at the end of 2010.
At Edipower, the occupational safety indices remained at a relatively low level for company employees in the first half of 2011, with an Injury Incidence Rate of 1.10 (4.2 at the end of 2010) and a Lost Workday Incidence Rate of 0.00 (0.14 at the end of 2010).
The readings for employees of maintenance contractors during the same period showed an Injury Incidence Rate of 7,17 and a Lost Workday Incidence Rate of 13,41. The Lost Workday Incidence Rate was up sharply compared with December 31, 2010, due to an accident resulting in the death of an employee that occurred at the Sermide thermoelectric power plant in April, which, however, was caused by an event beyond the company's responsibility (sudden illness of the employee).

Activities Concerning Occupational Health and Safety

The main activities carried out or launched in the first half of 2011 in this area are reviewed below:
- The Risk Assessment Documents were reviewed and updated. The results of the assessments were discussed at the periodic safety meetings required by current regulations (Article 35 of Legislative Decree No. 81/08), during which progress reports on the implementation of training processes and the macro-results of employee health monitoring programs were also presented.
- A preliminary assessment of risk from work-related stress, designed in accordance with the general guidelines of the European Agreement of October 8, 2004, was completed. The assessment process did not shown the presence of any significant situation. The work carried out included defining and assessing some preventive activities concerning further study of issues in areas that appear to entail greater risk potential, providing information to employees and/or their representatives, providing training for supervisors and implementing structured monitoring programs for some risk indicators.
- An annual training program for Prevention and Protection Service Managers, which included issue-specific training sessions for a total of 20 hours a year per person, was started.
- The Company launched at its Foro Buonaparte headquarters in Milan and at its Rome and Bologna offices a project called "Dicci la Tua" (Tell Us About it), based on observing risky behavior and a structured system to collect improvement suggestions. This project, which requires the involvement and participation of all employees at the abovementioned offices, is designed to promote a more widespread culture of safety and a greater acceptance of personal responsibility in this area.

Environmental Activities

In recent years, consistent with a commitment to pursue continuous improvement, Edison's environmental performance reached levels of excellence, thanks to the methodical adoption of

virtuous organizational models based on the implementation of certified management systems, the deployment of the best available technologies and the ongoing use of projects to train and educate Company staff and employees of contractors. As a result of this approach, no accident with an impact on the environmental matrices (soil, subsoil, surface water and biodiversity) occurred in the first six months of 2011.

The main activities carried out or launched in the first half of 2011 in this area are reviewed below:

- the Sustainability Report of the Edison Group, which was published during the first half of 2011 to present the achievement of 2010, lists the main indicators of environmental performance (energy consumption, emissions into the atmosphere, water used and effluents produced, waste generated, environmental accounting), which, taken as a whole, confirm the effectiveness of the policy and programs implemented by the Company to steadily reduce the environmental impact of its activities.
- The Company continued to monitor on an ongoing basis the implementation process of the online waste traceability control system (known as SISTRI in Italian), which is supposed to profoundly alter waste management procedures in Italy. After completing the process of registering all local units of the Edison Group that generate waste or process it (Castellavazzo biomass power plant and Gever thermoelectric power plant in Verzuolo), work continued on activities in preparation for the start of the system, which, due to operating difficulties, has been further postponed to September 2011.
- The process of mapping biodiversity in the areas where the operating facilities of the Edison Group are located was completed and action plans to protect biodiversity in those areas have been developed.
- Characterization, safety assurance and environmental remediation work continued, focusing mainly on particularly significant industrial sites potentially polluted by activities carried out in the past.

Electric Power Business Unit

In June, a monitoring audit of the integrated environmental and safety management system of the Thermoelectric Division was performed by the CSQ-IMQ certification entity with a positive outcome.

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. As part of this project, work continued at the Comiso gas production facility, with completion and a certification visit by an independent entity expected by the end of the year.

Management activities continued in connection with the development of the San Potito and Cotignola gas storage field, particularly with regard to the requirements of the “significant risk” regulations and environmental permits.

Renewable Sources Business Unit

The following activities were carried out with regard to the implementation of integrated environmental and safety management systems:

- the periodic monitoring inspection of the environmental management system of the Castellavazzo biomass power plant operated by Compagnia Energetica Bellunese Spa was successfully completed. The system will be broadened to cover health and safety by the end of the year.
- Work got under way on the development of an integrated environmental and safety management system at the hydroelectric sites operated by Sistemi di Energia, with the goal of performing the initial regulatory compliance audit by the end of the year.
- The integrated environmental and safety management system of Edison Energie Speciali was updated to cover the processes related to energy production by photovoltaic systems.

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 reference standard, was successfully completed in the first half of 2011.

Edipower Spa

Work carried out at the San Filippo del Mela power plant in the first half of 2011 included bringing to full operating capacity the last AS/SVE system for soil vapor remediation in a section of the power plant's compound. These activities also allowed an expansion of the activities required by the environmental remediation plan, carried out with cross-checked controls together with the relevant local entities (Provincial Administration and Arpa Messina). The implementation of the complete Monitoring Plan will enable Edipower to begin the verification phase for the environmental matrices (aquifer, soil, vapors), with the aim of obtaining from the relevant public entity the remediation testing certificates for the power plant's contaminated areas.

As for the Brindisi power plant, on December 20, 2010, Edipower and the Ministry of the Environment signed a settlement agreement by which Edipower joined the Program Agreement signed on December 18, 2007 by the Ministry of the Environment and all public administrations with jurisdiction over the Brindisi Site of National Interest. In the first half of 2011, Edipower attended the Services Conference convened by the Ministry of the Environment to assess the remediation projects presented to return the areas included in the Brindisi Site of National Interest to their appropriate use, which is a prerequisite for starting the planned environmental investment projects.

Activities completed in the first half of 2011 included an internal training program, structured into four sessions, concerning the new system for the Classification, Labeling and Packaging of hazardous chemicals (EC Regulation No. 1272/2008 "CLP"), the preparation and assessment of the new Safety Data Sheets (EC Regulation No. 453/2010) and the evolution of REACH. This program, which was aimed at the professional development of Prevention and Protection Service Managers, Chemistry Department Managers and Purchasing Managers at headquarters and production facilities, involved over 40 Edipower employees.

With regard to the Company's environmental performance, specific emissions of nitric oxide decreased by 17% compared with the first half of 2010, while emission of sulfur dioxide, particulates and carbon monoxide were substantially in line with last year's level.

The decree granting the Integrated Environmental Permit for the Chivasso power plant became effective in January 2011.

In the first half of 2011, work continued on the activities required to adopt a Safety Management System specifically compliant with the BS OHSAS 18001/2007 reference standard for all of Edipower's production units. Specifically, the Tusciano Hub obtained certification of its management system in May and implementation and verification activities are ongoing at all other facilities. For the Brindisi and Udine power plants, which were certified in September 2010, the periodic verification activities required to maintain the certification were successfully completed. At each production unit, the Safety Management Systems were integrated with the Environmental Management Systems to obtain integrated Safety and environmental Management Systems that will require just one periodic inspection.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Human Resources

At June 30, 2011, counting the staff of companies consolidated on a proportional basis, the Edison Group had a total of 3,927 employees on its payroll, 12 fewer than at December 31, 2010.

Industrial Relations

An agreement renewing the National Collective Agreement, which expired on December 31, 2009, was signed on March 10, 2011 with the labor unions representing workers in the gas and water industries. 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.
As for Edipower, industrial relations at the company level focused primarily on identifying solutions to achieve operating flexibility and contain labor costs at facilities with a low utilization profile. Significant agreements in this respect were executed in February 2011 for the San Filippo del Mela and Turbigo power plants and in April for the Brindisi facility with the aim of identifying a plurality of tools to manage the company's staff during plant downtime in the course of the year. In addition, the implementation of programs to streamline the company's staff continued, resulting in the signing in May of an agreement with the unions for the Piacenza power plant.

Organization

The main new developments concerning the Group's organization included redefining the responsibilities and organizational model of the Information Technology Department.
Edipower, following a change in top management, adopted a new organizational structure in the first half of 2011 with the aim of exploiting new synergies and identify new sources of organizational efficiency.

Training

A significant project in the Training and Development area was the start of an important training program for the professional population called "Specialization Course in the Energy Business and Utilities," which focuses on the energy business competencies required to manage business processes with an integrated approach. The aim of this course, which was developed together with Milan's Politecnico University, is to establish a "training standard" for professionals with a crossfunctional vocation. The course will end in December 2011 with the implementation of work projects designed by the employees.
Other initiative carried out in 2011 included a Management Course for newly appointed Edison and Edipower managers. This program, which was delivered by a mixed faculty of instructors and company executives, is designed to provide young managers with a system-wide view of the main aspects of a manager's role, from strategic analysis models applied to the energy sector to business economics; from managing change to managing staff.
An initiative designed as an updating program addressed to the plurality of the managerial population was the internal seminar entitled "The first 10 years of deregulation in the electric power market: results and outlook," which focused on relevant business issues.
As part of a workshop on the transfer of knowledge carried out in connection with the World Day for Cultural Diversity for Dialog and Development promoted by UNESCO, the Company launched a structural assessment (supported in part by a survey of all employees) of the most effective mechanisms for the transfer of business knowledge and skills, specifically by recognizing the value of "senior experts" and encouraging their involvement.
In the training and development area, Edipower is in the process of implementing occupational health and safety training programs and technical-specialized training programs aimed at developing the competencies required by the organizational changes that occurred early in 2011.
In the first half of 2011, funding for institutional training program was again provided by the training account of the Fondimpresa and Fondirigenti inter-professional 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 within an integrated framework 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.

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, and the related foreign exchange risk.
The specific objectives and operating procedures of the energy risk management process are discussed in detail in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management," which should be consulted for additional information.

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 national and local public institutions, so as to develop opportunities for discussing and promptly assessing the impact of regulatory changes, with the aim of minimizing the resulting economic impact.

The main changes in the legislative framework, which are discussed in detail in the section of this Report entitled "Legislative and Regulatory Framework," are reviewed below:

- **Renewals of Hydroelectric Concessions**
  Pursuant to Article 12, Section 1-*bis,* of Legislative Decree No. 79 of March 16, 1999 (introduced by means of Law No. 122/2010 with the aim of starting the renewal process for expiring concessions) a five-year extension can be granted to the holders of expiring concessions, plus 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 bases used to compute concession fee surcharges payable to the local watershed entities and Mountain Water Basins referred to in Law No. 925/1980.
  However, these extension are subject to a supersession clause, pursuant to which all of the abovementioned provisions are applicable only until different regional regulations are enacted with regard to this issue, within the scope of the respective jurisdictions.
  In any case, the abovementioned provisions were challenged before the Constitutional Court by the Regional Administration of Liguria and the Regional Administration of Emilia Romagna. The hearing for oral arguments was held on June 8, 2011. By Decision No. 205/2011 (filed on July 13, 2011), the Constitutional Court upheld the challenge filed by the Regional Administration of Liguria, ruling that the five year extension and the additional seven year extension of the hydroelectric concession were unconstitutional, as was the supersession clause, in the part that specifies that the extensions shall apply until different statutes are enacted by the Regional Administrations in the areas under their jurisdiction.
  Moreover, choosing to enforce the abovementioned supersession clause, the Regional Administration of Lombardy published new regulations on December 27, 2010 (effective as of December 28, 2010), pursuant to which, exclusively for concessions expiring on or before December 31, 2015, the holder of an expiring concession may be granted, in lieu of the five-year extension provided by Law No. 122/2010, a temporary extension of up to five years. The regulation enacted by the Regional Administration of Lombardy was in turn challenged by the central government on jurisdictional grounds. The hearing for oral arguments has been scheduled for October 18, 2011.
  Lastly, by a letter dated March 15, 2011 providing notice of default, the European Commission began new proceedings for violation against the Italian government alleging that the extensions of existing hydroelectric concessions provided by Italy pursuant to Law No. 122/2010 are in violation of the right of establishment provided under Article 49 of the Treaty on the Functioning of the European Union (TFEU). The Italian government provided its remarks by the required deadline (July 15, 2011).

- **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.
  Subsequently, the Ministry of Economic Development issued a general implementation decree for binomial rate facilities, to which Edison responded by filing a binding application for early termination of CIP 6/92 contracts for the Jesi, Milazzo, Porto Viro and Porcari power plants, opting for payment of the consideration in installments.
  Lastly, the Ministry finalized the decree governing the early termination mechanism for mononomial rate facilities. The decree is being reviewed by Italy's Audit Court (*Corte dei Conti*) and should be enacted before the end of July 2011.

- **Environmental Costs: CO_2 Emissions Rights**
  With regard to the reduction of CO_2 emissions, the current E.U. regulations (Directive No. 2009/29/EC, which amends Directive No. 2003/87/EC) governing the trading of CO_2 emissions

rights (E.U. ETS) requires, effective January 1, 2013, that thermoelectric operators purchase for consideration the necessary CO_2 emissions rights. Specifically, the allocation of permits for consideration will be carried out by means of auctions. The impact on energy companies will depend on the prices of CO_2 emissions rights and the potential volatility of the market for these rights.

- **Provisions Concerning Incentives for Renewable Energy Sources**

  The Italian government prepared and approved the decree that implements Directive No. 2009/28/EC concerning incentives for the production of electric power from renewable energy sources, which was signed by Italy's President on March 5, 2011. This legislative decree calls for the following:
  - the award of an incentive that will remain constant over time (feed-in tariff), starting on January 1, 2013, for new facilities commissioned after December 31, 2012 with an installed capacity equal at least to a not-yet determined "P" level (in any case, not less than 5 MW).
  - The award through a low bid auction (managed by the GSE) of an incentive (feed-in tariff) for new facilities commissioned after December 31, 2012 with an installed capacity greater than "P" MW. The auction amounts will be limited based on installed capacity and source/technology.
  - The award of an incentive also for repowering projects, partial or total renovations, complete rebuilding projects and hybrid power plants.
  - Existing facilities (commissioned before December 31, 2012) will continue to benefit from CVs and the fixed tariff system until 2015. According to the decree, CVs may be converted into feed-ins for the remaining duration of the right to receive the incentive in accordance with methods that ensure a return on the investments made.
  - A transitional period during which the green certificates (GCs) and the mandatory allocation for thermoelectric operators will remain in effect. As scheduled, the mandatory allocation will rise steadily until 2012 (7.55%) and then gradually decrease to zero in 2015. The GSE will take back surplus green certificates at a price equal to 70% of the reference price (listed in Law No. 244/07), consistent with the provisions recently introduced by Article 45 of Law No. 122/10.

  The Ministry is currently defining the detail and implementation regulations, which should be issued immediately after the end summer.

Price Risk and Foreign Exchange 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.
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, and the use of financial derivatives that are commonly available in the market for the purpose of containing the risk exposure within preset limits.
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 by means of strict risk limits and compliance with these limits is verified by an organizational unit independent of those who execute the transactions.
A more detailed analysis of these risks is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management."

Foreign Exchange Risk

The foreign exchange risk arises from the fact that some of Edison's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. Edison's policy in managing its foreign exchange risk is to minimize its exposure

arising from commodity activities, in accordance with approved limits and strategies governed by the Energy Risk Policies. A more detailed analysis of this risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management."

Interest Rate Risk

Because it is exposed to fluctuations in interest rates primarily with regard to the measurement of debt service costs, the Edison Group assesses on a regular basis its exposure to the risk of changes in interest rates and uses derivatives to hedge its positions. The Group's main interest rate exposure is to the Euribor.
A more detailed analysis of the interest rate risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management."

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 disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management."

Competitive Pressure

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, which has caused a steady erosion of natural gas sales margins. In addition, some foreign producers from countries with abundant hydrocarbon 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. Moreover, the natural gas market is currently going through a phase of excess supply that developed due to a number of concurrent factors, including the full availability of new importation infrastructures started in previous years, an ample supply of LNG and the development of major reserves of non-conventional gas in the United States, which resulted in a corresponding reduction in U.S. imports.
Among the various actions taken to minimize the competitive pressure risk in the hydrocarbon area, a major contractual tool is the enforcement of clauses allowing the renegotiation of prices, based on changes in the benchmark energy scenario and market conditions, which are included in long-term natural gas supply contracts. In this respect, Edison is engaged in activities specifically focused on renegotiating existing contracts with all its current suppliers of natural gas. The success of these negotiations is essential to relieve over the near term the pressure on sales margins that the Group is currently experiencing in the natural gas area. For some of its suppliers, the Group filed for arbitration proceedings with the aim of asserting Edison's right to obtain reasonable margins that are commensurate with its long-term commitments, without the immediate need to secure short-term fixes that could prove to be detrimental over the medium term.

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 these Condensed Consolidated Semiannual Financial Statements at June 30 entitled "Innovation, Research and Development."

Demand for Electric Power and Natural Gas

Generally, demand for electric power and natural gas is tied to changes in GDP. The situation created by the global economic crisis that started in the last quarter of 2008 continued in 2009, causing demand for electric power to show negative growth, compared with the previous year. The trend turned positive in 2010, but the year ended with demand for electric power that remained well below the level reached before the abovementioned global economic crisis. The upward trend that characterized 2010 continued in the first half of 2011, during which electric consumption was slightly higher than in the same period a year earlier. The weak upward trend that developed during the first six months of the year is expected to continue for the balance of the year, with an overall level of demand for electric power slightly higher than in 2010. Given this environment, it seems reasonable to assume that it will take a few additional years before demand can return to its pre-crisis levels.
Demand for natural gas was also affected by the economic crisis, with consumption decreasing in 2009. In 2010, overall consumption increased compared with the previous year, even though demand levels were significantly lower than those reached before the global crisis. In the first half of 2011, overall consumption was less than in the same period in 2010, due mainly to higher average temperatures. Specifically, the negative peak occurred in April, when demand for natural gas was down by 15% compared with the same month the previous year, due in part to a contraction in consumption by thermoelectric power plants. Based on current projections, total consumption for 2011 should be up slightly compared with 2009, but still lower than the level achieved last year, when demand benefited from unusually cold weather. The reduction in the overall level of demand for energy put significant pressure on sales margins, already adversely affected by the competitive pressure developments described in the preceding paragraph, particularly in the natural gas area, and could have an impact on the Company's exposure to take-or-pay clauses in long-term contracts for the supply of natural gas. Under these clauses, Edison is required to take delivery each year of contractually determined volumes of natural gas or, should it fail to do so, pay the full amount, or a portion thereof, owed for the undelivered volumes up to the contractual minimum. However, under the take-or-pay clauses, Edison can take delivery of the abovementioned prepaid volumes in subsequent contract years. Based on internally developed forecasts, management believes that it will be able to take delivery, within the applicable contract terms, of the gas volumes prepaid at June 30, 2011, thereby recovering the cash advances paid, net of the finance charges associated with the abovementioned advances.
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.
Among the activities carried out in this area, in addition to specific initiatives aimed at renegotiating the prices of the abovementioned long-term contract for the importation of natural gas, 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 the National Fire Protection Association (NFPA) and the Factory Mutual (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 damage events.

Additional information about the management of environmental and occupational safety risks is provided in the section of this Interim Report on Operations at June 30, 2011 entitled "Health, Safety and the Environment."

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, implementing on a timely basis negotiations for the funding of maturing financing facilities and scheduling the placement of bond issues.

A more detailed analysis of this risk is available in the disclosure provided pursuant to IFRS 7 in the section of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 entitled "Group Financial Risk Management."

Strategy and Planning Risks

Investments in Development and Acquisitions and Presence in the International Markets

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 the Edison Group is constantly engaged in programs to upgrade older facilities in order to increase their yield, efficiency and operating flexibility. In addition, the average age of the thermoelectric power plants in Edison's portfolio of production facilities is quite low,

because in recent years the Group completed an ambitious program to expand electric power generating capacity, adding a total of 7,000 MW in Italy. Moreover, also in the areas of electric power distribution and production, the Group is pursuing a strategy of international expansion, focusing on the Balkans and Southeast Europe. As part of this effort, three foreign branches were recently established in Bulgaria, Hungary and Romania to pursue opportunities in sales of electric power. Also in this area, a new CCGT thermoelectric power plant built in Thisvi, Greece, under an agreement with Hellenic Petroleum began commercial operations at the end of 2010. During the early months of 2011, the economic crisis that developed in Greece in 2010 deepened: the resulting difficult macroeconomic scenario, combined with a deterioration of the political environment, caused the main rating agencies to sharply downgrade the rating of Greece's long-term sovereign debt. The Group's Parent Company monitors this situation on an ongoing basis. As a result, at the end of June 2011, among several actions taken, management made the conservative decision to increase the country risk premium component of the discount rate applied to these investments. However, it is also worth mentioning that, despite the current crisis conditions, the regulatory framework of the Greek electric power market improved, starting in the fourth quarter of 2010. Moreover, the implementation of an assistance program, as agreed upon with the European Union and the International Monetary Fund, should make it possible to support Greece's development potential, with a view to the full recovery of the country's economy. Lastly, the Rovigo LNG regasification terminal, which has been commercially operational since the last quarter of 2009, is now operating at full capacity, making 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.

Also in the hydrocarbon area, the Edison Group made a major investment in the Egyptian oil and gas market in 2009, acquiring the Abu Qir offshore concession. Prospectively, this acquisition will significantly increase the Group's hydrocarbon reserves and help it develop a portfolio consistent with the needs of an integrated energy operator. Drilling and development programs that are part of the existing concession's management activities continued in 2010 and the first half of 2011.

It is important to keep in mind that hydrocarbon development and production activities are typically subject to uncertainties with regard to estimates of proven reserves, projections of future production rates and the timing of development investments, due to the fact that estimates of proven reserves depend on a long series of factors, assumptions and variables. Moreover, between the exploration phase and the start of subsequent phases involving the development and commercial exploitation of the discovered hydrocarbon reserves there is usually a significant time lag needed to assess the commercial viability of the discovered hydrocarbon deposits, authorize the development project and build and put into service the necessary equipment (time to market). During this time lag, the project's profitability can be affected by volatility in oil and gas prices and by increases in development and production costs. However, in the specific case of the Abu Qir concession, the very characteristics of the existing infrastructures help contain the exposure to this risk.

Moreover, future hydrocarbon production levels will depend on the Group's ability to access new reserves through new discoveries made possible by exploration activities, the success of its development activities and its ability to negotiate concession agreements with the countries that possess proven hydrocarbon reserves. The recent events in Egypt, which heightened internal social and political unrest, and their potential repercussions on Edison's ability to continue operating under economically viable conditions are being closely monitored by the Group's Parent Company. At the end of 2010, as a result of these developments, management conservatively decided to increase the country-risk premium component of the discount rate applied to these investments.

Additional investment and some carefully selected divestments, 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.
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 written procedures, these processes require the use of due diligence activities, binding contracts, multilevel internal authorization processes, project risk assessment activities 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 a Risk Self Assessment process, the results of which are presented on predetermined dates at meetings of the Audit Committee and the Board of Directors. 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 six months of 2011 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 Statements). Specifically, in the normal course of business, Group companies have become parties to judicial proceedings and tax disputes, a description of which is provided in the section of the Notes entitled "Status of the Main Legal and Tax Disputes Pending at June 30, 2011."

OTHER INFORMATION

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

- At June 30, 2011, 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 period, either directly or indirectly through nominees or other third parties.
- In the first half of 2011, the Group executed significant transactions with related parties, a description of which is provided in the section entitled "Intercompany and Related-Party Transactions" that appears in the "Other Information" chapter of the Condensed Consolidated Semiannual Financial Statements.
- No secondary registered offices have been established.

CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

AT JUNE 30, 2011

Income Statement

2010 full year		(in millions of euros)		1st half 2011		1st half 2010	
	of which related parties		See note		of which related parties		of which related parties
10,446	368	Sales revenues	1	5,662	225	5,087	201
638	51	Other revenues and income	2	313	8	268	27
11,084	**419**	**Total net revenues**		**5,975**	**233**	**5,355**	**228**
(9,462)	(177)	Raw materials and services used (-)	3	(5,353)	(65)	(4,602)	(66)
(253)	-	Labor costs (-)	4	(131)	-	(127)	-
1,369		**EBITDA**	5	**491**		**626**	
(1,096)		Depreciation, amortization and writedowns (-)	6	(385)		(362)	
273		**EBIT**		**106**		**264**	
(144)	-	Net financial income (expense)	7	(94)	-	(51)	-
(1)	1	Income from (Expense on) equity investments	8	5	-	(1)	-
44	-	Other income (expense), net	9	(6)	-	30	-
172		**Profit (Loss) before taxes**		**11**		**242**	
(83)		Income taxes	10	(49)		(96)	
89		**Profit (Loss) from continuing operations**		**(38)**		**146**	
(40)	-	Profit (Loss) from discontinued operations	11	(22)	-	-	-
49		**Profit (Loss)**		**(60)**		**146**	
		Broken down as follows:					
28		Minority interest in profit (loss)		2		4	
21		**Group interest in profit (loss)**		**(62)**		**142**	
		Earnings (Loss) per share (in euros)	12				
0.0034		Basic earnings (loss) per common share		(0.0125)		0.0261	
0.0334		Basic earnings per savings share		0.0250		0.0561	
0.0034		Diluted earnings (loss) per common share		(0.0125)		0.0261	
0.0334		Diluted earnings per savings share		0.0250		0.0561	

Other Components of the Comprehensive Income Statement

2010 full year	(in millions of euros)	See note	1st half 2011	1st half 2010
49	**Profit (Loss)**		**(60)**	**146**
	Other components of comprehensive income:			
58	**A) Change in the Cash Flow Hedge reserve**	24	**8**	**9**
93	- Gains (Losses) arising during the period		12	15
(35)	- Income taxes (-)		(4)	(6)
(2)	**B) Change in reserve for available-for-sale investments**	24	**1**	**(2)**
(2)	- Gains (Losses) arising during the period		1	(2)
-	- Income taxes (-)		-	-
3	**C) Differences on the translation of assets in foreign currencies**		**2**	**4**
	D) Pro rata interest in other components of comprehensive income of investee companies		**-**	**-**
59	**Total other components of comprehensive income net of taxes (A+B+C+D)**		**11**	**11**
108	**Total comprehensive profit (loss)**		**(49)**	**157**
	Broken down as follows:			
28	Minority interest in comprehensive profit (loss)		2	4
80	**Group interest in comprehensive profit (loss)**		**(51)**	**153**

Balance Sheet

06.30.2010		(in millions of euros)		06.30.2011		12.31.2010	
	of which related parties		See note		of which related parties		of which related parties
		ASSETS					
7,431	-	Property, plant and equipment	13	6,934	-	7,002	-
11	-	Investment property	14	11	-	11	-
3,538	-	Goodwill	15	3,534	-	3,534	-
1,230	-	Hydrocarbon concessions	16	952	-	985	-
112	-	Other intangible assets	17	95	-	109	-
47	47	Investments in associates	18	49	49	48	48
297	-	Available-for-sale investments	18	204	-	293	-
93	-	Other financial assets	19	88	-	91	-
120	-	Deferred-tax assets	20	199	-	182	-
103	-	Other assets	21	202	-	112	-
12,982		**Total non-current assets**		**12,268**		**12,367**	
273	-	Inventories		287	-	331	-
2,028	69	Trade receivables		2,571	79	2,375	100
30	-	Current-tax assets		26	-	35	-
546	30	Other receivables		756	99	655	83
70	-	Current financial assets		62		69	6
338	-	Cash and cash equivalents		483	-	472	-
3,285		**Total current assets**	22	**4,185**		**3,937**	
-	**-**	**Assets held for sale**	23	**152**	**-**	**209**	**-**
16,267		**Total assets**		**16,605**		**16,513**	
		LIABILITIES AND SHAREHOLDERS' EQUITY					
5,292	-	Share capital		5,292	-	5,292	-
2,543	-	Reserves and retained earnings (loss carryforward)		2,560	-	2,548	-
30	-	Reserve for other components of comprehensive income		89	-	78	-
142	-	Group interest in profit (loss)		(62)	-	21	-
8,007		**Total shareholders' equity attributable to Parent Company shareholders**		**7,879**		**7,939**	
176	-	Shareholders' equity attributable to minority shareholders		169	-	198	-
8,183		**Total shareholders' equity**	24	**8,048**		**8,137**	
63	-	Provision for employee severance indemnities and provisions for pensions	25	60	-	62	-
579	-	Provision for deferred taxes	26	484	-	504	-
811	-	Provisions for risks and charges	27	868	-	823	-
1,695	-	Bonds	28	1,792	-	1,791	-
1,517	-	Long-term financial debt and other financial liabilities	29	1,137	-	942	-
28	-	Other liabilities	30	35	-	34	-
4,693		**Total non-current liabilities**		**4,376**		**4,156**	
781	-	Bonds		534	-	528	-
674	15	Short-term financial debt		1,030	15	1,073	15
1,523	50	Trade payables		2,053	59	2,153	80
20	-	Current taxes payable		8	-	82	-
393	12	Other liabilities		542	51	380	19
3,391		**Total current liabilities**	31	**4,167**		**4,216**	
-	**-**	**Liabilities held for sale**	32	**14**	**-**	**4**	**-**
16,267		**Total liabilities and shareholders' equity**		**16,605**		**16,513**	

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months) in the first half of 2011. In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in the Group's net financial debt.

2010 full year (*)		(in millions of euros)		1st half 2011		1st half 2010 (*)	
	of which related parties		See note		of which related parties		of which related parties
61	-	Group interest in profit (loss) from continuing operations		(40)	-	142	-
(40)	-	Group interest in profit (loss) from discontinued operations		(22)	-	-	-
28	-	Minority interest in profit (loss) from continuing operations		2	-	4	-
49		**Profit (loss)**		**(60)**		**146**	
1,096	-	Amortization, depreciation and writedowns	6	385	-	362	-
(1)	(1)	Interest in the result of companies valued by the equity method (-)		-	-	-	-
1	1	Dividends received from companies valued by the equity method		1	1	1	1
6	-	(Gains) Losses on the sale of non-current assets		(9)	-	7	-
(2)	-	Change in the provision for employee severance indemnities and provisions for pensions	25	(1)	-	(1)	-
(16)	-	Change in fair value recorded in EBITDA		(26)	-	(22)	-
148	22	Change in operating working capital		(252)	-	(70)	23
(299)	(51)	Change in other operating assets and liabilities		(47)	16	(205)	(5)
982	**-**	**A. Cash flow from continuing operations**		**(9)**		**218**	
(557)	-	Additions to intangibles and property, plant and equipment (-)	13-17	(243)	-	(320)	-
(7)	(5)	Additions to non-current financial assets (-)		-	-	(2)	(2)
(42)	-	Price paid on business combinations (-)		-	-	-	-
8	-	Proceeds from the sale of intangibles and property, plant and equipment		10	-	6	-
-	-	Proceeds from the sale of non-current financial assets		86	-	-	-
8	-	Repayment of capital contribution by non-current financial assets		9	-	4	-
(39)	(6)	Change in other current assets		7	6	(40)	-
(629)		**B. Cash used in investing activities**		**(131)**		**(352)**	
1,124	-	Receipt of new medium-term and long-term loans	28,29	299	-	533	-
(1,420)	-	Redemption of medium-term and long-term loans (-)	28,29	(102)	-	(620)	-
(84)	-	Change in short-term net financial debt		(38)	-	39	-
10	-	Capital contributions provided by controlling companies or minority shareholders		-	-	10	-
(259)	(178)	Dividends paid to controlling companies or minority shareholders (-)		(8)	-	(238)	(178)
(629)		**C. Cash used in financing activities**		**151**		**(276)**	
-		**D. Liquid assets from changes in the scope of consolidation**		**-**		**-**	
-		**E. Net currency translation differences**		**-**		**-**	
-		**F. Net cash flow from operating assets of discontinued operations**		**-**		**-**	
(276)		**G. Net cash flow for the period (A+B+C+D+E+F)**		**11**		**(410)**	
748		**H. Cash and cash equivalents at the beginning of the year**		**472**		**748**	
472		**I. Cash and cash equivalents at the end of the period (G + H)**		**483**		**338**	
472		**L. Total cash and cash equivalents at end of the period (I)**		**483**		**338**	
-		**M. (-) Cash and cash equivalents of discontinued operations**		**-**		**-**	
472		**N. Cash and cash equivalents of continuing operations (L-M)**		**483**		**338**	

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

Changes in Consolidated Shareholders' Equity

(in millions of euros)			Reserve for other components of comprehensive income							
	Share capital	Reserves and retained earnings (loss carry-forward)	Cash Flow Hedge reserve	Reserve for available-for-sale investments	Differences on the translation of assets in foreign currencies	Interest in other components of comprehensive income of investee companies	Group interest in profit (loss)	**Total shareholders' equity attributable to Parent company shareholders**	Shareholders' equity attributable to minority shareholders	**Total shareholders' Equity**
Balance at December 31, 2009	**5,292**	**2,526**	**17**	**(2)**	**4**	**-**	**240**	**8,077**	**177**	**8,254**
Appropriation of the previous year's profit	-	240	-	-	-	-	(240)	-	-	-
Dividends distributed	-	(228)	-	-	-	-	-	(228)	(15)	(243)
Share capital increase	-	-	-	-	-	-	-	-	10	10
Other changes	-	5	-	-	-	-	-	5	-	5
Total comprehensive profit (loss)	**-**	**-**	**9**	**(2)**	**4**	**-**	**142**	**153**	**4**	**157**
of which:										
- Change in comprehensive income for the period	-	-	9	(2)	4	-	-	11	-	11
- Profit for 1st half 2010	-	-	-	-	-	-	142	142	4	146
Balance at June 30, 2010	**5,292**	**2,543**	**26**	**(4)**	**8**	**-**	**142**	**8,007**	**176**	**8,183**
Dividends distributed	-	-	-	-	-	-	-	-	(1)	(1)
Other changes	-	5	-	-	-	-	-	5	(1)	4
Total comprehensive profit (loss)	**-**	**-**	**49**	**-**	**(1)**	**-**	**(121)**	**(73)**	**24**	**(49)**
of which:										
- Change in comprehensive income for the period	-	-	49	-	(1)	-	-	48	-	48
- Profit (Loss) for 2nd half 2010	-	-	-	-	-	-	(121)	(121)	24	(97)
Balance at December 31, 2010	**5,292**	**2,548**	**75**	**(4)**	**7**	**-**	**21**	**7,939**	**198**	**8,137**
Appropriation of the previous year's profit	-	21	-	-	-	-	(21)	-	-	-
Dividends distributed	-	-	-	-	-	-	-	-	(31)	(31)
Other changes	-	(9)	-	-	-	-	-	(9)	-	(9)
Total comprehensive profit (loss)	**-**	**-**	**8**	**1**	**2**	**-**	**(62)**	**(51)**	**2**	**(49)**
of which:										
- Change in comprehensive income for the period	-	-	8	1	2	-	-	11	-	11
- Profit (Loss) for 1st half 2011	-	-	-	-	-	-	(62)	(62)	2	(60)
Balance at June 30, 2011	**5,292**	**2,560**	**83**	**(3)**	**9**	**-**	**(62)**	**7,879**	**169**	**8,048**

NOTES TO THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS AT JUNE 30, 2011

Content and Presentation

The Edison Group's Condensed Consolidated Semiannual Financial Statements at June 30, 2011, 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 presentation formats of financial statements, the accounting principles and consolidation criteria, the consolidation of foreign companies and the criteria used to translate financial statements denominated in foreign currencies and the valuation criteria used to prepare this Condensed Consolidated Semiannual Financial Statements are consistent with those applied in the preparation of the Consolidated Financial Statements at December 31, 2010, which should be consulted for more detailed information.

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

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

The publication of the Condensed Consolidated Semiannual Financial Statements at June 30, 2011 was authorized by the Board of Directors on July 25, 2011.

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

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

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

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

Electric Power Operations:

- deconsolidation as of January 1, 2011 of Edison Power Energy Srl, previously consolidated line by line, in liquidation;
- Eneco Energia Spa was merged by absorption into Edison Energia Spa effective vis-à-vis third parties as of January 1, 2011.

Hydrocarbon Operations:

- ICGB Ad (Interconnector Greece Bulgaria Ad), a newly established joint venture of IGI Poseidon Sa and Bulgarian Energy Holding Ead, is being consolidated by the proportional method. This new company will be responsible for developing and building the new IGB gas pipeline linking Greece and Bulgaria.

Corporate Activities and Other Segments:

- deconsolidation as of June 28, 2011 of Selm Holding Sa, previously consolidated line by line, in liquidation.

Financial Highlights for the first half of 2011 of Companies Consolidated by the Proportional Method

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

	Edipower Spa	Sel Edison Spa	Ibiritermo Sa	Parco Eolico Castelnuovo Srl	ED-Ina D.O.O.	Elpedison Bv	Elpedison Power Sa	Elpedison Trading Sa	Kinopraxia Thisvi	Abu Qir Petroleum Company	IGI Poseidon Sa	ICGB Ad
% of proportional consolidation	**50.00%**	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**	**25.00%**
% interest held by the Group	**50.00%**	**42.00%**	**50.00%**	**50.00%**	**50.00%**	**50.00%**	**37.89%**	**50.00%**	**65.00%**	**50.00%**	**50.00%**	**25.00%**
INCOME STATEMENT												
Sales revenues	262	5	-	-	1	-	85	8	1	-	-	-
EBITDA	102	2	-	-	-	-	16	-	-	-	(1)	-
as a % of sales revenues	*38.9%*	*40.0%*	*n.a.*	*n.a.*	*n.m.*	*n.a.*	*18.8%*	*n.m.*	*n.m.*	*n.a.*	*n.m.*	*n.a.*
Depreciation, amortization and writedowns (-)	(63)	(1)	-	-	-	-	(30)	-	-	-	-	-
EBIT	**39**	**1**	**-**	**-**	**-**	**-**	**(14)**	**-**	**-**	**-**	**(1)**	**-**
Profit (Loss)	**20**	**-**	**4**	**-**	**-**	**-**	**(15)**	**-**	**-**	**-**	**(1)**	**-**
of which minority interest in profit (loss)	-	-	-	-	-	-	(4)	-	-	-	-	-
BALANCE SHEET												
Total assets	**1,954**	**50**	**99**	**2**	**1**	**60**	**288**	**4**	**2**	**4**	**12**	**-**
Shareholders' equity	**1,080**	**34**	**21**	**1**	**-**	**60**	**79**	**-**	**-**	**-**	**9**	**-**
of which attributable to minority shareholders	-	-	-	-	-	-	19	-	-	-	-	-
Net financial debt (financial assets)	**543**	**11**	**(50)**	**-**	**-**	**-**	**172**	**(1)**	**-**	**(4)**	**(6)**	**-**

SEGMENT INFORMATION

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

INCOME STATEMENT	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010
Sales Revenues	**3,832**	**3,438**	**2,560**	**2,552**	**24**	**25**	**-**	**-**	**(754)**	**(928)**	**5,662**	**5,087**
- third parties sales revenues	3,830	3,436	1,828	1,645	4	6	-	-	-	-	5,662	5,087
- intra-Group sales revenues	2	2	732	907	20	19	-	-	(754)	(928)	-	-
EBITDA	**361**	**428**	**180**	**247**	**(50)**	**(49)**	**-**	**-**	**-**	**-**	**491**	**626**
as a % of sales revenues	*9.4%*	*12.4%*	*7.0%*	*9.7%*	*n.s.*	*n.s.*	-	-	-	-	*8.7%*	*12.3%*
Depreciation, amortization and writedowns	(297)	(266)	(82)	(90)	(6)	(6)	-	-	-	-	(385)	(362)
EBIT	**64**	**162**	**98**	**157**	**(56)**	**(55)**	**-**	**-**	**-**	**-**	**106**	**264**
as a % of sales revenues	*1.7%*	*4.7%*	*3.8%*	*6.2%*	*n.m.*	*n.m.*	-	-	-	-	*1.9%*	*5.2%*
Net financial income (expense)											(94)	(51)
Interest in result of companies valued by equity method											-	-
Income taxes											(49)	(96)
Profit (Loss) from continuing operations											**(38)**	**146**
Profit (Loss) from discontinued operations							**(22)**	**-**			**(22)**	**-**
Minority interest in profit (loss)											**2**	**4**
Group interest in profit (loss)											**(62)**	**142**

BALANCE SHEET	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010
Total assets	**11,768**	**11,704**	**4,747**	**4,582**	**5,496**	**5,330**	**152**	**209**	**(5,558)**	**(5,312)**	**16,605**	**16,513**
Total liabilities	**4,406**	**4,447**	**2,824**	**2,873**	**4,722**	**4,184**	**14**	**4**	**(3,409)**	**(3,132)**	**8,557**	**8,376**
Net Financial Debt							**1**	**1**			**3,866**	**3,708**

OTHER INFORMATION	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
(in millions of euros)	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010
Capital expenditures	84	138	147	95	1	63	-	-	-	-	232	296
Investments in exploration	-	-	7	21	-	-	-	-	-	-	7	21
Investments in intangibles	1	1	3	1	-	1	-	-	-	-	4	3
Total capital investments	**85**	**139**	**157**	**117**	**1**	**64**	**-**	**-**	**-**	**-**	**243**	**320**

	Electric Power Operations		Hydrocarbons Operations		Corporate Activities and Other Segments		Disposal Group		Adjustments		Edison Group	
	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010	06.30.2011	12.31.2010
Number of employees	**1,821**	**1,830**	**1,352**	**1,357**	**635**	**633**	**119**	**119**	**-**	**-**	**3,927**	**3,939**

Thus far, the Group has not viewed **geographic area** segment information as meaningful, since it is mainly located and active in Italy. However, beginning in 2009, the Group began to expand its international operations essentially through acquisitions and, at the end of the period, net non-current assets held outside Italy totaled 1,514 million euros, including 226 million euros for assets of the Electric Power Operations, mainly in Greece, and 1,288 million euros for assets of the Hydrocarbons Operations, the largest component of which was located in Egypt. At June 30, 2011, the contribution of foreign operations accounted for about 16% of EBITDA and about 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 two major customers, as defined by IFRS 8, generated sales revenues totaling 754 million euros in the period, equal to about 20% of the total sales revenues of the Electric Power Operations and to about 13% of the total sales revenues of the Group.

NOTES TO THE INCOME STATEMENT

The first half of 2011 was characterized by a modest upturn in domestic consumption of electric power (+1.6% compared with the same period last year), with demand still well below the pre-crisis levels of 2008, and a concurrent reduction in natural gas consumption (-4.5%).
In the electric power market the production capacity overhang caused by the commissioning of new power plants continued in 2011. In the natural gas market, persisting "gas bubble" conditions continued to squeeze sales margins.

In this scenario, Group **EBITDA** totaled 491 million euros, or 135 million euros less than the 626 million euros earned in the same period last year (-21.6%), reflecting the positive impact of gains resulting from the successful renegotiations of the long-term contracts to import natural gas from Russia and Norway. The adjusted EBITDA[1] of the **Hydrocarbons Operations** totaled 153 million euros, for a decrease of 20.3% compared with the same period last year (192 million euros) due to the results from activities engaged in buying and selling natural gas which gives negative unit sales margins. These negative impacts were offset in part by the positive performance of the exploration and production operations thanks to a significant rise in oil prices.
It is also worth mentioning that the Group is in the process of renegotiating its contracts to import natural gas from Qatar, Libya and Algeria with the aim of restoring adequate operating margins for these contracts as well.
The adjusted EBITDA[1] of the **Electric Power Operations** amounted to 388 million euros in the first half of 2011, down 19.7% compared with the same period the previous year (483 million euros). This decrease reflects the impact of a reduction in the EBITDA contributed by the CIP 6/92 activities, caused by the early termination of some contracts in December 2010. An additional factor was the effect of a contraction in the margins earned by the Edison Group on sales of electric power in the deregulated market.

The **Group's interest in the net result** was a loss of 62 million euros, against a net profit of 142 million euros earned in the first half of 2010. In addition to the negative effect of the industrial margins mentioned above, the loss for the period reflects the impact of the following contrasting factors:

- writedowns of 77 million euros (4 million euros in 2010), recognized mainly for thermoelectric power plants and for a hydrocarbon production field, offset in part by a reduction in depreciation and amortization (35 million euros) caused mainly by the impact of the early termination of some CIP 6/92 contracts and lower exploration costs;
- an increase of 43 million euros in financial expense, attributable mainly to net foreign exchange losses on fuel procurement transactions;
- a decrease in the tax burden due to the negative change in the result for the period.

1 Adjusted EBITDA reflects the reclassification of the results of commodity and foreign exchange hedges executed in connection with contracts to import natural gas. Consistent with the policies to manage business risks, the purpose of these hedges is to mitigate the risk of fluctuations in the cost of natural gas earmarked for the production and sale of electric power and for direct gas sales. The gains and losses generated by these transactions, which are recognized by the Hydrocarbons Operations, were reclassified under the Electric Power Operations for the portion of gains and losses attributable to them (+27 million euros in 2011, +55 million euros in 2010). This reclassification is being made, in view of the impact of fluctuations in commodity prices and foreign exchange parities during the period, to provide an operational presentation of the industrial results.
The adjusted EBITDA is not audited.

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

	1st quarter			2nd quarter			Total		
(in millions of euros)	**2011**	2010	% change	**2011**	2010	% change	**2011**	2010	% change
Sales revenues	2,966	2,742	8,2%	2,696	2,345	15.0%	5,662	5,087	11.3%
EBITDA	**183**	**321**	**(43.0%)**	**308**	**305**	**1.0%**	**491**	**626**	**(21.6%)**
as a % of sales revenues	*6.2%*	*11.7%*		*11.4%*	*13.0%*		*8.7%*	*12.3%*	
Depreciation, amortizations and writedowns (-)	(157)	(172)	(8.7%)	(228)	(190)	20.0%	(385)	(362)	6.4%
EBIT	**26**	**149**	**(82.6%)**	**80**	**115**	**(30.4%)**	**106**	**264**	**(59.8%)**
as a % of sales revenues	*0.9%*	*5.4%*		*3.0%*	*4.9%*		*1.9%*	*5.2%*	
Net financial income (expense)	(42)	(25)	68.0%	(52)	(26)	100.0%	(94)	(51)	84.3%
Profit before taxes	**(13)**	**131**	**n.m**	**24**	**111**	**(78.4%)**	**11**	**242**	**(95.5%)**
as a % of sales revenues	*(0.4%)*	*4.8%*		*0.9%*	*4.7%*		*0.2%*	*4.8%*	
Income taxes	(8)	(63)	(87.3%)	(41)	(33)	24.2%	(49)	(96)	(49.0%)
Group interest in profit (loss)	**(20)**	**67**	**n.m.**	**(42)**	**75**	**n.m.**	**(62)**	**142**	**n.m.**

(*) Individual quarterly data are not audited.

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

1. Sales Revenues

Sales revenues totaled 5,662 million euros, or 11.3% more than the 5,087 million euros reported at June 30, 2010, mainly affected by commodity prices trend.

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

(in millions of euros)	**1st half 2011**	1st half 2010	Change	% change
Revenues from the sales of:				
- Electric power	3,159	2,919	240	8.2%
- Natural gas	1,649	1,523	126	8.3%
- Steam	64	64	-	-
- Oil	122	78	44	56.4%
- Green certificates	73	76	(3)	(3.9%)
- CO_2 emissions rights	51	-	51	n.a.
- Other sales revenues	43	13	30	n.m.
Total sales revenues	**5,161**	**4,673**	**488**	**10.4%**
Revenues from services provided	10	11	(1)	(9.1%)
Storage services	26	23	3	13.0%
Margin on trading activities	17	4	13	n.m.
Transmission revenues	434	361	73	20.2%
Other revenues from sundry services	14	15	(1)	(6.7%)
Total for the Group	**5,662**	**5,087**	**575**	**11.3%**

Breakdown by Business Segment

(in millions of euros)	**1st half 2011**	1st half 2010	Change	% change
Electric Power Operations	3,832	3,438	394	11.5%
Hydrocarbons Operations	2,560	2,552	8	0.3%
Corporate Activities and Other Segments	24	25	(1)	(4.0%)
Eliminations	(754)	(928)	174	(18.8%)
Total for the Group	**5,662**	**5,087**	**575**	**11.3%**

An analysis of sales revenues is provided below:

- The **Electric Power Operations** reported a 11.5% increase in sales revenues, compared with the first half of 2010. The gain in revenues is the combined result of steady unit sales, despite a different sale mix, favoring the wholesale market, and higher average sales prices driven by conditions in the benchmark scenario. The contribution of the international operations increased, thanks to the commissioning, in December 2010, of the new Thisvi power plant in Greece.
- On the other hand, the revenues of the **Hydrocarbons Operations** were little changed compared with the first half of 2010 (+0.3%) as the combined result of two factors: a decrease in unit sales, but an uptick in average sales prices due to a significant increase in the price of Brent crude.

2. Other Revenues and Income

Other revenues and income totaled 313 million euros. A breakdown is as follows:

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Commodity derivatives	151	130	21	16.2%
Margin on trading activities	-	1	(1)	(100.0%)
Recovery of fuel costs from Edipower's Tollers	-	50	(50)	(100.0%)
Out-of-period income	98	29	69	n.m
Recovery of costs from partners in hydrocarbon exploration projects	12	9	3	33.3%
Net reversals in earnings of provisions for risks on receivables and other risks	9	10	(1)	(10.0%)
Sundry items	43	39	4	10.3%
Total for the Group	**313**	**268**	**45**	**16.8%**

The income from **commodity derivatives**, which should be analyzed together with the same item included in **raw materials and services used** (which increased from 41 million euros to 87 million euros), reflects primarily the results of Brent and foreign exchange hedges executed to mitigate the risk of fluctuation in the cost of natural gas used for the production and sale of electric power and of the gas earmarked for direct sales.
This performance is due to the scenario effect on the hedged physical commodity: in the first half of 2011, a spike in the prices of petroleum products drove natural gas costs higher, with a negative scenario effect on the hedged physical commodity, offset by the positive results shown as net income from commodity derivatives.

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

Out-of-period income includes the effects referred to previous years from the successfully renegotiations of the contracts for the supply of natural gas (64 million euros).

Sundry items include insurance settlements totaling 12 million euros, referred for the most part to past accidents that occurred at Italian extraction wells (17 million euros in 2010).

3. Raw Materials and Services Used

Raw materials and services used totaled 5,353 million euros, or 16.3% more than in the same period in 2010 (4,602 million euros) affected by the price and volume trends already mentioned in the note "Sales revenues".

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

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Purchases of:				
- Natural gas	2,168	1,979	189	9.6%
- Electric power	952	880	72	8.2%
- Dispatching and balancing market	413	175	238	n.m.
- Blast furnace gas, recycled and coke	222	164	58	35.4%
- Oil and fuel	63	99	(36)	(36.4%)
- Demineralized industrial water	19	18	1	5.6%
- Green certificates	76	86	(10)	(11.6%)
- CO_2 emissions rights	51	26	25	96.2%
- Coal, utilities and other materials	50	55	(5)	(9.1%)
Total	**4,014**	**3,482**	**532**	**15.3%**
- Facilities maintenance	84	81	3	3.7%
- Transmission of electric power and natural gas	762	617	145	23.5%
- Regasification fee	52	47	5	10.6%
- Professional services	68	55	13	23.6%
- Writedowns of trade and other receivables	20	16	4	25.0%
- Commodity derivatives	87	41	46	n.m.
- Margin on financial trading activities	4	-	4	n.a.
- Additions to provisions for miscellaneous risks	26	16	10	62.5%
- Change in inventories	53	47	6	12.8%
- Use of property not owned	52	52	-	-
- Sundry items	131	148	(17)	(11.5%)
Total for the Group	**5,353**	**4,602**	**751**	**16.3%**

Breakdown by Business Segment

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Electric Power Operations	3,477	3,098	379	12.2%
Hydrocarbons Operations	2,586	2,384	202	8.5%
Corporate Activities and Other Segments	48	52	(4)	(7.7%)
Eliminations	(758)	(932)	174	(18.7%)
Total for the Group	**5,353**	**4,602**	**751**	**16.3%**

The increase in the amount shown for **natural gas** (189 million euros), compared with the first half of 2010, is due to the higher prices paid for natural gas (both in the spot market and under long-term procurement contracts), offset only in part by a decrease in consumption and by the positive impact of a successful renegotiations of the contracts for the supply of natural gas from Norway and Russia. The amount of natural gas purchases reflects the negative impact of the effective portion of derivatives that hedge foreign exchange risks on commodities (27 million euros).

The higher amounts paid to purchase **electric power** (72 million euros) and on the **dispatching and balancing market** (238 million euros), compared with the first half of 2010, is due to an increase in volumes bought on the Power Exchange, based on the strategies deployed by the Group to optimize the costs of its supply sources.

The **regasification fee** (52 million euros) reflects the charges paid to Terminale GNL Adriatico Srl for regasification services.

Writedowns of trade and other receivables (20 million euros) includes additions to allowances for doubtful accounts and losses on uncollectible accounts, net of specific utilizations. In addition, allowances for doubtful accounts totaling 8 million euros were reversed in earnings in the first half of 2011. This item is included in Net reversals in earnings of provisions for risks on receivables and other risks listed in Note 2 **Other Revenues and Income**.

A breakdown of **additions to provisions for miscellaneous risks** (26 million euros) is provided in the note to provisions for risks and charges (Note 27).

The **change in inventories** refers mainly to a decrease in natural gas held in storage.

Margin on Trading Activities

The table below, which is provided for the sake of greater clarity, shows the results from trading in physical and financial energy commodity contracts held in Trading Portfolios included in sales revenues and in raw materials and services used:

(in millions of euros)	See note	1st half 2011	1st half 2010	Change	% change
Margin on physical contracts included in trading portfolios					
Sales revenues		1,700	1,198	502	41.9%
Raw materials and services used		(1,683)	(1,194)	(489)	41.0%
Total included in sales revenues	1	**17**	**4**	**13**	**n.m.**
Margin on financial contracts included in trading portfolios					
Other revenues and income		40	20	20	100.0%
Raw materials and services used		(44)	(19)	(25)	n.m.
Total included in other revenues and income/ (Raw material and services used)	2/3	**(4)**	**1**	**(5)**	**n.m.**
Total margin on trading activities		**13**	**5**	**8**	**n.m.**

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

4. Labor Costs

Labor costs totaled 131 million euros, or about 3.1% more than in the same period in 2010, when they amounted to 127 million euros.

This increase is mainly the combined result of a larger average payroll and salary increases.

5. EBITDA

EBITDA totaled 491 million euros, or 135 million euros less (-21.6%) than the 626 million euros earned in the first half of 2010.

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

(in millions of euros)	1st half 2011	as a % of sales revenues	1st half 2010	as a % of sales revenues	EBITDA % change
Reported EBITDA					
Electric Power Operations	361	9.4%	428	12.4%	(15.7%)
Hydrocarbons Operations	180	7.0%	247	9.7%	(27.1%)
Corporate Activities and Other Segments	(50)	n.m.	(49)	n.m.	n.m.
Total for the Group	**491**	**8.7%**	**626**	**11.4%**	**(21.6%)**
Adjusted EBITDA					
Electric Power Operations	388	10.1%	483	14.0%	(19.7%)
Hydrocarbons Operations	153	6.0%	192	7.5%	(20.3%)
Corporate Activities and Other Segments	(50)	n.m.	(49)	n.m.	n.m.
Total for the Group	**491**	**8.7%**	**626**	**11.4%**	**(21.6%)**

Regarding the performance:

- The adjusted EBITDA of the **Hydrocarbons Operations** totaled 153 million euros, for a decrease of 20.3% compared with the same period last year (192 million euros), reflecting the positive impact (115 million euros) resulting from the successful renegotiation of the long-term contract to import natural gas from Russia. The exploration and production activities performed particularly well, thanks to a significant rise on oil prices, the effect of which was offset in part by a reduction in production volumes, especially in domestic production due to the natural depletion of existing fields.
- The adjusted EBITDA of the **Electric Power Operations** amounted to 388 million euros, down 19.7% compared with the first half of 2010 (483 million euros) essentially in the CIP 6/92 activities caused by the early termination of some contracts at the end of 2010 and by the scheduled expiration of other contracts during the period. Other negative factors included a contraction in the Group's unit sales margins and a reduction of hydroelectric production (-1.1%), offset only in part by the effects of steady sales volumes and the positive results generated by the trading activity. Also worth mentioning are positive performances in the area of renewable energy sources, thanks to the increase in production resulting from the startup of new wind farms, and by international activities, due to the commissioning of a new thermoelectric power plant in Thisvi, Greece, in December 2010.

6. Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 385 million euros, is provided below:

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Depreciation of property, plant and equipment	276	299	(23)	(7.7%)
Amortization of hydrocarbon concessions	33	29	4	13.8%
Amortization of other intangible assets	14	30	(16)	(53.3%)
Writedowns of property, plant and equipment	62	4	58	n.m.
Total for the Group	**385**	**362**	**23**	**6.4%**

Breakdown by Business Segment

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Electric Power Operations:	**297**	**266**	**31**	**11.7%**
- depreciation and amortization	240	262	(22)	(8.4%)
- writedowns	57	4	53	n.m.
Hydrocarbons Operations:	**82**	**90**	**(8)**	**(8.9%)**
- depreciation and amortization	77	90	(13)	(14.4%)
- writedowns	5	-	5	n.a.
Corporate Activities and Other Segments:	**6**	**6**	**-**	**-**
- depreciation and amortization	6	6	-	-
Total for the Group	**385**	**362**	**23**	**6.4%**

The increase of 31 million euros for the **Electric Power Operations** is the combined result of:
- higher writedowns of property, plant and equipment in the amount of 53 million euros;
- lower depreciation (22 million euros) compared with the first half of 2010, due mainly to the expiration of some CIP 6/92 contracts for thermoelectric power plants.

The decrease of 8 million euros for the **Hydrocarbons Operations** is the combined result of:
- writedowns of property, plant and equipment in the amount of 5 million euros;
- lower exploration costs, which decreased to 7 million euros in the first half of 2011, down from 21 million euros in 2010.

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

7. Net Financial Income (Expense)

Net financial expense totaled 94 million euros, or 43 million euros more than in the same period in 2010 (51 million euros).
A breakdown of net financial expense is as follows:

(in millions of euros)	1st half 2011	1st half 2010	Change
Financial income			
Financial income from financial derivatives	23	41	(18)
Interest earned on finance leases	7	7	-
Interest earned on bank and postal accounts	1	1	-
Interest earned on trade receivables	-	12	(12)
Other financial income	7	5	2
Total financial income	**38**	**66**	**(28)**
Financial expense			
Interest paid on bond issues	(38)	(42)	4
Fair Value Hedge adjustment on bonds	10	(21)	31
Financial expense on financial derivatives	(33)	(30)	(3)
Interest paid to banks	(18)	(22)	4
Bank fees	(9)	(7)	(2)
Financial expense on decommissioning projects	(8)	(8)	-
Financial expense in connection with employee severance benefits	(1)	(2)	1
Interest paid to other lenders	(7)	(5)	(2)
Other financial expense	(8)	(6)	(2)
Total financial expense	**(112)**	**(143)**	**31**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	60	68	(8)
Foreign exchange translation losses	(80)	(42)	(38)
Net foreign exchange translation gains (losses)	**(20)**	**26**	**(46)**
Net financial income (expense) for the Group	**(94)**	**(51)**	**(43)**

The net increase in financial expense in the first half of 2011 is due to higher net translation losses (losses for 20 million euros against gains for 26 million euros in the first half of 2010) mainly caused by negative results from derivative transactions executed to hedge natural gas purchase in foreign currencies that exceeded net transactional gains.

8. Income from (Expense on) Equity Investments

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

(in millions of euros)	1st half 2011	1st half 2010	Change
Income from equity investments			
Dividends	3	-	3
Revaluations and valuations of investments by the equity method	1	1	-
Gains on the sale of equity investments	10	-	10
Total income from equity investments	**14**	**1**	**13**
Expenses on equity investments			
Writedowns and valuations of investments by the equity method	(1)	(1)	-
Writedowns of investments available for sales	(6)	-	(6)
Writedowns of trading securities	(2)	(1)	(1)
Total expenses on equity investments	**(9)**	**(2)**	**(7)**
Total Group income from (expense on) equity investments	**5**	**(1)**	**6**

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

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

9. Other Income (Expense), Net

Net other expense of 6 million euros includes expenses for settlements and additions to provisions for legal and tax-related risks. Net other income of 30 million euros reported in the first half of 2010 reflected the favorable outcome of some arbitration proceedings.

10. Income Taxes

The income tax expense decreased to 49 million euros, or 47 million euros less than the amount owed in the first half of 2010 (96 million euros), reflecting the impact of a deteriorating bottom line.

A breakdown of income taxes is provided below:

(in millions of euros)	1st half 2011	1st half 2010	Change
Current taxes	92	137	(45)
Net deferred-tax liabilities (assets)	(38)	(30)	(8)
Income taxes attributable to previous years	(5)	(11)	6
Total for the Group	**49**	**96**	**(47)**

Current taxes include 73 million euros for corporate income taxes (IRES), 14 million euros for regional taxes (IRAP) and 17 million euros for foreign taxes, offset only in part by a tax benefit of 12 million euros generated by filing a consolidated income tax return.

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 2011:

(in millions of euros)	12.31.2010	Additions	Utilizations	IAS 39 to sharehold. equity	Other changes/ Reclassif./Offset	06.30.2011
Provision for deferred taxes:						
Valuation differences of property, plant and equipment and intangibles	487	9	(54)	-	11	453
Adoption of IAS 17 to value finance leases	23	3	-	-	(2)	24
Adoption of IAS 39 to value financial instruments						
with impact on shareholders' equity	49	-	-	2	-	51
Other deferred-tax liabilities	10	1	-	-	2	13
	569	**13**	**(54)**	**2**	**11**	**541**
Offsets	(65)	-	-	-	8	(57)
Provision for deferred taxes net of offsets	**504**	**13**	**(54)**	**2**	**19**	**484**
Deferred-tax assets:						
Tax loss carryforward	10	-	(3)	-	-	7
Taxed provisions for risks	107	9	(6)	-	3	113
Adoption of IAS 39 to value financial instruments:						
- impact on the income statement	2	-	-	-	-	2
- impact on shareholders' equity	3	-	-	(2)	-	1
Valuation differences of property, plant and equipment and intangibles	109	8	(11)	-	8	114
Other deferred-tax assets	16	2	(2)	-	3	19
	247	**19**	**(22)**	**(2)**	**14**	**256**
Offsets	(65)	-	-	-	8	(57)
Deferred-tax assets net of offsets	**182**	**19**	**(22)**	**(2)**	**22**	**199**

11. Profit (Loss) from Discontinued Operations

The loss of 22 million euros stems from:

- due to the agreement signed in June, the carrying amount of the facilities for disposal was written down by 15 million euros in order to reflect the realizable value;
- a decision handed down by the Council of State on May 31, 2011, pursuant to which Edison Spa was denied certain rate benefits for a thermoelectric power plant divested in 2008, formerly classified as Disposal Group.

12. Earnings (Loss) per Share

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

2010 full year			**1st half 2011**		1st half 2010	
Common shares	Savings shares [1]	(in millions of euros)	Common shares	Savings shares [1]	Common shares	Savings shares [1]
21	21	Group interest in profit (loss)	(62)	(62)	142	142
17	4	Profit (Loss) attributable to the different classes of shares (A)	(65)	3	136	6
		Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings (loss) per share:				
5,181,108,251	110,592,420	- basic (B)	5,181,108,251	110,592,420	5,181,108,251	110,592,420
5,181,108,251	110,592,420	- diluted (C) [2]	5,181,108,251	110,592,420	5,181,108,251	110,592,420
		Earnings (Loss) per share (in euros)				
0.0034	0.0334	- basic (A/B)	(0.0125)	0.0250	0.0261	0.0561
0.0034	0.0334	- diluted (A/C) [2]	(0.0125)	0.0250	0.0261	0.0561

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

NOTES TO THE BALANCE SHEET

Assets

13. Property, Plant and Equipment

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

(in millions of euros)	Land and buildings	Plant and machinery	Assets transferable at no cost	Assets acquired under finance leases	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12.31.2010 (A)	**813**	**5,279**	**429**	**38**	**8**	**7**	**428**	**7,002**
Changes in the first half of 2011:								
- Additions	1	70	1	-	-	-	160	232
- Disposals (-)	(3)	(9)	-	-	-	-	-	(12)
- Depreciation (-)	(21)	(228)	(24)	(1)	(1)	(1)	-	(276)
- Writedowns (-)	-	(40)	-	-	-	-	-	(40)
- Reclassification of "Assets held for sale"	3	22	-	-	-	-	-	25
- Decommissioning costs	-	8	-	-	-	-	-	8
- Other changes	1	14	9	-	-	-	(29)	(5)
Total changes (B)	**(19)**	**(163)**	**(14)**	**(1)**	**(1)**	**(1)**	**131**	**(68)**
Balance at 06.30.2011 (A+B)	**794**	**5,116**	**415**	**37**	**7**	**6**	**559**	**6,934**

A breakdown by business segment of **additions** totaling 232 million euros is as follows:

(in millions of euros)	1st half 2011	1st half 2010
Electric Power Operations	**84**	**138**
broken down as follows:		
- Thermoelectric area	27	94
- Hydroelectric area	20	31
- Renewable sources area (wind power, photovoltaic, etc.)	37	13
Hydrocarbons Operations	**147**	**95**
broken down as follows:		
- Hydrocarbon fields in Italy	31	10
- Hydrocarbon fields outside Italy	93	72
- Transmission and storage infrastructures	23	13
Corporate Activities and Other Segments	**1**	**63**
Total for the Group	**232**	**296**

Photovoltaic facilities located at Oviglio (3 MW), Piedimonte (1 MW), Cascine Bianche (1 MW) and Termoli (1 MW), and photovoltaic systems installed at production facilities of the Mapei Group in Latina and Mediglia (about 1 MW each) and La Roche Group in Monza (about 1.4 MW) were commissioned during the first half of 2011.

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

Writedowns totaling 40 million euros (4 million euros in the first half of 2010) were recognized mainly to reflect the results of impairment tests performed in response to the occurrence of impairment indicators. Information about the impairment test is provided in Note "Depreciation, amortization and writedowns" to the income statement and in the section of these Notes entitled "Impairment Test of Assets in Accordance with IAS 36" (Note 17).

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

For the **assets acquired under finance leases**, recognized in accordance with the IAS 17 Revised method, the balance of the remaining financial liability, which amounts to 33 million euros, is shown part under "Long-term financial debt and other financial liabilities" (30 million euros) and part under "Short-term financial debt" (3 million euros).

14. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, is valued at 11 million euros, unchanged compared with December 31, 2010.

15. Goodwill

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

(in millions of euros)	06.30.2011	12.31.2010
Electric Power Operations	2,835	2,835
Hydrocarbons Operations	699	699
Total for the Gruoup	**3,534**	**3,534**

The balance in this account is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments, but must be tested for impairment at least once a year.

16. Hydrocarbons Concessions

Concessions for the production of hydrocarbons, which consist of 87 mineral leases in Italy and abroad (including 3 storage concessions) for the extraction of hydrocarbon deposits, were valued at 952 million euros. The net decrease of 33 million euros, compared with December 31, 2010, reflects the amortization for the period. In the first half of 2011, the Group was awarded five new hydrocarbon exploration concessions in Norway, but an exploration permit in Egypt expired.

17. Other Intangible Assets

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

(in millions of euros)	Concessions, licenses and similar rights	CO_2 emissions rights	Green Certificates	Exploration costs	Other intangible assets	Work in progress and advances	Total
Balance at 12.31.2010 (A)	**86**	**6**	**5**	**-**	**6**	**6**	**109**
Changes in the first half of 2011:							
- Additions	3	-	-	7	-	1	11
- Amortization (-)	(7)	-	-	(7)	-	-	(14)
- Reclassification of "Assets held for sale"	(1)	-	-	-	-	-	(1)
- Other changes	3	(4)	(5)	-	-	(4)	(10)
Total changes (B)	**(2)**	**(4)**	**(5)**	**-**	**-**	**(3)**	**(14)**
Balance at 06.30.2011 (A+B)	**84**	**2**	**-**	**-**	**6**	**3**	**95**

As required by IFRIC 12, **Concessions, licenses, patents and similar rights** includes the infrastructures used by the Group to distribute natural gas under the 62 concessions it holds in this area of business. Following the expiration of a concession in the first half of 2011, residual value of which was reclassified under "Assets held for sale".

The **exploration costs** incurred in the first half of 2011 totaled 7 million euros, down from 21 million euros in the same period the previous year. The entire amount was amortized during the period and no exploration costs were capitalized in connection with successful exploration project subsequently leading to production.

Impairment Test of Assets in Accordance with IAS 36

In the first half of 2011, as required by IAS 36, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected.

Consistent with the estimates applied at the end of 2010, recoverable value was determined based on the value in use of the assets, estimated based on the present value of the operating cash flows before taxes, taking into account the useful lives of the assets and their terminal values, when appropriate.

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

The tests performed using the process described above showed that values of some thermoelectric CGUs and a hydrocarbon production field were impaired, requiring a writedown of 77 million euros.

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

a) A significant deterioration of financial conditions in Greece, where some of the Group's industrial activities are located, which required a significant change in the discount rate to reflect the country risk (considering incremental values ranging between +6% and +11%). The resulting effect amounts to 22 million euros.

b) The signing of an agreement to sell a group of production facilities, which had an impact of 37 million euros. Consistent with the classification of these assets as a Disposal Group, a part of this amount, 15 million euros, was included in "Profit (Loss) from discontinued operations."

c) The effects of a compression of profit margins and the resulting reduction in production volumes, which showed a decrease in the profitability of some merchant power plants. The resulting effect was quantified at 13 million euros.

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

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

The total includes 49 million euros in investments in associates and unconsolidated subsidiaries and affiliated companies and 204 million euros in available-for-sale investments. The latter amount includes investments in RCS Mediagroup Spa (9 million euros) and Terminale GNL Adriatico Srl (190 million euros). The table below shows the main changes that occurred in the first half of 2011:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12.31.2010 (A)	**48**	**293**	**341**
Changes in the first half of 2011:			
- Changes in shareholders' equity reserves	-	(9)	(9)
- Valuations at fair value	-	(5)	(5)
- Disposals (-)	(1)	(74)	(75)
- Other changes	2	(1)	1
Total changes (B)	**1**	**(89)**	**(88)**
Balance at 06.30.2011 (A+B)	**49**	**204**	**253**

Disposals (75 million euros) refers for the most part to the sale of a 2.703% interest in Terminale GNL Adriatico Srl (73 million euros).

Other changes in the first half of 2011 include **changes in shareholders' equity reserves**, negative by 9 million euros, which refer to the distribution of the reserves for advances on capital contributions by Terminale GNL Adriatico Srl.

Valuations at fair value, negative by 5 million euros, refers to Terminale GNL Adriatico Srl and RCS Mediagroup Spa. In particular, the factors taken into account to value the investment held in Terminale GNL Adriatico Srl, which is the company that operates an offshore regasification terminal near Porto Viro (RO), include both the duration of the current regasification contract with Edison and the gradual decrease over time of Edison's pro rata share of the company's shareholders' equity caused by any distributions of share capital and/or reserve received. The result of this approach is thought to approximate fair value, given that a valuation based on market criteria is not practicable, due to the unique nature of the regasification terminal and the contractual terms of the regasification service provided to Edison.

19. Other Financial Assets

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

(in millions of euros)	06.30.2011	12.31.2010	Change
Loan receivables from Ibiritermo (IFRIC 4)	83	86	(3)
Bank deposits that secure project financing facilities	4	4	-
Sundry items	1	1	-
Total other financial assets	**88**	**91**	**(3)**

20. Deferred-tax Assets

Deferred-tax assets, which were valued based on realistic assumptions that they would be realized and the tax benefits recovered within the limited time horizon covered by the industrial plans of the various companies, amounted to 199 million euros (182 million euros at December 31, 2010). They reflect differences in the valuation of:

- property, plant and equipment and intangibles of 113 million euros;
- taxed provisions for risks of 61 million euros;
- a tax-loss carryforward of 6 million euros;

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

21. Other Assets

Other assets totaled 202 million euros, or 90 million euros more than December 31, 2010. This account includes:

- 182 million euros for the non-current portion of advances paid under long-term natural gas supply contracts for gas volumes that Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses. The current portion of these advances (45 million euros) is included in Other receivables (Note 22). The Group expects to make up these volumes over the remaining lives of the contracts.
- 5 million euros (net of an allowance for doubtful accounts of 1 million euros) in tax refunds receivable, including accrued interest through June 30, 2011.
- 15 million euros in sundry receivables, consisting mainly of security deposits.

22. Current Assets

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

(in millions of euros)	06.30.2011	12.31.2010	Change
Inventories	287	331	(44)
Trade receivables	2,571	2,375	196
Current-tax assets	26	35	(9)
Other receivables	756	655	101
Current financial assets	62	69	(7)
Cash and cash equivalents	483	472	11
Total current assets	**4,185**	**3,937**	**248**

A review of the individual components is provided below:

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

(in millions of euros)	Engineering consumables	Stored natural gas	Fuels	CO_2 emission rights	Other	Total at 06.30.2011	Total at 12.31.2010	Change
Electric Power Operations	27	-	25	21	4	77	74	3
Hydrocarbons Operations	34	164	12	-	-	210	257	(47)
Total for the Group	**61**	**164**	**37**	**21**	**4**	**287**	**331**	**(44)**

The decrease that occurred in the first half of 2011 refers mainly to stored natural gas (about 48 million euros) offset in part by the increase in CO_2 emission rights (21 million euros) part of the Trading Portfolios. Inventories also include 24 million euros in strategic reserves of natural gas, the use of which is restricted.

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

(in millions of euros)	06.30.2011	12.31.2010	Change
Electric Power Operations	1,987	1,910	77
Hydrocarbons Operations	715	760	(45)
Corporate Activities and Other Segments and Eliminations	(131)	(295)	164
Total trade receivables	**2,571**	**2,375**	**196**
Of which Allowance for doubtful accounts	**(139)**	**(133)**	**(6)**

Trade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas, Power Exchange transactions and, for 183 million euros, the fair value of physical contracts for energy commodities that are part of the Group's Trading Portfolios, essentially attributable to the Electric Power Operations. This item includes the impact of the successful renegotiation of the long-term contract to import natural gas from Russia (118 million euros).
Lastly, transactions involving the irrevocable assignment of receivables without recourse on a revolving (monthly and quarterly) and spot basis executed during the period, consistent with the previous year's practice, totaled 2,638 million euros (1,959 million euros at June 30, 2010). As required by its credit policies, the Group uses these transactions to control and minimize credit risks. The residual risk of recourse associated with these transactions is less than one million euros.

- **Current-tax assets** of 26 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 756 million euros, is provided in the table below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Receivables arising from the valuation of derivatives	345	218	127
Amounts owed by partners and associates in hydrocarbon exploration projects	52	77	(25)
Advances to suppliers	32	63	(31)
Amounts owed by the controlling company in connection with the filing of the consolidated income tax return	61	59	2
Advances paid under long-term natural gas procurement contracts	45	-	45
VAT credit	21	13	8
Sundry items	200	225	(25)
Total other receivables	**756**	**655**	**101**

The higher amount shown for **receivables arising from the valuation of derivatives**, which should be analyzed in conjunction with the corresponding liability included in **Current liabilities** (up from 73 million euros to 159 million euros), reflects primarily an increase in the derivatives executed. A comprehensive review of the effects of derivatives is provided in a separate disclosure, reported in the Section entitled "Group Financial Risk Management".

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

(in millions of euros)	06.30.2011	12.31.2010	Change
Loans receivable	31	35	(4)
Derivatives	25	26	(1)
Equity investments held for trading	6	8	(2)
Total current financial assets	**62**	**69**	**(7)**

- **Cash and cash equivalents** of 483 million euros (472 million euros at December 31, 2010) consist of short-term deposits in bank and postal accounts and other short-term investments.

23. Assets held for sale

Assets held for sale, which amounted to 152 million euros, include:

- the assets earmarked for disposal pursuant to agreements signed in June 2011 concerning the business operations comprised of two thermoelectric power plants (147 million euros);
- the tax effect (4 million euros) of the recognition of a provision for risks and charges due to the effect of a decision handed down by the Council of State on May 31, 2011 affecting a thermoelectric power plant divested in 2008;
- the residual value (1 million euros) of a natural gas distribution concession that expired during the first half of 2011.

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

Liabilities and Shareholders' Equity

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

Shareholders' equity attributable to Parent Company shareholders amounted to 7,879 million euros, for a decrease of 60 million euros compared with December 31, 2010 (7,939 million euros). This reduction is the net result of the loss for the period, for 62 million euros, partially offset by a change in the reserve for Cash Flow Hedge transactions (increase of 8 million euros).

Shareholders' equity attributable to minority shareholders totaled 169 million euros, or 29 million euros less than at December 31, 2010 (198 million euros) due to the impact of the distribution of dividends attributable to minority shareholders (31 million euros) partially offset by the profit for the period (2 million euros).

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

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

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

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

Cash Flow Hedge reserve

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	121	(46)	75
Changes in the first half of 2011	12	(4)	8
Reserve at June 30, 2011	**133**	**(50)**	**83**

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

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	(4)	-	(4)
Changes in the first half of 2011	1	-	1
Reserve at June 30, 2011	**(3)**	**-**	**(3)**

25. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 60 million euros, reflect the accrued severance indemnities and other benefits owed to employees. A valuation in accordance with the actuarial criteria of IAS 19 was performed only for the liability corresponding to the provision for Employee Severance Indemnities that is still held at the Company.

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

(in millions of euros)	Provision for employee severance indemnities	Provisions for pensions	Total
Balance at 12.31.2010 (A)	**51**	**11**	**62**
Changes in the first half of 2011:			
- Financial expense	1	-	1
- Utilizations (-)/Other changes	(3)	-	(3)
Total changes (B)	**(2)**	**-**	**(2)**
Total at 06.30.2011 (A+B)	**49**	**11**	**60**

26. Provision for Deferred Taxes

The balance of 484 million euros (504 million euros at December 31, 2010) reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.

The following table shows a breakdown of this provision by type of underlying temporary difference, keeping in mind that certain Group companies that meet the requirements of IAS 12 offset their deferred-tax liabilities against their deferred-tax assets:

(in millions of euros)	06.30.2011	12.31.2010	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment and intangibles	453	487	(34)
- Adoption of standard on finance leases (IAS 17)	24	23	1
- Adoption of standard on financial instruments (IAS 39) with impact on shareholders' equity	51	49	2
- Other deferred taxes	13	10	3
Total deferred-tax liabilities (A)	**541**	**569**	**(28)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	52	52	-
- Tax loss carryforward	1	2	(1)
- Differences in the valuation of property, plant and equipment and intangibles	1	5	(4)
- Other prepaid taxes	3	6	(3)
Total deferred-tax assets (B)	**57**	**65**	**(8)**
Total provision for deferred taxes (A-B)	**484**	**504**	**(20)**

27. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 868 million euros, for an increase of 45 million euros compared with December 31, 2010.

The table below shows the changes that occurred during the period:

(in millions of euros)	12.31.2010	Additions	Utilizations	Other changes and reclassifications	06.30.2011
Disputed tax items	72	6	(2)	(1)	75
Risks for disputes, litigation and contracts	155	4	(1)	-	158
Charges for contractual guarantees on sale of equity investments	59	-	-	-	59
Provisions for decommissioning and remediation of industrial sites	369	8	-	8	385
Environmental risks	49	-	(2)	-	47
Other risks and charges	119	23	(11)	13	144
Total for the Group	**823**	**41**	**(16)**	**20**	**868**

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

- The main components of **additions** of 41 million euros reflect financial expense on decommissioning provisions (8 million euros), the risk that a thermoelectric power plant may be denied cogenerating status for previous years (6 million euros), statutory and tax interest accrued on existing provisions (4 million euros) and legal and tax related risks for the balance.
- **Utilizations** of 16 million euros refer to the coverage of costs incurred for the remediation and decommissioning of some industrial sites (2 million euros), the settlement of tax disputes (2 million euros) and the reversals of the portions of provisions for risks that exceeded the actual charges (1 million euros).
- **Other changes and reclassifications** of 20 million euros, refer mainly to the coverage of the Group's requirements of environmental rights for the period (12 million euros) and to a revision of the amounts of some projected decommissioning and site remediation costs (8 million euros) referable to Electric Power Operations.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the section of these Notes entitled "Status of the Main Legal and Tax Disputes Pending at June 30, 2011".

28. Bonds

The balance of 1,792 million euros (1,791 million euros at December 31, 2010) represents the non-current portion of the bonds issued by Edison Spa, valued at amortized cost.
The table below shows the balance outstanding at June 30, 2011 and indicates the fair value of each bond issue:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Carrying value Non-current portion	Current portion	Total	Fair value
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Quarterly in arrears	1.932%	07.19.2011	-	502	502	500
Edison Spa	Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	07.22.2014	698	36	734	716
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	498	3	501	499
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	596	(7)	589	593
Total for the Group			**2,300**				**1,792**	**534**	**2,326**	**2,308**

The valuation at amortized cost of the November 2010, 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 adjusted in accordance with hedge accounting rules to reflect the change in hedged risk.

29. Long-term Financial Debt and Other Financial Liabilities

A breakdown of this liability account is as follows:

(in millions of euros)	06.30.2011	12.31.2010	Change
Due to banks	1,088	891	197
Due to other lenders	49	51	(2)
Total of the Group	**1,137**	**942**	**195**

In June 2011, Edison Spa signed a loan agreement for a new senior, unsecured facility with a face amount of 700 million euros provided by a pool of banks on a club-deal basis. At June 30, 2011, about 100 million euros in face amount had been drawn against this facility, which accrues interest at the Euribor plus a spread of 100 bps. In addition, a further 200 million euros were drawn against a committed credit line included in a standby syndicated facility of 1,500 million euros in the first half of 2011 and some maturing facilities were reclassified under Current financial debt. A detailed analysis of these changes is provided in the "Liquidity Risk" paragraph of the Section entitled "Group Financial Risk Management."

30. Other Liabilities

Other liabilities of 35 million euros represent sundry liabilities, including the suspension of a gain on the 2008 sale of a 51% interest in Dolomiti Edison Energy Srl (which continues to be consolidated line by line) while agreements providing both parties with put and call options are in effect.

31. Current Liabilities

A breakdown of current liabilities is provided below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Bonds	534	528	6
Short-term financial debt	1,030	1,073	(43)
Trade payables	2,053	2,153	(100)
Current taxes payable	8	82	(74)
Other liabilities	542	380	162
Total current liabilities	**4,167**	**4,216**	**(49)**

The main current liability accounts are reviewed below:

- **Bonds**, amounting to 534 million euros, represent the carrying amount of the bond issue maturing on July 19, 2011 (500 million euros face value), including the total accrued interest at June 30, 2011. These bonds were repaid on July 19, 2011, using a drawn from the new credit line provided to Edison Spa in June 2011 on a club deal basis.

- **Short-term financial debt**, which totaled 1,030 million euros, essentially includes:
  - 833 million euros due to banks, 24 million euros of which represent the effect of measuring interest rate derivatives at fair value;
  - 164 million euros due to other lenders;
  - 30 million euros owed to minority shareholders of consolidated companies;
  - 3 million euros due to leasing companies.

- **Trade payables** totaled 2,053 million euros. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Electric Power Operations	1,546	1,583	(37)
Hydrocarbons Operations	618	839	(221)
Corporate Activities and Other Segments and Eliminations	(111)	(269)	158
Total trade payables	**2,053**	**2,153**	**(100)**

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

  The decrease in trade payables compared with December 31, 2010 (100 million euros) is due for the most part to the effect of changes in supply sources and to a decrease in the volumes handled by the Group. These reducing effect were offset in part by an increase in the fair value of the Trading Portfolios (71 million euros).

- **Current taxes payable** of 8 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 542 million euros, is as follows:

(in millions of euros)	06.30.2011	12.31.2010	Change
Amounts owed to shareholders	39	3	36
Amount owed to the controlling company in connection with the filing of a consolidated tax return	47	17	30
Amounts owed to joint holders of permits and concessions for the production of hydrocarbons	138	126	12
Payables for consulting and other services	25	32	(7)
Payables owed to Tax Administration (other than current tax payables)	28	24	4
Amount owed to employees	31	32	(1)
Liabilities stemming from the measurement at fair value of derivatives	159	73	86
Payables owed to social security institutions	27	26	1
Sundry items	48	47	1
Total other liabilities	**542**	**380**	**162**

32. Liabilities Held for Sale

Liabilities held for sale, which amounted to 14 million euros, include:

- the liabilities earmarked for disposal pursuant to agreements signed in June 2011 concerning the business operations comprised of two thermoelectric power plants (3 million euros);
- a liability for the recognition of a provision for risks following a decision handed down by the Council of State on May 31, 2011 concerning a thermoelectric power plant divested in 2008.

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

NET FINANCIAL DEBT

At June 30, 2011, net financial debt totaled 3,866 million euros, or 158 million euros more than the 3,708 million euros owed at the end of 2010.

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

(in millions of euros)	See note	06.30.2011	12.31.2010	Change
Bonds - non-current portion	28	1,792	1,791	1
Non-current bank loans	29	1.088	891	197
Amounts due to other lenders - non-current portion	29	49	51	(2)
Other non-current financial assets (*)	19	(83)	(86)	3
Medium/long-term net financial debt		**2,846**	**2,647**	**199**
Bonds - current portion	31	534	528	6
Short-term financial debt	31	1.030	1,073	(43)
Current financial assets	22	(62)	(69)	7
Cash and cash equivalents	22	(483)	(472)	(11)
Financial debt held for sale	32	1	1	-
Short-term net financial debt		**1,020**	**1,061**	**(41)**
Net financial debt		**3,866**	**3,708**	**158**

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

Most of the increase in net financial debt (158 million euros) is due to the combined effect of the following factors:

- outlays for the period's capital expenditures (243 million euros);
- advances paid due to the activation of take-or-pay clauses in natural gas procurement contracts (136 million euros);
- tax payments (128 million euros).

These negative factors could be offset only in part with the period's cash flow from operating activities.

Net financial debt includes 189 million euros stemming from transactions with significant parties (145 million euros owed to Mediobanca, 30 million euros owed to SEL Spa and 14 million euros owed to Banca Popolare di Milano).
In addition, "Short-term financial debt" includes 15 million euros owed to unconsolidated Group subsidiaries.

DISCLOSURE ABOUT THE DISPOSAL GROUP (IFRS 5)

1) Taranto Thermoelectric Power Plants

On June 23, 2011, in implementation of a term sheet signed in December 2010, Edison executed a contract for the disposal of business operations that include the Taranto thermoelectric power plants (CET 2 and CET 3). This transaction will be carried through the sale of an ad hoc company to which Edison will have conveyed the business operations that include the two power plants.
This transaction, which is valued at about 162.5 million euros, subject to adjustments based on technical performances and the timing of execution, requires the prior approval of the relevant antitrust authorities.

Even though the assets and liabilities subject of the transaction do not constitute a business operation, they were treated as a Disposal Group, as required by IFRS 5, and are shown on the balance sheet under "Assets and Liabilities held for sale", without any reclassification in the income statement.
The assets and liabilities included in the Disposal Group are listed below:

(in millions of euros)

Balance Sheet	06.30.2011	12.31.2010
Non-current assets	133	195
Current assets	14	14
Total assets	**147**	**209**
Shareholders' equity	**144**	**205**
Non-current liabilities	2	2
Current liabilities	1	2
Total liabilities	**3**	**4**
Total liabilities and shareholders' equity	**147**	**209**

The decrease in the amount shown for non-current assets reflects the effect of the depreciation and amortization expense for the period and of a writedown of property, plant and equipment amounting to 37 million euros recognized to reflect the effects of changes to contractual terms and the scheduled timing of the sale. Consistent with the method applied to recognize the projected income and expense effects of this transaction, the writedown was allocated as follows: 22 million euros to "Depreciation, amortization and writedowns" and 15 million euros to "Profit (Loss) from discontinued operations".

2) Thermoelectric Power Plant Sold in a Previous Year

Further to a decision handed down by the Council of State on May 31, 2011, by which Edison Spa was denied certain rate benefits, pertaining to previous years (2000-2006), for a cogenerative thermoelectric power plant divested in 2008, due to the failure to achieve the required co-generation coefficients, the Group listed a provision for risks and charges of 11 million euros and a tax benefit of 4 million euros.

3) Natural Gas Distribution Concession

The residual value (about 1 million euros) of a natural gas distribution concession, which expired in the first half of 2011 and was previously included in "Other intangible assets", was reclassified under "Assets held for sale".

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	06.30.2011	12.31.2010	Change
Guarantees provided	1,200	1,379	(179)
Collateral provided	1,374	1,390	(16)
Other commitments and risks	456	580	(124)
Total for the Group	**3,030**	**3,349**	**(319)**

Guarantees provided totaled 1,200 million euros at June 30, 2011. This figure, which was determined based on the undiscounted amount of contingent commitments on the balance sheet date, includes 53 million euros, or 97 million euros less than December 31, 2010, in guarantees provided to the Revenue Office on behalf of subsidiaries for offsetting VAT credits and those provided in connection with the intra-Group assignment of tax credits. Guarantees provided by the Group's Parent Company to secure the performance of contractual obligations by its subsidiaries account for most of the balance. The decrease for the period is due in part to the cancellation of some guarantees provided on behalf of the Greek subsidiary, following the startup of the Thisvi power plant.

Collateral provided, which amounted to 1,374 million euros reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower Spa shares (1,080 million euros) pledged to a pool of banks to secure a financing facility.
Collateral provided for liabilities listed on the balance sheet consists for the most part of mortgages and encumbrances granted on facilities of the Electric Power Operations to secure financing. The total amount of 294 million euros includes 37 million euros for mortgages that are in the process of being deleted, the underlying facilities having been repaid.

Other commitments and risks, which totaled 456 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 51 million euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013, a 21-million-euro commitment;
  - Management Agreement with EDF Trading Ltd (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013, a 26-million-euro commitment;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013, a 4-million-euro commitment.

- With regard to long-term contracts for the importation of natural gas, which contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated minimum quantities and the quantity actually used (when the shortage is due to causes that are not specified in the contract), at June 30, 2011, the Company carried advances to suppliers included in "Other assets" (Note 21) for 182 million and in "Other receivables" (Note 22) for 45 million euros. Commitments of 140 million euros that were carried at December 31, 2010 are no longer shown, having been settled in full. Risk profiles and the economic recoverability of these receivables are periodically updated during the year.

- Edison Spa granted to:
  - Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires

(in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity (13 million euros);
- Petrobras an option to buy its interest in Ibiritermo Sa, exercisable in 2022.

- For 16 million euros, a commitment undertaken by Edison Spa in connection with companies sold in previous years.

Unrecognized Commitments and Risks

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

1) The **Hydrocarbons Operations** entered into long term contracts for the importation of natural gas from Russia, Libya, Norway, Algeria and Qatar, for a total supply of 15.8 billion cubic meters of natural gas a year. The duration of these contracts ranges between 1 and 23 years.
   With regard to the contract to import natural gas from Libya via the Green Stream pipeline, it is worth mentioning that deliveries have stopped since February 22, 2011, due to the well-known international events.
   The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	14.0	67.4	163.8	**245.2**

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

   Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for 25 years for an annual regasification fee estimated at about 100 million euros. With regard to the regasification fee payable, Edison's risk is limited to the following situations:
   - Edison has the right to cancel the regasification contract for force majeure events affecting the chain (upstream and midstream) of Terminale GNL Adriatico by paying an amount that may not be greater than the regasification fee payable for three years;
   - if a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount;
   - in the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

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

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

Status of the Main Pending Legal and Tax Disputes at June 30, 2011

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

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

A) Edison Spa

European Commission - Antitrust Proceedings Against Ausimont

By a decision published on June 16, 2011, the European Union Court upheld the challenge filed by Edison and, consequently, set aside the decision by which the European Commission, alleging violations of Article 81 of the EC Treaty and Article 53 of the SEE Agreement concerning a cartel in the market for hydrogen peroxide and its derivatives, sodium perborate and sodium percarbonate, ordered Edison to pay a fine of 58.1 million euros, 25.6 million euros of which were payable jointly with Solvay Solexis. Edison having paid on a provisional basis in 2006 the amount of 45.4 million euros, which is equal to the sum of the entire fine levied on it and one-half of the fine levied jointly on Edison and Solvay Solexis, asked that the Commission pay back 32.5 million euros, which is the portion of the fine attributable to Edison exclusively. This decision may be appealed to the European Court of Justice to challenge a point of law, in accordance with the provisions of the Court's Statute. For this reason, this item is a contingent asset, in accordance with IAS 37.

Stava Dam Disaster

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

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

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

By a decision published on June 6, 2011, the Court of Milan decided a lawsuit between Bracco Imaging (formerly Dibra), Syndial (formerly EniChem) and Edison (formerly Montecatini) concerning damages stemming from the sale by Montecatini of a portion of the Cesano Maderno factory, ordering Edison to pay to Bracco Imaging the amount of 7.6 million euros, plus accrued interest. The Company believes that this decision is unjust and is in the process of appealing it.

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

By a decision published on December 27, 2010, the Court of Venice decided the lawsuit filed by some of the parties who had joined the criminal proceedings for injuries caused by exposure to monovinyl chloride and for damages to the environment at the Porto Marghera petrochemical facility as plaintiffs seeking damages. These plaintiffs, who include the Municipality and Province of Venice, the Veneto Region and some associations, are seeking compensation for damages and the reimbursement of the legal costs incurred in connection with the abovementioned criminal proceedings. In its decision, the Court denied all of the claims put forth by the plaintiffs, ordering that they pay all court costs. The plaintiffs have filed an appeal. A similar lawsuit pending before the Venice Court of Appeals, in which the hearing for filing final motions has been held, continued without noteworthy developments.

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

The oral arguments phase started in the criminal proceedings pending before the Court of Mantua against certain former Directors and executives of Montedison Spa (now Edison) for the alleged harm caused to the health of plant workers (former Montedison employees), who were exposed to benzene and asbestos at the local petrochemical complex through 1989.

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

In the proceedings stemming from investigations occurred in the relatively distant past launched by the Public Prosecutor of the Court of Crotone targeting eight former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with involuntary manslaughter and personal injuries caused by exposure to asbestos, a preliminary hearing ended with the indictment of all defendants.

Crotone Factory - Criminal Proceedings for Environmental Damages

The Public Prosecutor of the Court of Crotone launched an investigation targeting 35 individuals, including five former Directors and managers of Montecatini and Montedison (now Edison), who are being charged with environmental crimes (unauthorized waste management, disaster and poisoning of the aquifer) for activities carried out from 1986 to 1990, while operating the a local plant formerly owned by Montedison. In connection with these proceedings, the Public Prosecutor filed a motion asking to be allowed to introduce evidence developed during the investigative phase. As of the writing of this report, all the required filings had not been completed.

Claims for Damages Caused by Exposure to Asbestos

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

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

In the lawsuit filed by UBS AG and the Joint Representative of the savings shareholders against Edison, Italenergia Spa and others challenging the merger of Edison and Italenergia Spa, in which the Court of Milan handed down a decision on July 16, 2008 that led to a settlement with UBS AG in June 2009, the settlement offer made by the Company to some savings shareholders who, even though they failed to take legal action or take any other action that may have legal consequences, are nevertheless claiming compensation was accepted by parties holding about 65% of the shares. However, some claimants filed separate legal actions, as a result of which two lawsuits are still pending: one for which a decision is pending and another one in which the court ruled against the Company, which promptly appealed it.

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

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

Industrial Site in Bussi sul Tirino

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

Spinetta Marengo Industrial Site

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

B) Other Group Companies

Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

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

Palermo to recover damages incurred as a result of the seizure of these properties, proceeded through the various levels of the judicial system. 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 failures to comply with multiple obligations arising from contracts executed by the two companies in 2004, 2005 and 2006 involving the wholesale supply of electric power, the hearing for filing final motions, originally postponed to January 2011, was postponed again to October 2011.

Montedison Srl - Property in Bussi sul Tirino

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

* * * * *

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

Environmental Legislation

In recent years, we have witnessed an expansion and evolution of environmental laws (most recently with Legislative Decree No. 152 of April 3, 2006 "Environmental Regulations", as amended), specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting: objective liability (which does not require the subjective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws. In Italy, this approach is becoming established practice at both the administrative level (the relevant provisions are being enforced very aggressively) and the judicial level (criminal laws and civil liability provisions concerning instances of environmental damage are being interpreted very restrictively).
In this area, several proceedings are pending before administrative judges, at different stages of development and judicial levels, against decisions issued by national and local governments ordering the Company to carry out environmental remediation projects both at facilities that the Company no longer owns and at industrial properties that it still owns (mainly thermoelectric power plants) that were contaminated by activities pursued in past years. More in general, without questioning the validity of these new legislative assumptions and the procedural accuracy of their implementation and interpretation, and taking into account the current and past scope of the Company and Group's industrial operations, particularly in the chemical industry, their wide geographical distribution and their environmental impact based on the time when they were being carried out and the technology existing at the time, which was in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new charges may be levied against the Company in addition to those issued in the existing administrative and

civil proceedings. It is also probable that current legislation will be applied with the strictness and severity mentioned above to all contamination events that occurred in the past.
At this point, based on the available information and the documents filed in the proceedings reviewed above, it is impossible to determine whether damages will in fact be assessed nor the amount of those damages.

A) Edison Spa

Verbania Factory/1 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
Following a ruling by which the Court of Cassation set aside a decision by the Court of Appeals of Turin in the trial for injuries caused by exposure to asbestos dust at a Verbania plant formerly owned by Montefibre Spa, and returned the proceedings to the lower court, the new trial began in May 2011, with the court requesting a medical expert opinion taking into account the points of law raised by the Court of Cassation.

Verbania Factory/2 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust
By a decision the conclusions of which were read and published on July 19, 2011, the Court of Verbania acquitted of all charges the defendants charged with the crimes of involuntary manslaughter and involuntary personal injuries caused in connection with the death or illness of other employees allegedly caused by exposure to asbestos in different forms at the Verbania factory. The detailed decision will be filed within 90 days.

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

Pagnan vs Edison
By a decision handed down on February 4, 2010, the Court of Venice denied the claim filed against Edison, by means of a third-party summons, by Pagnan Spa, a defendant in an action filed by the Ministry of the Environment and for the Protection of the Land and the Sea and the Ministry of Infrastructures for alleged environmental damages caused in the area of the South Channel Dockyard in the Malcontenta section of the Porto Marghera Industrial Park. An appeal, filed on September 21, 2010, is currently pending before the Venice Court of Appeals.

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

Meraklon/Edison - Edison Energia Spa Dispute
The lawsuit filed by Meraklon against Edison Energia Spa and Edison Spa in relation to a contract to supply electric power to Meraklon's plant in Terni, following Meraklon's challenge of an injunction issued by the Court of Milan in favor of Edison Energia Spa for the purpose of collecting receivables owed pursuant to the abovementioned contract was interrupted upon the plaintiff becoming eligible

for extraordinary administration proceedings. In the course of the abovementioned proceedings, Meraklon sued Edison Energia Spa and Edison Spa (the original counterpart in the abovementioned supply contract), putting forth a series of counterclaims against both companies in connection with disputes concerning the supply of electric power, heat and other utilities to the Terni factory. The companies involved are carrying out the filings required to restart the proceedings.

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. Subsequent to the hearing held on June 28, 2011, during which the parties filed their final motions, the proceedings are now on hold, pending a decision.

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

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

Cartel Damage Claims - Ausimont: Claim for Damages

In April 2010, Edison was served with notices setting forth four amended briefs filed by Akzo Nobel Nv, Kemira Oyi, Arkema Sa and FMC Foret Sa in proceedings before the Court of Dusseldorf in which Cartel Damage Claims Hydrogen Peroxide Sa, a Belgian company specialized in class action lawsuits, is claiming compensation for alleged damages to competition caused by the members of a cartel for the production and distribution of peroxides and perborates on which the European Commission levied a fine in 2006.
Edison is being sued due to Ausimont's involvement in the antitrust proceedings launched by the Commission. The lawsuit is currently in the preliminary phase.

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

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

Following a decision unfavorable to the Company handed down in November 2010 by the Milan Regional Tax Commission, the Company paid the additional tax and any accrued interest, but the payment was made on a provisional basis pending the ultimate resolution of this dispute. All charges are being borne by EDF International Sa by virtue of the existing contractual guarantees.
The Company intends to appeal this decision to the Court of Cassation, seeking a ruling upholding the lawfulness of the actions taken by a company that it later absorbed.

Edison Spa - Assessment of Registration Fees for 2008

The Milan Provincial Tax Commission, by a decision handed down in June 2011, upheld in full the

challenge of the payment notice for proportional registration, mortgage and cadastral fees totaling about 11 million euros, recognizing both the illegality of the payment notice and, in the merit, the correctness of the choices made by the Company with regard to the structure of the divestment transaction it executed. The Revenue Agency can appeal this decision.

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

The general audit of Edison Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2005 to 2010 (up to the starting date of the audit) launched in September 2010 by the Milan Tax Police Unit was completed at the end of May 2011. The issues raised concern costs that are deemed to be not attributable to the year in which they were deducted, but are nevertheless deductible in another tax period, and some issues concerning costs incurred with Swiss suppliers that are on the black list and with regard to which the Revenue Police, while recognizing that the costs were incurred and properly applied, did not feel that the arguments presented to justify the economic validity of the underlying transactions were sufficient.
All of these items will be further analyzed by the Revenue Agency, specifically with regard to black-list costs, and the Company believes that their deductibility will be fully allowed.
The tax audit of Edison Trading Spa concerning income taxes, regional taxes (IRAP) and VAT for the tax years from 2006 to 2010 (up to the starting date of the audit) launched in September 2010 by the same Tax Police Unit was resumed in June.

Edison Trading Spa - IRES, IRAP and VAT Assessments for the 2005 Tax Year

In June, the Company obtained a court order suspending the collection of a tax bill issued while proceedings about the contested VAT assessment are in progress.
A merit hearing before the Milan Provincial Tax Commission has been set for October 2011.

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

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

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

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

Edipower Spa - Assessment for VAT on Excise Taxes for 2004

In February 2010, Edipower filed an application asking that the assessment be automatically voided by virtue of its lack of merit and, subsequently, applied for a negotiation settlement. The Revenue Agency scheduled a meeting with Edipower for April 2, 2010 to begin the process of seeking a negotiated settlement and hear Edipower's defense. Subsequently, the Revenue Agency reaffirmed its interpretation, refusing, for the time being, to void the assessment. In May 2010, Edipower filed an appeal challenging the assessment and asking the Tax Commission of venue to void it in full. The Revenue Agency has joined these proceedings. No notice setting a hearing date has been issued thus far.

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

In December 2010, the Revenue Agency served Edipower with a notice of assessment for VAT due on excise taxes for 2005 (an issue with regard to which a notice of assessment was already issued for 2004) and for the recovery of corporate income taxes (IRES) and regional taxes (IRAP) for 2005. The amount demanded for taxes and penalties totals 3.5 million euros. In response to this assessment, Edison filed an application for a negotiated settlement, but the Revenue Agency refused to accept the Company's requests. As a result, in May 2011, Edipower filed an appeal asking the Commission of venue to void in full the notice of assessment. A date for a hearing has not yet been set.

GROUP FINANCIAL RISK MANAGEMENT

This Section describes the policies and principles adopted by the Edison Group to manage and control the commodity price risk that arises from the volatility of the prices of energy commodities and environmental securities (CO_2 emissions credits, green certificates and white certificates) and other risks related to financial instruments (foreign exchange risk, interest rate risk, credit risk and liquidity risk). A more detailed description of these issues is provided in Consolidated Financial Statements at December 31, 2010.
In accordance with IFRS 7, the paragraphs that follow provide information about the nature of the risk related to financial instruments, based on accounting and management sensitivity considerations.

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

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

A simulation is carried out for the derivatives instruments that hedge the Industrial Portfolio, some of which qualify for hedge accounting under IAS 39 (Cash Flow Hedge) while others qualify as Economic Hedge, to assess the potential impact that fluctuations in the market prices of the underlying assets could have on the fair value of outstanding derivatives.
The Italian forward market for electric power does not yet meet IFRS requirements to qualify as an active market. Specifically, both the Over The Counter (OTC) markets operated by brokerage firm (e.g., TFS) and those operated by Borsa Italiana (IDEX) and the GME (MTE) lack sufficient liquidity for peak and off-peak products and for maturities longer that one year.
Consequently, market price data obtained from those market should be viewed as input for the internal valuation model used at fair value the abovementioned products.

The table below shows the maximum negative variance in the fair value of outstanding financial derivatives expected over the time horizon of the current year, with a 97.5% probability, compared with the fair value determined at June 30, 2011, which is 106.8 million euros (82.7 million euros at June 30, 2010).

Profit at Risk (PaR)	**1st half 2011**		1st half 2010	
	Level of probability	Expected negative variance in fair value (in millions of euros)	Level of probability	Expected negative variance in fair value (in millions of euros)
Edison Group	**97.5%**	**106.8**	**97.5%**	**82.7**

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

In other words, compared with the fair value determined for hedging derivatives contracts outstanding at June 30, 2011, the probability of a negative variance greater than 106.8 million euros by the end of 2011 is limited to 2.5% of the scenarios.
The increase compared with the level measured at June 30, 2010 is due mainly to the substantial rise in the volatility of the financial markets where hedging transactions are executed, regarding both foreign exchange and petroleum products, while the volumes traded were about the same as in 2010.
The hedging strategy deployed in the period enabled the Group to comply with its risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved limit of

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

Economic Capital. Without hedging, the average amount of Economic Capital absorbed in the period by the Industrial Portfolio would have been equal to 144% of the approved limit, with a peak of 198% in January 2011 (in the first half of 2011, the approved limit was exceeded by 44% on average). With hedging, the average amount of Economic Capital absorbed in the period by the Industrial Portfolio was 48%, with a peak of 69% in February 2011.

Approved activities that are part of the core businesses of the Edison Group include physical and financial commodity trading, which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Group's Industrial Portfolio. Trading Portfolios are monitored based on strict risk ceilings. Compliance with these ceilings is monitored by an organizational unit independent of the trading unit. The daily Value-at-Risk (VaR) limit with a 95% probability on the Trading Portfolios is 3.2 million euros, with a stop loss limit of 17 million euros. The VaR limit was 17% utilized at June 30, 2011, with an average utilization of 27% for the period.
As is the case for the Industrial Portfolio, an Economic Capital that represents the total risk capital available to support the market risks entailed by trading activities is allocated to the entire set of Trading Portfolios. In this case, the Economic Capital ceiling takes into account the risk capital associated with the VaR of the portfolios and the risk capital estimated by means of stress tests for possible illiquid positions. The Economic Capital ceiling for the entire set of Trading Portfolios is 50.9 million euros. This limit was 17% utilized at June 30, 2011, with an average utilization of 28% for the period. This measurement, like the use of VaR, takes also into account transfers of electric power from physical assets, the impact of which on the financial statements is monitored with other ad hoc limits.

2. Foreign Exchange Risk

The foreign exchange risk arises the fact that some of Edison's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates that have an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (transactional risk). Lastly, fluctuations in foreign exchange rates have an impact on consolidated results and on shareholders' equity attributable to Parent Company shareholders because the financial statements of subsidiaries denominated in a currency other than the euro are translated into euros from each subsidiary's functional currency (translational risk).
Edison's policy in managing its foreign exchange risk is to minimize its exposure both to the economic risk and the transactional risk inherent in commodity activities (see the preceding paragraph with regard to this issue). Also with regard to the transactional risk, the Group is exposed to the foreign exchange risk on some cash flows in foreign currencies (U.S. dollars, for the most part) in connection with international development and exploration projects by the hydrocarbons operations and, for limited amounts, purchases of equipment. Lastly, the Group has a marginal exposure to the translational risk, specifically with regard to the translation of the financial statements of certain foreign subsidiaries. As a rule, foreign subsidiaries use the same currencies in the invoices they issue and the invoices they pay.

3. Interest Rate Risk

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

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

Gross Financial Debt	06.30.2011			12.31.2010		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,859	1,433	32%	1,863	1,490	34%
- variable rate portion	2,635	3,061	68%	2,472	2,845	66%
Total gross financial debt (*)	**4,494**	**4,494**	**100%**	**4,335**	**4,335**	**100%**

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

Considering that, at June 30, 2011, the Group held 483 million euros in liquid assets earning interest at market rates, when the abovementioned percentages are computed based on net financial debt, including outstanding derivative transactions, they become about 64% (variable rate) and about 36% (fixed rate), respectively, did not materially change compared with December 31, 2010.

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

It is worth noting that no financial transactions that materially altered the Group's exposure to the interest rate risk were executed during the first half of 2011.

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

Sensitivity analysis	1st half 2011			06.30.2011		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	**67**	**57**	**44**	**(4)**	**(5)**	**(5)**

Sensitivity analysis	1st half 2010			12.31.2010		
(in millions of euros)	Impact on the income statement (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Group	84	71	71	(9)	(11)	(12)

4. Credit Risk

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

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

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

The receivables assigned without recourse during the first half of 2011 totaled 2,638 million euros. At June 30, 2011, the amount of receivables assigned under the program that were exposed to the risk of recourse was less than 1 million euros.

Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Group deals only with entities with a high credit rating. At June 30, 2011, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table below shows an overview of gross trade receivables, the corresponding allowance for

doubtful accounts and the guarantees that the Group holds to secure its receivables. At June 30, 2011, the increase compared with the receivables outstanding at December 31, 2010 is due mainly to the time to collection even in connection with a change in the customer mix and the receivables referred to the renegotiation of the contract of Russian natural gas import.

(in millions of euros)	06.30.2011	12.31.2010
Gross trade receivables	2,710	2,508
Allowance for doubtful accounts (-)	(139)	(133)
Trade receivables	**2,571**	**2,375**
Guarantees held	755	692
Receivables 9 to 12 months in arrears	31	28
Receivables more than 12 months in arrears	200	141

5. Liquidity Risk

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

Worst case scenario	06.30.2011			12.31.2010		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	532	40	2,078	18	558	2,094
Financial debt and other financial liabilities	145	702	1,170	30	769	991
Trade payables	1,932	121	-	2,077	76	-
Total	**2,609**	**863**	**3,248**	**2,125**	**1,403**	**3,085**
Guarantees provided to third parties (*)	**324**	**511**	**365**	586	327	466

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

The Group's strategic objective is to minimize the impact of financial debt maturities by maintaining access to existing credit lines and adequate liquidity and implementing on a timely basis negotiations for the funding of maturing financing facilities, as well as through the placement of bond issues.

At June 30, 2011, the financial debt maturing within three months totaled 677 million euros. The main items are the financial debt owed by the affiliated company Elpedison Power Sa (which is currently being renegotiated) and a bond issues with a face value of 500 million euros, which is due on July 19, 2011. In June 2011, in anticipation of this commitment, Edison Spa signed a new agreement for a Senior Unsecured facility in the form of a 700-million-euro revolving credit line provided by a pool of Italian and international banks on a club deal basis. This line, against which 100 million euros had been drawn at June 30, 2011, has a maximum term of 18 months less one day. Consequently, the corresponding liability is carried as being due after one year.

Financial debt and other financial liabilities due more than 3 months and by June 2012 totaled 702 million euros. They consist mainly of the financial debt owed by Edipower amounting to 550 million euros (Edison's pro rata share). However, it is important to note that, moreover the cash and cash

equivalent of 483 million euros, the Group has access to unused committed credit lines totaling 1,358 million euros, originating from a standby syndicated facility of 1,500 million euros, maturing in 2013, against which 850 million euros had been drawn at June 30, 2011, from the new facility of 700 million euros and from revolving credit lines provided to Group companies, the largest being the facility available to Edipower.

Financial debt and other financial liabilities due after one year rose by 179 million euros compared with December 31, 2010, due mainly to an increase in the amounts drawn from two facilities of 1,500 million euros and 700 million euros available to Edison Spa, offset in part by the reclassification of some facilities to the short-term category.

The table that follows provides a breakdown by maturity of the Group's gross financial debt at June 30, 2011. However, the amounts shown are not accurately indicative of the exposure to the liquidity risk because they do not reflect expected nominal cash flows, using instead amortized cost or fair value valuations.

(in millions of euros)	06.30.2012	06.30.2013	06.30.2014	06.30.2015	06.30.2016	After 5 years	Total
Bonds	534	(2)	(2)	1,199	(1)	598	2,326
Financial debt and other financial liabilities							
- due to banks	833	981	83	10	8	6	1,921
- due to other lenders	197	4	5	11	5	24	246
Financial debt held for sale	1	-	-	-	-	-	1
Gross financial debt	**1,565**	**983**	**86**	**1,220**	**12**	**628**	**4,494**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" paragraph above). Four issues of debt securities (Euro Medium-term Notes), for a total face value of 2,300 million euros, are outstanding, unchanged compared with December 31, 2010.

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.	XS0196762263	7	07.19.2011	500	Variable quarterly	1.932%
EMTN 07/2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07.22.2014	700	Fixed annual	4.250%
EMTN 03/2010	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03.17.2015	500	Fixed annual	3.250%
EMTN 11/2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11.10.2017	600	Fixed annual	3.875%

Outstanding debt obligations of the Group include non-syndicated facilities totaling 956 million euros and syndicated facilities amounting to 2,250 million euros, the unused portion of which was 1,358 million euros at June 30, 2011 originating from a standby syndicated facility of 1,500 million euro, a new credit line of 700 million euros provided to Edison Spa on a club deal basis in June 2011 and revolving credit lines provided to Group companies, the largest being the facility available to Edipower.

Consistent with market practice, these loan agreements specify several obligations for the borrower, including the obligation to ensure that the lender banks are being afforded a treatment equal to that

of other unsecured creditors (*pari passu* clause) or the prohibition to provide collateral to new lenders (negative pledge clause), with some specific exceptions. This framework also applies to the new credit line of 700 million euros provided to Edison Spa on a club deal basis (against which 100 million had been drawn at June 30, 2011), the contractual terms of which are substantially in line with those of other loan agreements, chief among them the syndicated credit line of 1,500 million euros. Also in the case of the contract signed for the new facility, there are no requirements to comply with financial statement indicators (financial covenants) or consequences for any changes in the credit ratings assigned by rating agencies (rating triggers).

The direct, medium/long-term credit line of 250 million euros provided by the European Investment Bank (EIB) to finance gas storage projects is usable and its full amount is currently available. The loan agreement includes conditions similar to those of Edison's bank credit lines and other clauses that are customary for direct, long-term facilities provided by this supranational bank to industrial companies.

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

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

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

The Edison Group engages in trading for its own account in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with special Energy Risk Policies. Accordingly, it defined an appropriate risk control structure and the necessary guidelines and specific procedures. The Group views this activity as part of its regular operations and the results derived from it are recognized in the income statement and are included in 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 - CFH) and those that hedge the fair value of the hedged item (Fair Value Hedge - FVH).
2) **Forward transactions and derivatives that do not qualify as hedges in accordance with IAS 39**. They can be:
   a. Transactions to manage interest rate and foreign exchange and price risk on energy commodities. For all derivatives that comply with internal risk policies and procedures, realized results and expected values are either included in EBITDA, if they refer to activities related to the Industrial Portfolio, or recognized as financial income or expense, in the case of financial transactions.
   b. Trading Portfolios. As explained above, they include physical and financial energy commodity contracts; both realized results and expected values of these transactions are included in EBITDA.

Fair Value Hierarchy According to IFRS 7

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

The IFRS 7 ranking is based on the following hierarchy:

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

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

Instruments Outstanding at June 30, 2011

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

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

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

A) Interest Rate and Foreign Exchange Rate Risk Management

(in millions of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Balance sheet amount (**)	Cumulative impact on the income statement at 06.30.2011 (***)
		Due within 1 year	Due between 2 and 5 years	Due after 5 years		
Interest rate risk management:						
- Cash Flow Hedges in accordance with IAS 39	2	354	4	-	(5)	-
- Fair Value Hedges in accordance with IAS 39	2	-	725	600	11	11
- contracts that do not qualify as hedges in accordance with IAS 39	2	22	565	6	(5)	(5)
Total interest rate derivatives		**376**	**1,294**	**606**	**1**	**6**

	Fair Value Hierarchy	Due within 1 year receivable	Due within 1 year payable	Due between 2 and 5 years receivable	Due between 2 and 5 years payable	Due after 5 years receivable	Balance sheet amount	Cumulative impact on the income statement
Foreign exchange rate risk management:								
- contracts that qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	876	297	28	117	-	(42)	-
- on financial transactions	-	-	-	-	-	-	-	-
- contracts that do not qualify as hedges in accordance with IAS 39:								
- on commercial transactions	2	213	190	134	277	-	-	-
- on financial transactions	2	119	-	-	-	-	-	-
Total foreign exchange rate derivatives		**1,208**	**487**	**162**	**394**	**-**	**(42)**	**-**

(*) 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 06.30.11 (***)
		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:						**187**	**7**
- Natural gas	3	TWh	1.62	-	-	(2)	-
- LNG and oil	2	Barrels	7,202,165	(1,299,460)	-	189	7
B. Contracts that qualify as Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as margin hedges pursuant to IAS 39:						**34**	**34**
- Electric power	2/3	TWh	2.98	-	-	(3)	(3)
- Natural Gas	2	Millions of terms	-	-	-	-	-
- LNG and oil	2	Barrels	967,470	1,500	-	35	35
- CO_2	1	Millions of tons	0.70	-	-	2	2
Total						**221**	**41**

(*) + 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 06.30.11 (***)
		Unit of measure	Due within one year	Due within two years	Due after two years	(in millions of euros)	(in millions of euros)
Derivatives						**7**	**7**
- Electric power	1/2/3	TWh	(2.46)	0.23	0.07	2	2
- LNG and oil	2	Barrels	-	-	-	-	-
- Coal	2	Millions of tons	-	-	-	-	-
- CO_2	1/2	Millions of tons	(1.93)	-	-	5	5
Physical contracts						**16**	**16**
- Electric power	1/2	TWh	0.35	(0.30)	(0.04)	13	13
- Natural gas	3	TWh	(0.17)	-	-	3	3
Total						**23**	**23**

(*) + 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 of 2011

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

(in millions of euros)	Realized in the period (A)	Fair Value recognized for contracts outstanding at 12.31.2010 (B)	Portion of (B) contracts realized in the period (B1)	Fair Value recognized for contracts outstanding at 06.30.2011 (C)	Change in fair value in the period (D)=(C-B)	Amounts recognized in earnings (A+D)
Sales revenues and Other revenues and income (see Notes 1 and 2 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH) (**)	56	-	-	7	7	63
- not definable as hedges pursuant to IAS 39	26	1	1	57	56	82
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	1	2	1	7	5	6
Margin on trading activities						
- Sales revenues from physical contracts included in the Trading Portfolios (***)	1,634	117	62	183	66	1,700
- Raw materials and services used from physical contracts included in the Trading Portfolios (***) (&)	(1,609)	(96)	(45)	(170)	(74)	(1,683)
Total margin on trading activities	*25*	*21*	*17*	*13*	*(8)*	*17*
Total (A)	**108**	**24**	**19**	**84**	**60**	**168**
Raw materials and services used (see Note 3 to the Income Statement)						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(29)	(1)	(1)	-	1	(28)
- not definable as hedges pursuant to IAS 39	(27)	(1)	(1)	(23)	(22)	(49)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(27)	-	-	-	-	(27)
- not definable as hedges pursuant to IAS 39	(3)	-	-	(7)	(7)	(10)
Margin on trading activities						
- Other revenues and income from derivatives included in the Trading Portfolios (****)	18	53	15	75	22	40
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(16)	(40)	(8)	(68)	(28)	(44)
Total margin on trading activities	*2*	*13*	*7*	*7*	*(6)*	*(4)*
Total (B)	**(84)**	**11**	**5**	**(23)**	**(34)**	**(118)**
TOTAL INCLUDED IN EBITDA (A+B)	**24**	**35**	**24**	**61**	**26**	**50**
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)	20	22	8	21	(1)	19
- not definable as hedges pursuant to IAS 39	4	4	4	4	-	4
Total financial income (C)	**24**	**26**	**12**	**25**	**(1)**	**23**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	(6)	-	-	-	-	(6)
- definable as hedges pursuant to IAS 39 (FVH)	(30)	(19)	1	(10)	9	(21)
- not definable as hedges pursuant to IAS 39	(4)	(7)	-	(9)	(2)	(6)
Total financial expense (D)	**(40)**	**(26)**	**1**	**(19)**	**7**	**(33)**
Margin on interest rate hedging transactions (C+D)=(E)	**(16)**	**-**	**13**	**6**	**6**	**(10)**
Foreign exchange rate hedges broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	11	-	-	-	-	11
Total foreign exchange gains (F)	**11**	**-**	**-**	**-**	**-**	**11**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(51)	(1)	(1)		1	(50)
Total foreign exchange losses (G)	**(51)**	**(1)**	**(1)**	**-**	**1**	**(50)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(40)**	**(1)**	**(1)**	**-**	**1**	**(39)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 7 to the Income Statement)	**(56)**	**(1)**	**12**	**6**	**7**	**(49)**

(*) Includes the effective portion included in Raw materials and services used (Note 3 to the Income Statement) for purchases of natural gas.
(**) Includes the ineffective portion.
(***) Amounts included in Sales revenues (Note 1 to the Income Statement) under margin on trading activities.
(****) Amounts included in Raw materials and services used (Note 3 to the Income Statement) under margin on trading activities.
(&) Includes the fair value adjustment of trading inventories, the carrying amount of which was negative for 3 million euros at June 30, 2011.

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

(in millions of euros)	06.30.2011		12.31.2010	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	18	(60)	31	(22)
Interest rate transactions	25	(24)	26	(37)
Commodity transactions	510	(266)	304	(147)
Fair value recognized as current assets or current liability	**553**	**(350)**	**361**	**(206)**
Broken down as follows:				
- recognized as "Trade receivables and payables"	183	(167)	117	(96)
- recognized as "Other receivables and payables"	345	(159)	218	(73)
- recognized as "Current financial assets" and "Short-term financial debt"	25	(24)	26	(37)

With regard to these items, please note that a positive Cash Flow Hedge reserve amounting to 133 million euros, before the corresponding deferred-tax assets and liabilities, was recognized in connection with the receivables and payables shown above.

Classes of Financial Instruments

The table provided below, which lists the types of financial instruments recognized in the financial statements showing the valuation criteria applied and, in the case of financial instruments measured at fair value, whether gains or losses were recognized in earnings or in equity and their classification on the fair value hierarchy, completes the disclosures required by IFRS 7. The last column in the table shows, if applicable, the fair value of financial instruments at June 30, 2011.

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

Financial instruments 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 (B)**	**Equity investments valued at cost (C)**	**Carrying value at 06.30.2011 (A+B+C)**	Fair Value at 06.30.2011
	with change in Fair Value recognized in:			**Total Fair Value (A)**	Fair Value Hierarchy (notes a, b, c)						
	earnings	equity			1	2	3				
	(a)	(b)	(c)				(m)	**(d)**	**(e)**		
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	190	-	-	**190**	-	-	190	**-**	**5**	195	n.a.
- listed securities	-	-	9	**9**		-	-	**-**	**-**	9	9
										204	
Other financial assets (g) (l)	-	-	-	-	-	-	-	**88**	**-**	88	88
Other assets (l)	-	-	-	-	-	-	-	**202**	**-**	202	202
Trade receivables (i) (l)	183	-	-	**183**	11	166	6	**2,388**	**-**	2,571	2,571
Other receivables (f) (l)	147	198	-	**345**	6	339	-	**411**	**-**	756	756
Current financial assets (f) (h) (l)	31	-	-	**31**	6	25	-	**31**	**-**	62	62
Cash and cash equivalents (l)	-	-	-	**-**	-	-	-	**483**	**-**	483	483
LIABILITIES											
Bonds (current and non-current)	-	-	-	**-**	-	-	-	**2,326**	**-**	2,326	2,308
Financial debt (current and non-current) (f) (l)	19	5	-	**24**	-	24	-	**2,143**	**-**	2,167	2,160
Trade payables (i) (l)	167	-	-	**167**	6	157	4	**1,886**	**-**	2,053	2,053
Other liabilities (f) (l)	99	60	-	**159**	4	151	4	**383**	**-**	542	542

(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 83 million euros in loans receivable classified as long term following the adoption of IFRIC 4.
(h) Includes equity investments held for trading.
(i) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolios.
(l) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying value.
(m) The fair value classified at Level 3 is recognized, in the amount of 2 million euros, as part of the physical trading margin (6 million euros of sales revenues and 4 million euros of raw materials and services used), 3 million euros as Raw material and services used and -1 million euros in equity.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the applicable policies adopted by the Group, transactions with related and significant parties (*) affecting the income statement, balance sheet and cash flow that were outstanding at June 30, 2011 are reviewed below. The information provided is sufficient to meet the disclosure requirements of IAS 24. These transactions were executed in the normal course of business and on contractual terms that were consistent with standard market practices.
Further to the publication by the CONSOB, on September 24, 2010, of a Communication setting forth provisions governing related-party transactions in accordance with CONSOB Resolution No. 17221 of March 12, 2010, as amended, the Board of Directors of Edison Spa approved a Procedure Governing Related-Party Transactions, which went into effect on January 1, 2011.

(in millions of euros)	Related Parties					Significant Parties						Total for related and significant parties	Total for financial statem. line item	% Impact
	With unconsolidated Group companies	With the controlling company	EdF Group	A2A Group	Sub total	IREN Group	SEL Group	Dolomiti Energia Group	Banca Popolare di Milano	Mediobanca	Sub total			
Balance sheet transactions:														
Investments in associates	49	-	-	-	**49**	-	-	-	-	-	**-**	**49**	**49**	**100.0%**
Trade receivables	1	-	62	16	**79**	5	-	3	-	-	**8**	**87**	**2,571**	**3.4%**
Other receivables	1	88	10	-	**99**	-	-	-	-	-	**-**	**99**	**756**	**13.1%**
Trade payables	7	-	33	19	**59**	2	9	-	-	-	**11**	**70**	**2,053**	**3.4%**
Other payables	-	47	-	4	**51**	2	2	-	-	-	**4**	**55**	**542**	**10.1%**
Short-term financial debt	15	-	-	-	**15**	-	30	-	14	135	**179**	**194**	**1,030**	**18.8%**
Long-term financial debt and other financial liabilities	-	-	-	-	**-**	-	-	-	-	10	**10**	**10**	**1,137**	**0.9%**
Income statement transactions:														
Sales revenues	17	-	165	43	**225**	56	-	26	-	-	**82**	**307**	**5,662**	**5.4%**
Other revenues and income	-	-	5	3	**8**	2	-	-	-	-	**2**	**10**	**313**	**3.2%**
Raw material and services used	5	-	25	35	**65**	5	22	-	-	-	**27**	**92**	**5,353**	**1.7%**
Financial expense	-	-	-	-	**-**	-	-	-	-	2	**2**	**2**	**112**	**1.8%**
Commitments and contingent risks:														
Guarantees provided	-	-	-	-	**-**	-	-	-	40	-	**40**	**40**	**1,200**	**3.3%**
Collateral provided	-	-	-	-	**-**	-	-	-	-	40	**40**	**40**	**1,374**	**2.9%**
Other commitments and risks	-	-	26	-	**26**	-	-	-	-	-	**-**	**26**	**456**	**5.7%**

(*) Please see "2010 Corporate Governance".

A) Intercompany Transactions

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

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

All of the transactions listed above are governed by contracts with conditions that are consistent with

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

Consolidated VAT Return

Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The VAT Group return for June 30, 2011 showed an overpayment of 5 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. This surcharge must be paid independently by each company, even if the company in question is included in the consolidated IRES return.

B) Transactions with Other Related and Significant Parties

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

1) Commercial Transactions

EDF Group

Transactions executed with the EDF Group included the following:

- With Fenice Spa, sales revenues of about 17 million euros, mainly from sales of natural gas, recovery of maintenance costs for about 5 million euros.
- With EDF Trading Ltd, revenues of 97 million euros and costs of 25 million euros stemming from sales and purchases of commodities.
- With EDF Trading Ltd revenues of 220 million euros and costs of 169 million euros from transactions executed during the period as part of the trading activity; these amounts are included in sales revenues on a net basis.
- With EDF Trading Ltd, commitments of up to 26 million euros within the EDF Carbon Fund to purchase CER/ERU.

A2A Group

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

- Sales revenues of 41 million euros from contracts to supply electric power and steam to A2A Trading Srl and A2A Calore e Servizi Spa.
- Other revenues and income of 3 million euros from A2A Trading Srl, for the recovery of costs incurred.
- Materials and services used totaling 35 million euros, broken down as follows: 7 million euros for purchases of electric power, 8 million euros for dispatching services by A2A Trading Srl, 18 million euros for electric power and natural gas transmission services by A2A Reti Elettriche Spa and about 2 million euros for the purchase of other utilities.
- With A2A Trading Srl, revenues of 46 million euros and costs of 44 million euros from transactions executed during the period as part of the trading activity; these amounts are included in sales revenues on a net basis.

IREN Group

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

- Sales revenues of 56 million euros from contracts to supply electric power and natural gas to Iren Mercato Spa;
- Other revenues and income of 2 million euros from Iren Mercato, for the recovery of costs incurred.
- Raw material and services used of 5 million euros mainly from the purchase of electric power and other utilities.

SEL Group

Costs of about 22 million euros for purchases of electric power from Sel Power.
Other payables totaled 2 million euros owed to shareholders for dividends declared.

Dolomiti Energia Group

Transactions executed pursuant to contracts for the supply of electric power resulted in revenues of 26 million euros with Trenta Spa.

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

2) Financial Transactions

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

- Banca Popolare di Milano was one of the lenders in a syndicated financing facility, originally totaling 2 billion euros, provided to Edipower in January 2007. At June 30, 2011, the portion of the facility underwritten by Banca Popolare di Milano was 32 million euros (16 million euros attributable to Edison) that had been drawn for 28 million euros (14 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, 2011, this credit line was being used only in sureties for about 40 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 87 million euros was outstanding at June 30, 2011. In addition, Mediobanca is one of the banks that, on June 13, 2011, signed a loan agreement for a Senior Unsecured facility provided on a club-deal basis in the form of a 700-million-euro revolving credit line. Mediobanca's pro rata share of the facility is 58 million euros, against which 8.3 million euros had been drawn at June 30, 2011. Mediobanca was also one of the banks that provided Edipower with the abovementioned syndicated loan originally amounting to 2 billion euros. At June 30, 2011, Mediobanca's share of the loan was 110 million euros (55 million euros attributable to Edison), drawn, by Edipower, for 93 million euros (46.5 million euros attributable to Edison). Furthermore, Gever, an Edison Group company, holds lines of credit in a financing pool totaling about 4 million euros, of which about 3.2 million euros have been drawn down. Lastly, Mediobanca is a party to interest risk hedging transactions executed by Group companies.

A 30-million-euro financing facility provided by SEL Spa to Hydros Srl was outstanding at June 30, 2011. A loan of about 6 million euros provided by Edison Spa to the EL.IT.E. Spa affiliate was repaid in the first half of 2011.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Pursuant to CONSOB Communication No. DEM/6064293 of July 28, 2006, Edison discloses that, on July 21, 2011, it signed an agreement with Promgas renegotiating the price of the long-term contract for the supply of natural gas from Russia. Because this was an "*Adjusting Event*", in accordance with IAS 10, the resulting effects were recognized in the Semiannual Financial Report at June 30, 2011, with a positive impact of 115 million euros on EBITDA.

Transactions Resulting from Atypical and/or Unusual Activities

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

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2011

No significant events requiring disclosure occurred since June 30, 2011.

SCOPE OF CONSOLIDATION

AT JUNE 30, 2011

SCOPE OF CONSOLIDATION AT JUNE 30, 2011

List of equity investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06/30/11	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes

A) Investments in companies included in the scope of consolidation

A.1) Companies consolidated line by line

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06/30/11	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Group Parent Company											
Edison Spa	Milan	EUR	5,291,700,671								
Electric Power Operations											
Compagnia Energetica Bellunese CEB Spa (single shareholder)	Milan (IT)	EUR	1,200,000	86.12	86.12	100.00	Sistemi di Energia Spa	-	-	S	(i)
Dolomiti Edison Energy Srl	Trento (IT)	EUR	5,000,000	49.00	49.00	49.00	Edison Spa	-	-	S	-
Ecofuture Srl (single shareholder)	Milan (IT)	EUR	10.200	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Attività Energia Elettrica	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Calabria Spa (single shareholder)	Milan (IT)	EUR	120,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energie Speciali Sicilia Srl (single shareholder)	Palermo (IT)	EUR	20,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Edison Energie Speciali Spa (single shareholder)	Milan (IT)	EUR	4,200,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Engineering Sa	Athens (GR)	EUR	260,001	100.00	100.00	100.00	Edison Spa	-	-	S	-
Edison Trading Spa (single shareholder)	Milan (IT)	EUR	30,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Gever Spa	Milan (IT)	EUR	10,500,000	51.00	51.00	51.00	Edison Spa	-	-	S	-
Hydros Srl - Hydros Gmbh	Bolzano (IT)	EUR	30,018,000	40.00	40.00	40.00	Edison Spa	-	-	S	-
Jesi Energia Spa	Milan (IT)	EUR	5.350,000	70.00	70.00	70.00	Edison Spa	-	-	S	(i)
Parco Eolico San Francesco Srl (single shareholder)	Milan (IT)	EUR	100,000	100.00	100.00	100.00	Edison Energie Speciali Spa (single shareholder)	-	-	S	(i)
Presenzano Energia Srl	Milan (IT)	EUR	120,000	90.00	90.00	90.00	Edison Spa			S	(i)
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	55.00	55.00	55.00	Edison Spa	-	-	S	-
Sistemi di Energia Spa	Milan (IT)	EUR	10,083,205	86.12	86.12	86.12	Edison Spa	-	-	S	(i)
Sondel Dakar Bv	Breda (NL)	EUR	18,200	100.00	100.00	100.00	Edison International Holding Nv	-	-	S	-
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.00	65.00	65.00	Edison Spa	-	-	S	(i)
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.00	60.00	60.00	Edison Spa	-	-	S	(i)
Hydrocarbons Operations											
Amg Gas Srl	Palermo (IT)	EUR	100,000	80.00	80.00	80.00	Edison Spa	-	-	S	(i)
Edison D.G. Spa (single shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Energia Spa (single shareholder) - Attività Idrocarburi	Milan (IT)	EUR	22,000,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Edison Idrocarburi Sicilia Srl (single shareholder)	Ragusa (IT)	EUR	10,000	100.00	100.00	100.00	Edison Spa	-	-	S	(i),
Edison International Spa	Milan (IT)	EUR	75,000,000	100.00	100.00	100,00	Edison Spa	-	-	S	(i)
Edison Stoccaggio Spa (single shareholder)	Milan (IT)	EUR	81,497,301	100.00	100.00	100.00	Edison Spa	-	-	S	(i)
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.00	100,00	100.00	Edison International Holding Nv	-	-	S	-
						0.00	Edison Spa	-	-		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06/30/11	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Corporate Activities											
Atema Limited	Dublin 2 (IRL)	EUR	1,500,000	100,00	100,00	100,00	Edison Spa	-	-	S	-
Edison Hellas Sa	Athens (GR)	EUR	263,700	100,00	100,00	100,00	Edison Spa	-	-	S	-
Edison International Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100,00	100,00	100,00	Edison International Holding Nv	-	-	S	-
Edison International Exploration & Production Bv	Amsterdam (NL)	EUR	18,000	100,00	100,00	100,00	Edison International Holding Nv	-	-	S	-
Edison International Finance Abu Qir Bv	Amsterdam (NL)	EUR	18,000	100,00	100,00	100,00	Edison International Holding Nv	-	-	S	-
Edison International Holding Nv	Amsterdam (NL)	EUR	62,000,000	100,00	100,00	100,00	Edison Spa	-	-	S	-
Montedison Srl (single shareholder)	Milan (IT)	EUR	2,583,000	100,00	100,00	100,00	Edison Spa	-	-	S	(i)
Nuova Alba Srl (single shareholder)	Milan (IT)	EUR	2,016,457	100,00	100,00	100,00	Edison Spa	-	-	S	(i)

A.2) Companies consolidated by the proportional method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 06/30/11	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)	Notes
Electric Power Operations											
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Elpedison Power Sa	Marousi Athens (GR)	EUR	98,198,000	37.89	37.89	75.78	Elpedison Bv	-	-	JV	-
Elpedison Trading Sa	Marousi Athens (GR)	EUR	1,150,000	50.00	50.00	100.00	Elpedison Bv	-	-	JV	-
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.00	50.00	50.00	Edison Spa	-	-	JV	-
Kinopraxia Thisvi	N. Kiffissia (GR)	EUR	20,000	65.00	65.00	65.00	Edison Engineering Sa	-	-	JV	(iii)
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.00	50.00	50.00	Edison Energie Speciali Spa (single shareholder)	-	-	JV	-
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.00	42.00	42.00	Edison Spa	-	-	JV	-
Hydrocarbons Operations											
Abu Qir Petroleum Company	Alexandria (ET)	EGP	20,000	50.00	50.00	50.00	Edison International Spa	-	-	JV	-
Ed-Ina D.o.o.	Zagabria (HR)	HRK	20,000	50.00	50.00	50.00	Edison International Spa	-	-	JV	-
ICGB AD	Sofia (BG)	BGL	3,911,660	25.00	-	50.00	IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	-	-	JV	-
IGI Poseidon Sa-Nat. Gas Subm. Interc. Gre-Ita-Poseidon	Herakleio Attiki (GR)	EUR	22,100,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-
Corporate Activities											
Elpedison Bv	Amsterdam (NL)	EUR	20,000	50.00	50.00	50.00	Edison International Holding Nv	-	-	JV	-

List of Equity Investments (continued)

B) Investments in companies valued by the equity method

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Centrale Elettrica Winnebach Soc. Consortile Arl	Terento (BZ) (IT)	EUR	100,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Centrale Prati Società Consortile Arl	Val di Vizze (BZ) (IT)	EUR	300,000		30.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000		50.00	Jesi Energia Spa	-	-	-	AC	-
EL.IT.E Spa	Milan (IT)	EUR	3,888,500		48.45	Edison Spa	-	-	2.7	AC	-
Energia Senales Srl - Es Srl	Senales (BZ) (IT)	EUR	100,000		40.00	Hydros Srl - Hydros Gmbh	-	-	-	AC	-
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000		33.01	Edison Spa	-	-	1.2	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)	-	-	4.3	AC	-
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000		20.00	Edison Spa	-	-	18.7	AC	-
Soc. Svil. Rea. Gest. Gasdot. Alg-ITA V. Sardeg. Galsi Spa	Milan (IT)	EUR	37,242,300		20.81	Edison Spa	-	-	18.0	AC	-
Total investments in companies valued by the equity method									**46.5**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	Interest held in share capital by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
C) Investments in companies in liquidation or subject to permanent restrictions											
Auto Gas Company S.A.E. (in liquidation)	Il Cairo (ET)	EGP	1,700,000		30.00	Edison International Spa	-	-	-	AC	-
Cempes Scrl (in liquidation)	Rome (IT)	EUR	15,492		33.33	Nuova C.I.S.A. Spa (In liq.) (single shareholder)	-	-	-	AC	-
Compagnia Elettrica Lombarda Spa (in liquidation)	Milan (IT)	EUR	408,000		60.00	Sistemi di Energia Spa	-	-	-	S	-
Coniel Spa (in liquidation)	Rome (IT)	EUR	1,020		35.25	Edison Spa	-	-	-	AC	-
Groupement Gambogi - Cisa (In liquidation)	Dakar (SN)	XAF	1,000,000		50.00	Nuova C.I.S.A. Spa (In liq.) (single shareholder)	-	-	-	AC	-
Inica Soc. de Iniciativas Mineiras e Industriais Sa	Lisbon (PT)	PTE	1,000,000		20.00	Edison Spa	-	-	-	AC	-
Nuova C.I.S.A. Spa (in liquidation) (single shareholder)	Milan (IT)	EUR	1,549,350		100.00	Edison Spa	-	-	2.4	S	(i)
Nuova I.S.I. Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (RI) (IT)	LIT in Euros	150,000,000 77,468.53		33.33	Montedison Srl (single shareholder)	-	-	-	AC	-
Poggio Mondello Srl (single shareholder)	Palermo (IT)	EUR	364.000		100.00	Nuova C.I.S.A. Spa (In liq.) (single shareholder)	-	-	-	S	(i)
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950		12.60	Edison Spa	-	-	-	NG	-
Soc. Gen. per Progr. Cons. e Part. Spa (in receivership)	Roma (IT)	LIT in Euros	300,000,000 154,937.07		59.33	Edison Spa	-	-	-	S	-
Sorrentina Scarl (in liquidation)	Rome (IT)	EUR	46,480		25.00	Nuova C.I.S.A. Spa (In liq.) (single shareholder)	-	-	-	AC	-
Total investments in companies in liquidation or subject to permanent restrictions									**2.4**		

List of Equity Investments (continued)

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes

D) Investments in other companies valued at fair value

D.1) Investments held for trading

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Acegas-Aps Spa	Trieste (IT)	EUR	283,690,763		1.30	Edison Spa	-	-	3.0	NG	-
Acsm-Agam Spa	Monza (IT)	EUR	76,619,105		1.94	Edison Spa	-	-	1.7	NG	-
Amsc-American Superconductor	Devens (US)	USD	507,017		0.32	Edison Spa	-	-	1.0	NG	-

D.2) Available-for-sale investments

Company name	Head office	Currency	Share capital	Consolidated Group interest (a) 12/31/10	Interest held in share capital % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)	Notes
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000		3.89	Edison Spa	-	-	0.2	NG	-
European Energy Exchange Ag - Eex	Lipsia (DE)	EUR	40,050,000		0.76	Edison Spa	-	-	0.7	NG	-
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	80,579,007		4.28	Edison Spa	-	-	3.5	NG	-
MB Venture Capital Fund I Participating Comp. E Nv	Amsterdam (NL)	EUR	50,000		7.00	Edison Spa	-	-	-	NG	-
Prometeo Spa	Osimo (AN)(IT)	EUR	2,292,436		17.76	Edison Spa	-	-	0.5	NG	-
Rashid Petroleum Company - Rashpetco	Il Cairo (ET)	EGP	20,000		10.00	Edison International Spa	-	-	-	NG	-
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050		1.02	Edison Spa	1.06	1.06	8.9	NG	-
Syremont Spa	Messina (IT)	EUR	1,250,000		24.00	Edison Spa	-	-	-	AC	(ii)
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000		7.30	Edison Spa	-	-	190.4	NG	-
Sundry investments									0.2		
Total investments in other companies valued at fair value									**210.1**		
Total equity investments									**259.0**		

Notes

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

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

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

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

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

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

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

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

(iii) This company is a contractual joint venture.

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

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

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

AT JUNE 30, 2011

Income Statement

2010 full year	(in millions of euros)	See note	1st half 2011	1st half 2010
5,591	Sales revenues	1	2,851	2,882
368	Other revenues and income	2	271	139
5,959	**Total revenues**		**3,122**	**3,021**
(5,451)	Raw material and services used (-)	3	(2,954)	(2,726)
(140)	Labor costs (-)	4	(71)	(70)
368	**EBITDA**	**5**	**97**	**225**
(404)	Depreciation, amortization and writedowns(-)	6	(182)	(179)
(36)	**EBIT**		**(85)**	**46**
(38)	Net financial income (expense)	7	(53)	(4)
(34)	Income from (expense on) equity investments	8	35	144
44	Other income (expense), net	9	(6)	30
(64)	**Profit (Loss) before taxes**		**(109)**	**216**
18	Income taxes	10	35	(20)
(46)	**Profit (Loss) from continuing operations**		**(74)**	**196**
(40)	Profit (Loss) net, from discontinued operations	11	(22)	-
(86)	**Profit (Loss) for the period**		**(96)**	**196**

Other Components of the Comprehensive Income Statement

2010 full year	(in millions of euros)	See note	1st half 2011	1st half 2010
(86)	**Net profit (loss) for the period**		**(96)**	**196**
	Other components of comprehensive income:			
83	- Change in the cash flow hedge reserve	23	7	10
(2)	- Profit (Loss) from available-for-sale investments	23	1	(2)
(31)	Income taxes attributable to other components of comprehensive income (-)		(3)	(4)
50	**Total other components of comprehensive income net of taxes**		**5**	**4**
(36)	**Total comprehensive profit (loss) for the period**		**(91)**	**200**

Balance Sheet

06.30.2010	(in millions of euros)	See note	06.30.2011	12.31.2010
	ASSETS			
3,662	Property, plant and equipment	12	3,209	3,269
2	Investment property	13	1	1
2,632	Goodwill	14	2,632	2,632
185	Hydrocarbon concessions	15	166	176
19	Other intangible assets	16	15	23
2,024	Investments in associates	17	2,250	2,309
296	Available-for-sale investments	17	204	292
8	Other financial assets	18	7	7
-	Deferred-tax assets	19	-	-
91	Other assets	20	194	99
8,919	**Total non-current assets**		**8,678**	**8,808**
162	Inventories		166	213
779	Trade receivables		1,278	1,243
5	Current-tax assets		18	19
367	Other receivables		587	369
2,680	Current financial assets		2,180	2,071
145	Cash and cash equivalents		382	285
4,138	**Total current assets**	21	**4,611**	**4,200**
-	**Assets held for sale**	22	**151**	**209**
13,057	**Total assets**		**13,440**	**13,217**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
5,292	Share capital		5,292	5,292
125	Statutory reserve		125	125
603	Other reserves		652	649
885	Retained earnings (Loss carryforward)		800	884
196	Net profit (loss) for the period		(96)	(86)
7,101	**Total shareholders' equity**	23	**6,773**	**6,864**
29	Provision for employee severance indemnities and provisions for pensions	24	26	27
291	Provision for deferred taxes	25	263	280
649	Provision for risks and charges	26	651	631
1,695	Bonds	27	1,792	1,791
863	Long-term financial debt and other financial liabilities	28	1,056	847
22	Other liabilities	29	23	22
3,549	**Total non-current liabilities**		**3,811**	**3,598**
781	Bonds		534	528
529	Short-term financial debt		1,143	859
846	Trade payables		905	1,182
-	Current taxes payable		-	-
251	Other liabilities		260	182
2,407	**Total current liabilities**	30	**2,842**	**2,751**
-	**Liabilities held for sale**	31	**14**	**4**
13,057	**Total liabilities and shareholders' equity**		**13,440**	**13,217**

Statement of Cash Flows

The schedule that follows analyzes the cash flows as they apply to short-term liquid assets (i.e., due within 3 months) in the first half of 2011, compared with the corresponding data for 2010.

2010 full year	(in millions of euros)	See note	1st half 2011	1st half 2010
(46)	Profit (Loss) of Edison Spa from continuing operations		(74)	196
(40)	Profit (Loss) of Edison Spa from discontinued operations		(22)	-
(86)	**Total profit (loss) of Edison Spa**		**(96)**	**196**
404	Amortization, depreciation and writedowns	6	182	179
4	(Gains) Losses on the sale of non-current assets		(6)	1
360	(Revaluations) Writedowns of non-current financial assets		69	43
(1)	Change in provision for employee severance indemnities	23	(1)	2
147	Change in operating working capital		(265)	340
(235)	Change in other operating assets and liabilities		(191)	(180)
593	**A. Cash from (used in) operating activities provided by continuing operations**		**(308)**	**581**
(202)	Additions to intangibles and property, plant and equipment (-)	13	(70)	(129)
(656)	Additions to equity investments and other non-current financial assets (-)		(15)	(55)
3	Proceeds from the sale of intangibles and property, plant and equipment		9	2
8	Proceeds from the sale of non-current financial assets and capital distributions		89	4
272	Other current assets		(109)	(338)
(575)	**B. Cash used in investing activities**		**(96)**	**(516)**
1,100	Proceeds from new medium-term and long-term loans	27-28	299	500
(1,331)	Redemptions of medium-term and long-term loans (-)	27-28	(15)	(615)
-	Capital contributions provided by controlling companies or minority shareholders		-	-
(228)	Dividends paid to controlling companies or minority shareholders (-)		-	(228)
159	Changes in short-term financial debt	19	217	(144)
(300)	**C. Cash from (used in) financing activities**		**501**	**(487)**
(282)	**D. Net change in cash and cash equivalents (A+B+C)**		**97**	**(422)**
567	**E. Cash and cash equivalents at the beginning of the year**		**285**	**567**
285	**F. Cash and cash equivalents at the end of the period (D+E)**		**382**	**145**

Statement of Changes in Shareholders' Equity

				Reserve for other components of comprehensive income			
(in millions of euros)	Share capital	Statutory reserve	Other reserves and ret. earn. (loss carry-forward)	Cash flow hedge reserve	Reserve for available-for-sale investments	Profit (Loss) for the period	Total shareholders' equity
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**
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**45**	**-**	**(282)**	**(237)**
broken down as follows:							
- Change in comprehensive profit for the period	-	-	-	45	-	-	45
- Net profit (loss) for the second half of 2010	-	-	-	-	-	(282)	(282)
Balance at December 31, 2010	**5,292**	**125**	**1,455**	**82**	**(4)**	**(86)**	**6,864**
Appropriation of the previous year's profit and dividend distribution	-	-	(86)	-	-	86	-
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**4**	**1**	**(96)**	**(91)**
broken down as follows:							
- Change in comprehensive profit for the period	-	-	-	4	1	-	5
- Net profit (loss) for the first half of 2011	-	-	-	-	-	(96)	(96)
Balance at June 30, 2011	**5,292**	**125**	**1.369**	**86**	**(3)**	**(96)**	**6,773**

NOTES TO THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS OF EDISON SPA, THE GROUP'S PARENT COMPANY, AT JUNE 30, 2011

Content and Presentation

The condensed semiannual financial statements of Edison Spa, the Group's Parent Company, at June 30, 2011, subject to a limited audit, were prepared in accordance with 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.),* and, because they are interim financial statements, comply with the provisions of IAS 34 "Interim Financial Reporting."

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, 2010, 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 2011, are reviewed in a separate section of the Condensed Consolidated Semiannual Financial Statements.
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 25, 2011.

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

Unless otherwise stated, the amounts in these notes to the Condensed Semiannual Financial Statements are in millions of euros.

NOTES TO THE INCOME STATEMENT

Operating Performance in the First Half of 2011

Edison Spa reported a **net loss** of 96 million euros **at June 30, 2011,** as against a net profit of 196 million euros earned in the first half of 2010.

In the first six months of 2011, **sales revenues** totaled 2,851 million euros, down 1.1% compared with the same period last year (2,882 million euros).
The main reason for this decrease, which affected both the **electric power** operations and the **hydrocarbons** operations, is a reduction in sales volumes (-4.88% for the electric power operations and -5.51% for the hydrocarbons operations), offset in part by an increase in unit sales prices made possible by changes in the benchmark scenario.

Edison Spa reported **EBITDA** of 97 million euros, for a decrease of 128 million euros compared with EBITDA of 225 million euros in the first half of 2010, with both the electric power operations and the hydrocarbons operations contributing to this negative performance.

More specifically:

- The **electric power operations** reported EBITDA of 89 million euros, or 27.6% less than the 123 million euros earned in the first six months of 2010. Lower margins contributed by the CIP 6/92 operations, due to the early termination and the scheduled expiration of some contracts, and a contraction in sales margins are the main reasons for this decrease.
- The EBITDA of the **hydrocarbons operations** totaled 58 million euros, falling by 93 million euros compared with the first half of 2010. This negative performance reflects the temporary burdensome effect of long-term natural gas importation contracts. With regard to this issue, it is worth mentioning that Edison is currently in the process of renegotiating these contracts to restore profitability at the operating level. Specifically, the data for the first half of 2011 reflect the positive impact of the successful renegotiation of long-term contract to import natural gas from Russia and Norway.

In addition to the industrial margins discussed above, the following factors affected the comparison of this year's performance with the first half of 2010:

- **Net financial expense** of 53 million euros, up 49 million euros compared with the first half of 2010 (4 million euros), which reflects mainly higher net foreign exchange losses, due to negative results on derivatives executed to hedge natural gas purchases;
- **Net income on equity investments,** which totaled 35 million euros at June 30, 2011 and includes 98 million euros in dividend income and 70 million euros in writedowns of investments in Group companies recognized to adjust the corresponding carrying amounts for impairment losses.
  The sale of a 2.703% interest in Terminale GNL Adriatico contributed a gain of 5 million euros.
- **Other expense, net,** of 6 million euros, for a negative change of 36 million euros compared with the first half of 2010 (net income of 30 million euros), which consist mainly of legal costs.
- **Income taxes,** positive by 35 million euros, as against a negative balance of 20 million euros in the first six months of 2010, which reflects the negative industrial performance described above.

1. Sales Revenues

Sales revenues totaled 2,851 million euros, or 1.1% less than in the first half of 2010 (2,882 million euros). A breakdown of sales revenues, which were earned mainly in Italy, is provided below:

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Revenues from the sale of:				
- Electric power	991	1,079	(88)	(8.2%)
- Natural gas	1,699	1,659	40	2.4%
- Steam	45	45	-	0.0%
- Oil	79	57	22	38.6%
- Sundry items	1	1	-	n.m.
Revenues from the sale of products	**2,815**	**2,841**	**(26)**	**(0.9%)**
Revenues from services provided	24	33	(9)	n.m.
Revenues from power plant maintenance	6	5	1	n.m.
Transmission revenues	1	1	-	n.m.
Revenues from the provision of services	**31**	**39**	**(8)**	**n.m.**
Margin on trading activities	5	2	3	n.m.
Total sales revenues	**2,851**	**2,882**	**(31)**	**(1.1%)**
breakdown by business segment:				
Electric power operations	1,052	1,142	(90)	(7.9%)
Hydrocarbons operations	1,788	1,728	60	3.5%
Corporate activities	11	12	(1)	(8.3%)
Total	**2,851**	**2,882**	**(31)**	**(1.1%)**

The **sales revenues of electric power operations** decreased to 1,052 million euros in the first half of 2011, or 7.9% less than in the same period last year, as the impact of a reduction in unit sales could not be offset by an increase in average sales prices, driven by favorable changes in the benchmark scenario.

The **sales revenues of the hydrocarbon operations** grew to 1,788 million euros, for a gain of 3.5% compared with the first six months of 2010, reflecting both for gas and oil the combined effect of higher average sales prices, driven by a substantial rise in the price of Brent crude, and lower unit sales. Fuel oil sales were particularly strong (+24 million euros) thanks to a favorable price trend that more than offset the impact of the natural depletion of oil deposits.

2. Other Revenues and Income

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Commodity derivatives	137	70	67	95.7%
Out-of-period income	86	16	70	n.m.
Insurance settlements	11	17	(6)	(35.3%)
Sundry items	37	36	1	2.8%
Total other revenues and income	**271**	**139**	**132**	**95.0%**

Commodity derivatives, which should be viewed concurrently with corresponding cost included in Raw materials and services used (increased from 17 million euros to 71 million euros), reflects mainly the results of Brent crude and foreign exchange hedges executed to mitigate the risk of price fluctuations on natural gas purchases.

Out-of-period income includes 64 million euros for the effect of the successful renegotiation of a natural gas contract and 10 million euros for the recognition of lower CO_2 costs.

3. Raw Materials and Services Used

Raw materials and services used totaled 2,954 million euros, up 8.4% compared with the first half of 2010 (2,726 million euros) reflecting the impact of changes in prices and business volumes discussed when commenting Sales revenues. A breakdown is provided below:

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
- Natural gas	2,067	1,932	135	7.0%
- Blast furnace, recycled and coke furnace gas	221	163	58	35.6%
- Green certificates	18	18	-	n.m.
- Oil and fuel	3	6	(3)	(50.0%)
- CO_2 emissions rights	18	30	(12)	(40.0%)
- Demineralized industrial water	19	17	2	11.8%
- Electric power	4	4	-	n.m.
- Utilities and other materials	34	30	4	13.3%
Total	**2,384**	**2,200**	**184**	**8.4%**
- Transmission of electric power and natural gas	261	256	5	2.0%
- Change in inventories	46	56	(10)	(17.9%)
- Facilities maintenance	51	44	7	15.9%
- Professional services	36	36	-	0.0%
- Commodity derivatives	71	17	54	n.m.
- Sundry charges	105	117	(12)	(10.4%)
Total materials and services used	**2,954**	**2,726**	**228**	**8.4%**
breakdown by business segment:				
Electric power operations	400	353	47	13.3%
Hydrocarbons operations	2,505	2,320	185	8.0%
Corporate activities	49	53	(4)	(7.5%)
Total	**2,954**	**2,726**	**228**	**8.4%**

The increase in the amount shown for **natural gas** compared with the first six months of 2010, is due to the higher prices paid for natural gas, offset only in part by a reductions in volumes bought and the positive impact of the renegotiation of the contract for the supply of natural gas from Norway and Russia. This item also includes charges of 27 million euros for the negative results from the effective portion of derivatives hedging foreign exchange risk on commodities (positive by 18 million euros in the first half of 2010).

Insofar as the costs incurred to purchase **CO_2 emissions rights** are concerned, the decrease of 12 million euros is due both to the smaller quantity required (deficit) and to a lower purchasing price. **Green certificate** costs were in line with the level in the first six months of 2010, as the net result of higher required purchases and a lower average purchase price.

Margin on Trading Activities

The table below shows the results of the gas trading activity started in the first half of 2011, 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)	1st half 2011	1st half 2010	Change	% change
Sales revenues	90	14	76	n.m.
Raw materials and services used	(85)	(12)	(73)	n.m.
Total margin on trading activities	**5**	**2**	**3**	**n.m.**

Trading activities in the Italian market contributed the lion's share (90%) of this margin.

4. Labor Costs

Labor costs totaled 71 million euros, roughly in line with the first half of 2010. The Company's staff, which numbered 1,740 employees at December 31, 2010, had decreased by 16 employees at June 30, 2011.

(in millions of euros)	1st half 2011			1st half 2010			Change			
	Labor cost	Number of employees at end of period	Average number of employees	Labor cost	Number of employees at end of period	Average number of employees	Labor cost	%	Number of employees at end of period	%
Total	**71**	**1,724**	**1,726**	**70**	**1,750**	**1,740**	**1**	**n.m.**	**(14)**	**(0.8%)**

5. EBITDA

EBITDA totaled 97 million euros, or 128 million euros less than in the first half of 2010.

A breakdown by type of business is provided below:

(in millions of euros)	1st half 2011	as a % of 2011 sales revenues	1st half 2010	as a % of sales revenues	% change
Electric power operations	89	8.5%	123	10.8%	(27.6%)
Hydrocarbons operations	58	3.2%	151	8.7%	(61.6%)
Corporate activities	(50)	n.m.	(49)	n.m.	2.0%
Total	**97**	**3.4%**	**225**	**7.8%**	**n.m.**

The performance of the different Group businesses is reviewed below:

- The **electric power operations** reported positive EBITDA of 89 million euros, for a decrease of 27.6% compared with the 123 million euros earned in the first six months of 2010. Lower margins contributed by the CIP 6/92 operations, due to the early termination and expiration of some contracts, a contraction of unit sales margins and a minor shortfall in production, offset only in part by higher reference prices, account for this decrease.
  Net production of electric power totaled 12,989 GWh, or 666 GWh less than in the first half of 2010 (-4.88%), due mainly to lower production by CIP 6/92 facilities.
- The EBITDA of the **hydrocarbons operations** amounted to 58 million euros, compared with 151 million euros in the first six months of 2010. Unit sales margins continued to contract during the first six months of 2011, due primarily to the terms of the main long-term supply contracts under which natural gas is currently purchased, offset only in part by the positive effects of the successfully renegotiation of the long-term contracts to purchase natural gas from Russia and Norway.

  Natural gas volumes were down 5.5% to 7,718 million cubic meters in the first half of 2011. Specifically, on the procurement side, domestic purchases and pipeline imports under long-term

contracts were both down, falling by 22.6% and 9%, respectively. However, imports of LNG from Qatar, which is regasified at the Rovigo terminal, were up 11%.

The reduction in purchases described above is consistent with a decrease in sales. Specifically, sales to residential customers and thermoelectric users were down 36% and 5%, respectively, offset only in part by higher sales to wholesalers and to buyers on the Virtual Exchange Facility.

The exploration and production activities continued to deliver a positive performance, thanks to a robust upturn in the price of oil, even though production of crude oil fell to 1,082,000 barrels, compared with 1,180,000 barrels in the first half of 2010, due mainly to the natural depletion of the oil fields.

In addition, the performance of the hydrocarbons operations reflects a net positive impact of 41 million euros (72 million euros in the first half of 2010) from derivative transactions hedging foreign exchange and commodity risks.

Lastly, the EBITDA of the hydrocarbons operations were boosted by insurance settlements totaling about 10 million euros for activities carried out to repair damages suffered by hydrocarbon production facilities in previous years.

6. Depreciation, Amortization and Writedowns

(in millions of euros)	1st half 2011	1st half 2010	Change	% change
Depreciation of property, plant and equipment	146	166	(20)	(12.0%)
Amortization of hydrocarbon concessions	9	9	-	-
Amortization of other intangible assets	5	4	1	25.0%
Writedowns of property, plant and equipment	22	-	22	n.m.
Reversals of writedowns of property, plant and equipment	-	-	-	n.m.
Total depreciation, amortiz. and writedowns	**182**	**179**	**3**	**1.7%**
breakdown by business segment:				
Electric power operations	147	142	5	3.5%
Hydrocarbons operations	29	32	(3)	(9.4%)
Corporate activities	6	5	1	20.0%
Total	**182**	**179**	**3**	**1.7%**

A review by business segment is provided below:

- in the **electric power** segment:
  - **depreciation and amortization** decreased to 125 million euros, or 17 million euros less than in the first half of 2010, due mainly to a reassessment of the useful lives of some hydroelectric power plants, the end of some CIP 6/92 contracts and the writedowns recognized at December 31, 2010;
  - **writedowns** totaled 22 million euros. A detailed analysis of the impact of the writedowns is provided later in these Notes in the disclosure about the "Impairment Test in accordance with IAS".
- in the **hydrocarbons** segment, depreciation and amortization amounted to 29 million euros. The decrease of 3 million euros compared with the first six months of 2010 reflects a change in the extraction profiles of hydrocarbon deposits. Also in the hydrocarbons segment, exploration costs totaled 1 million euros.

7. Net Financial Income (Expense)

Net financial expense totaled 53 million euros, or 49 million euros more than in the first half of 2010 (4 million euros). This increase reflects:

- higher foreign exchange losses due to the negative results of derivatives hedging natural gas purchases in foreign currencies, which more than offset net income on the commercial side;
- an increase in average net financial debt partially offset by a change in the overall cost of money.

A breakdown of the components of financial income and expense and comparison with the first half of 2010 is provided below:

(in millions of euros)	1st half 2011	1st half 2010	Change
Financial income			
Financial income from financial derivatives	22	41	(19)
Financial income from Group companies	26	39	(13)
Other financial income	4	2	2
Total financial income	**52**	**82**	**(30)**
Financial expense			
Interest paid on bond issues	(28)	(63)	35
Financial expense from financial derivatives	(26)	(20)	(6)
Financial expense paid to Group companies	(6)	(1)	(5)
Interest paid to banks	(8)	(11)	3
Bank fees paid	(3)	(2)	(1)
Financial expense on decommissioning projects	(7)	(7)	-
Other financial expense	(8)	(5)	(3)
Total financial expense	**(86)**	**(109)**	**23**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	59	62	(3)
Foreign exchange translation losses	(78)	(39)	(39)
Total foreign exchange translation gains (losses)	**(19)**	**23**	**(42)**
Total net financial income (expense)	**(53)**	**(4)**	**(49)**

8. Income from (Expense on) Equity Investments

Net income from equity investments totaled 35 million euros. Lower dividends from subsidiaries are the main reason for the decrease compared with the first six months of 2010.
The table that follows provides a breakdown of this item:

(in millions of euros)	1st half 2011	1st half 2010	Change
Income from equity investments			
Dividends	98	188	(90)
Gain on divestment	7	-	7
Total income from equity investments	**105**	**188**	**(83)**
Expense on equity investments			
Writedowns of equity investments	(68)	(43)	(25)
Writedowns of trading securities	(2)	(1)	(1)
Total expense on equity investments	**(70)**	**(44)**	**(26)**
Income from (Expense on) equity investments, net	**35**	**144**	**(109)**

The largest **dividend** amounts were paid by Termica Milazzo (32 million euros), Edipower (21 million euros) and Edison Stoccaggio (15 million euros), with other subsidiaries and affiliated companies accounting for the balance. **Writedowns** reflect adjustments made to the carrying amounts of the

investments in some subsidiaries, including Edison International Spa, Sarmato Energia and Edison International Holding, which were required by the outcome of impairment tests performed on the assets of these subsidiaries. Specifically with regard to investments held for sale, the interest held in Terminale GNL Adriatico Srl was written down by 6 million euros in order to align its carrying value to its fair value.

9. Other Income (Expense), Net

Net other expense, which totaled 6 million euros for a negative change of 36 million euros compared with the first half of 2010, is the result of nonrecurring items that are not directly related to the Group's industrial or financial operations. The main components of this account are:

- **Income** of 1 million euros resulting mainly from the end of a risk for which provisions for risks and charges had been recognized in previous years.
- **Expense** of 7 million euros, arising mainly from settlements concluded during the period, additions to provisions for tax risks and costs mainly for extraordinary transactions executed in previous years.

10. Income Taxes

Income taxes were positive by 35 million euros. The reduction of 55 million euros compared with the 20 million euros owed in the first half of 2010 reflects the impact of the contraction of industrial margins discussed earlier in these notes.

(in millions of euros)	1st half 2011	1st half 2010	Change
Current taxes	(10)	41	(51)
Net deferred-tax liabilities (assets)	(20)	(15)	(5)
Income taxes attributable to previous years	(5)	(6)	1
Total	**(35)**	**20**	**(55)**

Current taxes include a benefit of 12 million euros resulting from the use of the tax losses contributed by the companies included in the national consolidate income tax return filed by the controlling company Transalpina di Energia Srl, and an expense of 2 million euros for regional taxes (IRAP).

Deferred-tax liabilities (assets) include the recognition of the tax asset on the portion of the tax loss for the period that was not used in the consolidated income tax return and for the 6.5% surcharge (the so-called Robin Hood tax) amounting to 3 million euros. The utilization deferred-tax assets recognized upon transition to the IFRSs for the use of fair value as the deemed cost of non-current assets amounted to 23 million euros.

Income taxes attributable to previous years represent a benefit of 5 million euros arising from tax incentives provided under the Tremonti-ter law that could not be recognized the previous year.

11. Profit (Loss) from Discontinued Operations

The loss of 22 million euros includes the following items:

- 15 million euros to writedown the carrying amount of some thermoelectric power plants in order to align the carrying amount of the assets to their estimated realizable value, consistent with the agreements executed in June 2011;
- 7 million euros for a decision handed down by the Council of State on May 31, 2011, pursuant to which Edison was denied certain rate benefits for a thermoelectric power plant divested in a previous year.

A more detailed analysis of this transaction is provided in the section of these notes entitled "Disclosures Required by IFRS 5 (Disposal Group)."

NOTES TO THE BALANCE SHEET

Assets

12. Property, Plant and Equipment

Property, plant and equipment, which consist of the Company's production assets, totaled 3,209 million euros, or 60 million euros less than at December 31, 2010, due to depreciation expense, which exceeded additions, and writedowns of some thermoelectric power plants. The table below provides a breakdown of this item and shows the changes that occurred in the first half of 2011:

(in millions of euros)	Land and buildings	Plant and machinery	Manufacturing and distribution equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/10 (A)	**455**	**2.677**	**3**	**4**	**130**	**3.269**
Changes in the first half of 2011:						
- Additions	-	27	-	1	38	66
- Disposals (-)	(2)	(8)	-	-	-	(10)
- Depreciation (-)	(10)	(135)		(1)	-	(146)
- Decommissioning revision	-	5	-	-	-	5
- Other changes	-	11	-	-	(11)	-
- Reclassification to assets held for sale	3	22	-	-	-	25
Total changes (B)	**(9)**	**(78)**	**-**	**-**	**27**	**(60)**
Balance at 6/30/11 (A+B)	**446**	**2,599**	**3**	**4**	**157**	**3,209**

The main changes that occurred in the first half of 2011 are reviewed below:

- **Additions** of 66 million euros include the following:
  - 34 million euros for the **electric power operations,** mainly to repower some units of hydroelectric and thermoelectric power plants;
  - 31 million euros for the **hydrocarbons operations** to develop some hydrocarbon fields.
- **Disposals** refer mainly to assets belonging to a hydrocarbon concession, with regard to which the equity stake changed in favor of the main operator.
- **Depreciation** decreased to 146 million euros, or 20 million euros less than in the first six months of 2010.
- **Decommissioning revision** reflects higher remediation costs for the sites of some thermoelectric power plants.

As for **assets held under finance leases,** which are recognized by the method of IAS 17 Revised, the remaining financial debt of 27 million euros is shown under Long-term financial debt and other financial liabilities for 25 million euros and Current financial debt for 2 million euros.

13. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, was valued at 1 million euros, unchanged from December 31, 2010.

14. Goodwill

Goodwill totaled 2,632 million euros, unchanged compared with December 31, 2010. 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 segment, which are set forth in the definition of cash generating units provided in the Notes to the Consolidated Financial Statements.

15. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which included 47 hydrocarbon production leases in Italy, were valued at 166 million euros, or 10 million euros less than at December 31, 2010, due mainly to the amortization for the period.

16. Other Intangible Assets

The balance of 15 million euros refers mainly to patents, licenses and similar rights consisting primarily of software licenses (14 million euros) and work in progress (1 million euros).
Costs totaling 1 million euros were incurred during the first half of 2011 for research and exploration and charged in full to income. During the first six months of 2011, no costs were capitalized for successful explorations projects leading to development activities.

Impairment test applied to the Assets in accordance with IAS 36

As described in the correspondent paragraph of Condensed consolidated semiannual financial statements, in the first half of 2011, as required by IAS 36, the Group performed updated impairment tests of the individual Cash Generating Units (CGUs), whenever specific impairment indicators affecting recoverable values were detected.
Consistent with the estimates applied at the end of 2010, recoverable value was determined based on the value in use of the assets, estimated based on the present value of the operating cash flows before taxes, taking into account the useful lives of the assets and their terminal values, when appropriate.

The cash flow amounts used, which were based on the best estimates of top management, are the same as those used to perform an impairment test at the end of 2010, updated when necessary if specific triggers were detected. The discount rates applied are also consistent with those used to perform an impairment test at the end of 2010, updated when the country risk was materially greater in comparison with Italy.
Specifically with regard to the some thermoelectric power plants, the writedown was required by the impairment indicators arising from the signing of an agreement to sell a group of production facilities, which had an impact of 37 million euros. Consistent with the classification of these assets as a Disposal Group, the amount of 15 million euros was included in "Profit (Loss) from discontinued operations."

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

Investments in associates of 2,250 million euros includes 1,115 million euros in investments in subsidiaries and 1,135 million euros in investments in joint ventures and affiliated companies. Available-for-sale investments were valued at 204 million euros. They include 190 million euros for a 7.297% 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 2011:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12/31/10 (A)	**2,309**	**292**	**2,601**
Changes in the first half of 2011:			
- Divestments (-)	(1)	(73)	(74)
- Changes in share capital and reserves	15	-	15
- Distribution of share capital and reserve	-	(9)	(9)
- Reval. (+)/Writedowns (-) recog. in P&L	(61)	(7)	(68)
- Reval. (+)/Writedowns (-) recog. in S.E.	-	1	1
- Other changes (-)	(12)	-	(12)
Total changes (B)	**(59)**	**(88)**	**(147)**
Balance at 6/30/11 (A+B)	**2,250**	**204**	**2,454**

The main changes are reviewed below

- **Divestments** reflects primarily the sale of an interest in Terminale GNL Adriatico Srl. Specifically, during the first half of 2011, Edison Spa exercised its tag along option, selling a 2.703% interest for a price of 78 million euros and generating a gain of 5 million euros.
- **Changes in share capital and reserves** refers to a capital increase of 15 million euros carried out by the Edison International Holding NV subsidiary.
- the entire amount of **distributions of share capital and reserves** refers to share capital distributions carried out by Terminale GNL Adriatico Srl;
- **Writedowns recognized in profit and loss** reflects adjustments made to the carrying values of some equity investments. Specifically with regard to **investments available for sale,** it is worth noting that the factors taken into account to value the investment held in Terminale GNL Adriatico include both the duration of the current regasification contract with Edison and the gradual decrease over time of Edison's pro rata share of the company's shareholders' equity caused by any distributions of share capital and/or reserve received. The result of this approach is thought to approximate fair value, given that a valuation based on market criteria is not practicable, due to the unique nature of the regasification terminal and the contractual terms of the regasification service provided to Edison Spa.
- **Other changes** includes the liquidation of Selm Holding Sa, whose net assets, conveyed to Edison Spa, consisted of an interest of about 7% in Edison International Spa.

18. Other Financial Assets

The net carrying amount of 7 million euros, unchanged compared with December 31, 2010, represents loans receivable due in more than one year and long-term investment securities. A loan owed by the Gever subsidiary accounts for most of the balance in this account.

19. 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.

20. Other Assets

Other assets, which totaled 194 million euros, or 95 million euros more than at December 31, 2010 (99 million euros), include 185 million euros (91 million euros at the end of 2010) in advances paid under long-term natural gas supply contracts for gas volumes that the Edison Spa was unable to take delivery of but was required to pay for, due to take-or-pay contract clauses. At June 30, 2011 the current portion of these advances (42 million euros) was reclassified under Other receivables. The Company expects to make up all these volumes over the remaining lives of the contracts.

21. Current Assets

(in millions of euros)	06.30.2011	12.31.2010	Change
Inventories	166	213	(47)
Trade receivables	1,278	1,243	35
Current-tax assets	18	19	(1)
Other receivables	587	369	218
Current financial assets	2,180	2,071	109
Cash and cash equivalents	382	285	97
Total current assets	**4,611**	**4,200**	**411**

A review of the individual components and a comparison with the corresponding items at December 31, 2010 is provided below:

- **Inventories,** which decreased to 166 million euros due to a reduction in the inventory of stored natural gas, consist mainly of stored hydrocarbon products (148 million euros) and supplies and

equipment used to maintain and operate the Company's production facilities (18 million euros);

- **Trade receivables** totaled 1,278 million euros. They stem mainly from contracts to supply electric power and steam, contracts to supply natural gas and sales of natural gas. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Electric power operations	728	592	136
Hydrocarbons operations	550	651	(101)
Total trade receivables	**1,278**	**1,243**	**35**
Broken down as follows:			
- amount owed by outside customers	597	599	(2)
- amount owed by subsidiaries and affiliated companies	681	644	37
Allowance for doubtful accounts	**31**	**36**	**(5)**

The largest trade receivables owed by subsidiaries and affiliated companies are those payable by Edison Trading (587 million euros) and Edison Energia (68 million euros).
Consistent with past practice, during the first half of 2011, the Company executed transactions irrevocably assigning receivables without recourse, both on a revolving monthly and quarterly basis and on a spot basis, in implementation of a policy aimed at controlling and minimizing credit risk. with such transactions. The total value of the assigned receivables amounted to 1,168 million euros (1,585 million euros at December 31, 2010) and there were no receivables exposed to the risk of recourse at June 30, 2011.

- **Current-tax assets,** which totaled 18 million euros, include receivables for 2010 overpayments of corporate income taxes (IRES) and regional taxes (IRAP) amounting to 12 million euros and 6 million euros, respectively.
- **Other receivables,** which increased to 587 million euros, or 218 million euros more than at December 31, 2010, are shown net of an allowance for doubtful accounts of 21 million euros. They include receivables from the valuation of derivatives totaling 270 million euros and the current portion of take-or-pay contract advances amounting to 42 million euros.
- A breakdown of **current financial assets,** which increased compared with December 31, 2010 to a total of 2,180 million euros, is as follows:

(in millions of euros)	06.30.2011	12.31.2010	Change
Equity investments held for trading	6	8	(2)
Loans receivable	2,149	2,037	112
Derivatives	25	26	(1)
Total current financial assets	**2,180**	**2,071**	**109**

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 1,155 million euros owed by Edison International Spa, 387 million euros owed by Edison Energia Spa and 265 million euros owed by Edison Energie Speciali.

- **Cash and cash equivalents,** which totaled 382 million euros, consist of short-term deposits in bank and postal accounts and other readily available assets.

22. Assets Held for Sale

Assets held for sale, which totaled 151 million euros, include 147 million euros related to two power plants. Detailed information is provided in the section of these Notes entitled "Disclosures Required by IFRS 5 (Disposal Group)."

Liabilities and Shareholders' Equity

23. Shareholders' Equity

Edison's shareholders' equity amounted to 6,773 million euros, or 91 million euros less than at December 31, 2010. This decrease is the net result of the loss for the period (96 million euros), offset in part by a positive change of 4 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 share capital 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
Saving 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, 2010	**132**	**(50)**	**82**
Change in the first half of 2011	7	(3)	4
Reserve at June 30, 2011	**139**	**(53)**	**86**

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

Reserve for available-for-sale investments

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
Reserve at December 31, 2010	**(4)**	**-**	**(4)**
Change in the first half of 2011	1	-	1
Reserve at June 30, 2011	**(3)**	**-**	**(3)**

24. Provision for Employee Severance Indemnities and Provisions for Pensions

This provision, which at 26 million euros was little changed compared with December 31, 2010, 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 2011:

(in millions of euros)	
Balance at 12/31/10 (A)	**27**
Changes in the first half of 2011:	
- Utilizations (-)	(2)
- Actuarial (gains) losses (+/-)	-
- Financial expense (+)	1
- Other changes	-
Total changes (B)	**(1)**
Balance at 6/30/11 (A+B)	**26**

25. Provision for Deferred Taxes

The balance of 263 million euros (280 million euros at December 31, 2010) reflects mainly the deferred tax liability from the use during the transition to the IFRS of fair value as the deemed cost of property, plant and equipment.

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

(in millions of euros)	06.30.2011	12.31.2010	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	217	236	(19)
- Adoption of standard on finance leases (IAS 17)	27	28	(1)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	53	50	3
- Other deferred taxes	1	-	1
Total deferred-tax liabilities (A)	**298**	**314**	**(16)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	31	32	(1)
- Tax asset for developing losses	3	-	3
- Other prepaid taxes	1	2	(1)
Total deferred-tax assets (B)	**35**	**34**	**1**
Total provision for deferred taxes (A-B)	**263**	**280**	**(17)**

26. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 651 million euros. The increase of 20 million euros compared with December 31, 2010 is the result of the changes listed in the table that follows:

(in millions of euros)	12.31.2010	Additions	Utilizations	Other changes	06.30.2011
- Disputed tax items	55	5	(2)	-	58
- Risks for disputes, litigation and contracts	138	2	(1)	-	139
- Charges for contractual guarantees on sale of equity investments	59	-	-	-	59
- Provisions for decommissioning and remediation of industrial sites	306	7	-	5	318
- Environmental risks	38	-	(1)	-	37
- Provision for CO_2 emissions rights and Green Certificates	1	6	(1)	-	6
- Other risks and charges	34	1	(1)	-	34
Total at 6/30/11	**631**	**21**	**(6)**	**5**	**651**

More specifically:
- The main components of **additions** of 21 million euros are financial expense on provisions for site decommissioning and remediation (7 million euros), statutory and tax interest accrued on existing provisions (3 million euros) and, lastly, additions to provisions for environmental, legal and tax related risks (11 million euros).
- **Utilizations** of 6 million euros includes charges for contract disputes (1 million euros pro rated), green certificates (1 million euros) and other risks (4 million euros).
- **Other changes** reflects an increase in decommissioning costs, offset by an addition of equal amount to property, plant and equipment.

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 Statements entitled "Status of the Main Legal and Tax Disputes Pending at June 30, 2011."

27. Bonds

The balance of 1,792 million euros represents the non-current portion of the bonds issued, valued at amortized cost. The changes that occurred in the first half of 2011 are reviewed in the "Net Financial Debt" section of these Notes.
The table below shows the balance outstanding at June 30, 2011 and indicates the fair value of each bond issue:

(in millions of euros)							Carrying value			
	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Non-current portion	Current portion	Total	Fair value
Euro Medium Term Notes:										
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Quarterly in arrears	1.932%	07.19.2011	-	502	502	500
Edison Spa	Luxembourg Secur. Exch.	EUR	700	Annual in arrears	4.250%	07.22.2014	698	36	734	716
Edison Spa	Luxembourg Secur. Exch.	EUR	500	Annual in arrears	3.250%	03.17.2015	498	3	501	499
Edison Spa	Luxembourg Secur. Exch.	EUR	600	Annual in arrears	3.875%	11.10.2017	596	(7)	589	593
Total for the Group			**2,300**				**1,792**	**534**	**2,326**	**2,308**

The valuation at amortized cost of the March 2011 and July 2010 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.

28. Long-term Financial Debt and Other Financial Liabilities

A breakdown of long-term financial debt is provided below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Due to banks	1,031	821	210
Due to other lenders	25	26	(1)
Total at June 30, 2011	**1,056**	**847**	**209**

The amount due to other lenders refers to a finance lease for a ship belonging to the hydrocarbons operations.

In June, Edison Spa signed an agreement with a pool of banks led by Banca IMI for a new club-deal facility with a face amount of 700 million euros, expiring in December 2012. About 100 million euros in face amount of this facility, which accrues interest at the Euribor plus a spread of 100 bps, had been utilized at June 30, 2011.
The changes that occurred in the first half of 2011 are reviewed in the "Net Financial Debt" section of these Notes.

29. Other Liabilities

The balance of 23 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 both parties with put and call options are in effect. The increase of 1 million euros reflects a revision of the sales price.

30. Current Liabilities

Current liabilities totaled 2,842 million euros. A breakdown is as follows:

(in millions of euros)	06.30.2011	12.31.2010	Change
Bonds	534	528	6
Short-term financial debt	1.143	859	284
Trade payables	905	1.182	(277)
Current taxes payable	-	-	-
Other liabilities	260	181	79
Total current liabilities	**2.842**	**2.750**	**92**

The main current liability accounts are reviewed below:

- **Bonds,** amounting to 534 million euros, represent the value of the bond issues maturing on July 19, 2011 (500 million euros) and the total accrued interest at June 30, 2011. These bonds were repaid on July 19, 2011, using an additional 400 million euros drawn from the new credit line provided to Edison in June 2011 on a club-deal basis.
- **Short-term financial debt,** which at 1,143 million euros was lower than at December 31, 2010, essentially includes:
  - 900 million euros due to subsidiaries and affiliated companies, including 790 million euros owed to Edison Trading Spa;
  - 139 million euros due to banks;
  - 86 million euros payable to factor companies;
  - 15 million euros representing the effect of measuring interest rate and foreign exchange derivatives at fair value.
- **Trade payables** totaled 905 million euros, an amount higher than at December 31, 2010. A breakdown by business segment is provided below:

(in millions of euros)	06.30.2011	12.31.2010	Change
Electric power operations	299	300	(1)
Hydrocarbons operations	586	437	149
Corporate activities	20	22	(2)
Total	**905**	**759**	**146**

  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 5 million euros for the fair value of physical energy commodity contracts included in the Trading Portfolios.
- **Other liabilities,** which at 260 million euros were higher compared with December 31, 2010, include 86 million euros in liabilities stemming from the valuation of derivatives.

31. Liabilities Held for Sale

Liabilities held for sale, which totaled 14 million euros, include 11 million euros for risks related to a power plant that the Company divested. More detailed information is provided in the section of these notes entitled "Disclosure Required by IFRS 5 (Disposal Group)."

NET FINANCIAL DEBT

At June 30, 2011, net financial debt totaled 1,965 million euros, or 295 million euros more than the 1,670 million euros owed at December 31, 2010. The cash flow from operating activities reflects primarily the combined impact of the following factors:

Positive items:
- 33 million euros from the collection of dividends from subsidiaries;

Negative items:
- 150 million euros for the negative effect of the change in the operating working capital;
- 18 million euros for negative EBITDA;
- 70 million euros for investments in property, plant and equipment.

(in millions of euros)	Balance sheet note ref.	06.30.2011	12.31.2010	Change
Long-term financial debt				
Bonds - non-current portion	27	1,792	1,791	1
Non-current bank loans	28	1,032	821	211
Non-current portion of amounts due to other lenders held for sale	28	-	1	(1)
Amounts due to other lenders - non-current portion	28	25	26	(1)
Total net long-term financial debt		**2,849**	**2,639**	**210**
Short-term financial debt				
Bonds - current portion	30	534	528	6
Current loans payable	30	1,143	859	284
Current loans payable held for sale	30	1	-	1
Current financial assets	21	(2,180)	(2,071)	(109)
Cash and cash equivalents	21	(382)	(285)	(97)
Total net short-term financial debt		**(884)**	**(969)**	**85**
Net financial debt		**1,965**	**1,670**	**295**

The main transactions executed in the first half of 2011 that had a material impact in changing the composition of the Company's financial debt concern **non-current bank debt,** which increased due to the utilization for an additional 200 million euros of a committed credit line, included in a syndicated standby facility of 1,500 million euros, and a new club-deal facility obtained in June for a face amount of 700 million euros, against which 100 million euros had been drawn at June 30, 2011.

DISCLOSURES REQUIRED BY IFRS 5 (DISPOSAL GROUP)

1) Taranto Thermoelectric Power Plants

On June 23, 2011, further to the signing of a term sheet in December 2010, Edison executed an agreement for the disposal of business operations that include the Taranto thermoelectric power plants (CET 2 and CET 3). As explained in the 2010 Annual Report, this transaction will be carried out through the sale of an ad hoc company to which Edison will have conveyed the business operations that include the two power plants.

This transaction, which is valued at about 162.5 million euros, subject to adjustments based on technical performances and the timing of execution, requires the prior approval of the relevant antitrust authorities.

Even though the assets and liabilities subject of the transaction do not constitute a business operation, they were treated as a Disposal Group, as required by IFRS 5, and are shown on the balance sheet under "Asset and Liabilities held for sale", without any reclassification in the income statement.
The assets and liabilities included in the Disposal Group are listed below:

Balance sheet (in millions of euros)	06.30.2011	12.31.2010
Non-current assets	133	195
Current assets	14	14
Total assets	**147**	**209**
Shareholders' equity	144	205
Non-current liabilities	2	3
Current liabilities	1	1
Total liabilities and shareholders' equity	**147**	**209**

(*) Net of a writedown of 37 million euros recognized in the income statement under "Profit (Loss) from discontinued operations."

The decrease in the amount shown for non-current assets reflects the effect of the depreciation and amortization expense for the period and of a writedown of property, plant and equipment amounting to 37 million euros recognized to reflect the effects of changes to contractual terms and the scheduled timing of the sale. Consistent with the method applied to recognize the projected income and expense effects of this transaction, the writedown was allocated as follows: 22 million euros to "Depreciation, amortization and writedowns" and 15 million euros to "Profit (Loss) from discontinued operations.

2) Thermoelectric Power Plant Sold in a Previous Year

Further to a decision handed down by the Council of State on May 31, 2011, by which Edison was denied rate benefits for a thermoelectric power plant divested in 2008 that operated in co-generation mode, attributable to previous years (2000-2006), the Company listed a provision for risks and charges of 11 million euros among its liabilities held for sale and a tax benefit of 4 million euros under its assets held for sale.

COMMITMENTS AND CONTINGENT RISKS

(in millions of euros)	06.30.2011	12.31.2010	Change
Guarantees provided	1,191	1,371	(180)
Collateral provided	1,153	1,155	(2)
Other commitments and risks	178	288	(110)
Total	**2,522**	**2,814**	**(292)**

The balance of 1,191 million euros in **guarantees provided** is determined based on the undiscounted amount of the contingent commitments on the date of the financial statements.
Guarantees provided included the following:

- 53 million euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT 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, which totaled 1,153 million euros, or 2 million euros less than at December 31, 2010, 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 of Edipower shares (1,066 million euros) provided to a pool of banks to secure a loan. Encumbrances provided to secure other loans (58 million euros) account for the balance.

Other commitments and risks, which totaled 178 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 signed the following contracts, for a commitment of up to about 51 million euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013 for a commitment of 21 million euros;
  - Management Agreement with EDF Trading (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013 for a commitment of 26 million euros;
  - Purchasing and Management Agreement with Natsource Asset Management Europe (Nat-CAP) for the purchase of CERs and ERUs by 2013 for a commitment of 4 million euros.
- With regard to contracts for the importation of natural gas that contain take-or-pay clauses, 227 million euros had been added to other assets at June 30, 2011, while commitments of 140 million euros that were carried at December 31, 2010 are no longer shown, having been settled in full.
- In the electric power area Edison made the following commitments:
  - It 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 (i.e., 13 million euros);
  - It granted to Petrobras an option to buy its investment in Ibiritermo. The option is exercisable in 2022;
- 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 for the supply of 15.8 billion cubic meters a year. These contracts have terms ranging from 1 to 23 years.
   With regard to the contract to import natural gas from Libya via the Green Steam pipeline, it is worth mentioning that deliveries have stopped since February 22, 2011, due to the well-known international events.
   The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

	U.M.	within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billion m^3	14.0	67.4	163.8	**245.2**

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

   Pursuant to the regasification contract, Edison benefits from access to 80% of the terminal's regasification capacity for 25 years for an annual regasification fee estimated at about 100 million euros. With regard to the regasification fee payable, Edison's risk is limited to the following situations:
   - Edison has the right to cancel the regasification contract for force majeure events affecting the chain (upstream and midstream) of Terminale GNL Adriatico by paying an amount that may not be greater than the regasification fee payable for three years;
   - if a force majeure event affects Terminale GNL Adriatico, Edison will no longer be required to pay the regasification fee and may terminate the regasification contract after 36 months without being required to pay any amount;
   - in the event of a breakdown of the terminal that does not constitute a force majeure event, Edison will not be required to pay any regasification fee.

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

3) In the **electric power area,** 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

Information about the policies and principles adopted to manage the risks to which Edison Spa is exposed and the methods applied to measure at fair value financial derivatives is provided in the Notes to the corresponding items in the Condensed Consolidated Semiannual Financial Statements.

For the purpose of this report, we wish to point out that Edison Spa, the Group's Parent Company, is exposed to the following risks:

- **Commodity price risk and exchange rates risk related to commodity transactions.** The Company 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.
  Insofar as the derivatives held by the Group's Parent Company that were outstanding at June 30, 2011 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, 2011, is 106.8 million euros (81.8 million euros at June 30, 2010), as shown in the table below:

(in millions of euros)	06.30.2011		12.31.2010		06.30.2010	
	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
Total	97.5%	106.8	97.5%	178.5	97.5%	81.8

  The increase compared with the level measured at June 30, 2010 is due mainly to the substantial rise in the volatility of the financial markets where hedging transactions are executed, regarding both foreign exchange and petroleum products, with about the same volumes traded in the first half of 2010.

- **Foreign exchange risk.** The foreign exchange risk arises from the fact that some of Edison Spa's activities are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through indexing formulas. Revenues and expenses denominated in foreign currencies can be affected by fluctuations in foreign exchange rates, with an impact on sales margins (economic risk). Likewise, the amount of trade and financial payables and receivables denominated in foreign currencies can be affected by the translation rates used, with an impact on profit or loss (translational risk).

- **Interest rate risk.** Edison Spa 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.
  The table below provides a breakdown of gross financial indebtedness between the fixed rate and variable rate components and shows the impact of hedging transactions:

Gross Financial Debt	06.30.2011			12.31.2010		
Mix fixed and variable rate: (in millions of euros)	without derivatives	with derivatives	% with derivatives	without derivatives	with derivatives	% with derivatives
- fixed rate portion (included structures with CAP)	1,828	1,003	22%	1,829	1,004	25%
- variable rate portion	2,698	3,523	78%	2,222	3,047	75%
Total gross financial debt (*)	**4,526**	**4,526**	**100%**	**4,051**	**4,051**	**100%**

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

The strategy pursued by Edison Spa in the past two years, which consisted of opting for long-term financial instruments with a fixed interest rate and combining them with derivative transactions that, over the short term, makes it possible to benefit from variable rates that are lower than the fixed rate and reduce borrowing costs without giving up protection from future hikes in interest rates.

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 2011 and shows a comparison with the corresponding data in same period in 2010:

Sensitivity analysis	1st half 2011			06.30.2011		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Total	**48,0**	**39,6**	**27,6**	**-**	**-**	**-**

Sensitivity analysis	1st half 2010			12.31.2010		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the Cash Flow Hedge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Total	62,1	50,1	52,0	-	-	-

- **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.

- **Liquidity risk.** It 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.

Worst case scenario	30.06.2011			31.12.2010		
(in millions of euros)	1 to 3 months	More than 3 months and up to 1 year	After 1 year	1 to 3 months	More than 3 months and up to 1 year	After 1 year
Bonds	532	40	2,076	18	558	2,094
Financial debt and other financial liabilities	32	123	1,096	7	20	902
Trade payables	814	91	-	1,138	44	-
Total	**1,378**	**254**	**3,172**	**1,163**	**622**	**2,996**
Guarantees provided to third parties (*)	**281**	**545**	**366**	**569**	**334**	**468**

(*) 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".

The Company's strategic objective is to minimize the impact of financial debt maturities by maintaining access to available credit lines and adequate liquidity and conducting on a timely basis negotiations for the funding of maturing financing facilities, as well as through the placement of bond issues.

At June 30, 2011, the financial debt maturing within three months totaled 564 million euros, as shown in the table above. The main item is a bond issues with a face value of 500 million euros, which is due on July 19. In June, in anticipation of this commitment, Edison Spa signed a new agreement for a Senior Unsecured facility in the form of a 700-million-euro revolving credit line provided by a pool of Italian and international banks on a club deal basis. This line, against which

100 million euros had been drawn at June 30, 2011, has a maximum term of 18 months and one day. Consequently, the corresponding liability is carried as being due after one year.
Financial debt and other financial liabilities due after three months and by June 2012 totaled 123 million euros. They consist mainly of loan installments and accrued interest, including about 87 million euros due on a facility provided by Mediobanca in 2004. However, it is important to note that, in addition to the cash and cash equivalents of 382 million euros, Edison Spa has access to unused committed credit lines totaling 1,250 million euros, originating from a standby syndicated facility of 1,500 million euros, maturing in 2013, against which 850 million euros had been drawn at June 30, 2011, and to the new facility of 700 million euros mentioned above, against which 100 million euros had been drawn and June 30, 2011.

Financial debt and other financial liabilities due after one year rose by 194 million euros compared with December 31, 2010, due mainly to an increase in the amounts drawn from two facilities of 1,500 million euros and 700 million euros available to Edison Spa, offset in part by the reclassification of some facilities to the short-term category.

- **Default risk and debt covenants.** Four issues of debt securities (Euro Medium-term Notes) floated by Edison, for a total face value of 2,300 million euros, were outstanding at June 30, 2011, in addition to non-syndicated facilities totaling 885 million euros and syndicated facilities totaling 1,500 million euros, the unused portion of which amounted to 1,250 million euros, originating from a standby syndicated facility of 1,500 million euros and from a new credit line of 700 million euros provided to the Company on a club deal basis in June 2011

Consistent with international practice for similar transactions, both the bank loan agreements and the Euro Medium Term Note Program provide the lender bank or the bondholder with the right to demand the payment of the loaned amount and terminate ahead of schedule their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or other proceedings with a similar effect. Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds. The main clauses of this type are the negative pledge clauses, the cross default/cross acceleration clauses and the clauses that establish an obligation of immediate repayment even if just some Edison Group companies were to be declared insolvent.

As for credit-line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreement for the new credit line of 700 million euros provided to Edison Spa on a club deal basis (against which 100 million had been drawn at June 30, 2011) sets forth, among other clauses, Edison's obligation to comply with certain commitments, which include making sure that the lender banks are being afforded a treatment equal to that of other unsecured creditors (*pari passu* clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause), consistent with the provisions of other loan agreements, chief among them the syndicated credit line of 1,500 million euros.

Neither the loan agreements governing the bank facilities provided to Edison Spa nor the bond indentures contain clauses allowing early termination of the loan if the credit rating assigned to Edison Spa by the rating agencies is downgraded or cancelled. Moreover, Edison Spa is not required, under the terms of any of its credit lines, to comply with specific financial statement ratios that limit the level of debt based on economic performance (financial covenants).
At present, the Company is not aware of the existence of any default situation.

INTERCOMPANY AND RELATED-PARTY TRANSACTIONS

Consistent with the policies adopted by the Edison Group, an overview of transactions with related parties and significant parties outstanding at June 30, 2011 with an impact on the income statement, balance sheet and cash flow is provided below. This presentation format meets the disclosure requirements of IAS 24. 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.
More detailed information about these transactions, which are detailed in the table below, is provided in the Condensed Consolidated Semiannual Financial Statements.

(in millions of euros)	Related parties					Significant parties					Total	Total	%
	with Group companies	with the controlling company	EDF Group	A2A Group	**Total related parties**	Iren Group	Dolomiti Energia Group	Banca Popolare di Milano	Mediobanca	**Total significant parties**	**related and significant parties**	**fin. stat. line item**	**impact**
Balance sheet transaction													
Trade receivables	681	-	2	-	683	-	-	-	-	-	683	1,278	53%
Other receivables	107	81	10	-	198	-	-	-	-	-	198	587	34%
Trade payables	62	-	-	-	62	-	-	-	-	-	62	905	7%
Other payables	28	-	-	-	28	-	-	-	-	-	28	260	11%
Investments in associates	2,250	-	-	-	2,250	-	-	-	-	-	2,250	2,250	100%
Other financial assets	7	-	-	-	7	-	-	-	-	-	7	7	100%
Current financial assets	2,149	-	-	-	2,149	-	-	-	-	-	2,149	2,180	99%
Short-term financial debt	897	-	-	-	897	-	-	-	87	87	984	1,143	86%
Long-term financial debt and other fin. liabilities	-	-	-	-	-	-	-	-	8	8	8	1,056	-
Income statements transaction													
Sales revenues	1,009	-	4	7	1,020	41	22	-	-	63	1,083	2,851	38%
Other revenues and income	7	-	-	-	7	-	-	-	-	-	7	271	3%
Raw material and services used	12	-	3	1	16	-	-	-	-	-	16	2,954	1%
Financial income	26	-	-	-	26	-	-	-	-	-	26	52	50%
Financial expense	6	-	-	-	6	-	-	-	1	1	6	86	7%
Income from equity investments	98	-	-	-	98	-	-	-	-	-	98	105	93%
Expense on equity investments	70	-	-	-	70	-	-	-	-	-	70	70	100%
Commitments and contingent risks													
Guarantees provided	-	-	-	-	-	-	-	38	-	38	38	1.191	3%
Other commitments and risks	-	-	26	-	26	-	-	-	-	-	26	178	15%

OTHER INFORMATION

On July 21, 2011 Edison signed an agreement with Promgas renegotiating the procurement price of the long-term contract for the supply of natural gas from Russia. Because this was an adjusting event, pursuant to IAS 10, the resulting effects were recognized in the Semiannual Financial Report at June 30, 2011, with a positive impact of 115 million euros on EBITDA.

SIGNIFICANT EVENTS OCCURRING AFTER JUNE 30, 2011

No significant events requiring disclosure occurred since June 30, 2011.

Milan, July 25, 2011

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 Bruno Lescoeur, 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, 2011 to June 30, 2011:

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

2. We further certify that:

   2.1. the Condensed Semiannual Financial Report (condensed consolidated semiannual financial statements 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 (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
   b) are consistent with the data in the books of accounts and other accounting records;
   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 25, 2011

Bruno Lescoeur	Marco Andreasi
Chief Executive Officer	Dirigente Preposto alla redazione dei documenti contabili societari

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

**AUDITORS' REVIEW REPORT
ON THE CONDENSED CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

**To the Shareholders of
EDISON S.p.A.**

1. We have reviewed the condensed consolidated semiannual financial statements, consisting of the balance sheet, income statement, other components of the comprehensive income statement, changes in consolidated Shareholders' equity, cash flow statement and related explanatory notes as of June 30, 2011 of Edison S.p.A. and subsidiaries (the "Edison Group"). These condensed consolidated semiannual financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of Edison S.p.A.'s Directors. Our responsibility is to issue a report on these semiannual financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the condensed consolidated semiannual financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike an audit report on the year-end financial statements, we do not express an audit opinion on the condensed consolidated semiannual financial statements.

   With regard to the comparative figures related to the year ended December 31, 2010 and to the six-month period ended June 30, 2010, presented in the condensed consolidated semiannual financial statements reference should be made to the reports of the other auditors issued on April 4, 2011 and July 28, 2010, respectively.

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

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

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3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated semiannual financial statements of the Edison Group as of June 30, 2011 are not prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable for interim financial statements (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 26, 2011

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

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

**AUDITORS' REVIEW REPORT
ON THE CONDENSED SEMIANNUAL FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2011**

**To the Shareholders of
EDISON S.p.A.**

1. We have reviewed the condensed semiannual financial statements, consisting of the balance sheet, income statement, other components of the comprehensive income statement, statement of changes in Shareholders' equity, statement of cash flows and related explanatory notes as of June 30, 2011 of Edison S.p.A.. These condensed semiannual financial statements, prepared in conformity with the International Financial Reporting Standard applicable for interim financial statements (IAS 34) as adopted by the European Union, are the responsibility of Edison S.p.A.'s Directors. Our responsibility is to issue a report on these semiannual financial statements based on our review.

2. We conducted our review in accordance with the standards recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-year interim financial statements under Resolution n° 10867 of July 31, 1997. Our review consisted principally of applying analytical procedures to the condensed semiannual financial statements, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and substantive verification procedures of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with established auditing standards. Accordingly, unlike an audit report on the year-end financial statements, we do not express an audit opinion on the condensed semiannual financial statements.

   With regard to the comparative figures related to the year ended December 31, 2010 and to the six-month period ended June 30, 2010, presented in the condensed semiannual financial statements reference should be made to the reports of the other auditors issued on April 4, 2011 and July 28, 2010, respectively.

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

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed semiannual financial statements of Edison S.p.A. as of June 30, 2011 are not prepared, in all material respects, in accordance with the International Financial Reporting Standards applicable for interim financial statements (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
July 26, 2011

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

Editorial coordination
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Art direction by
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Edison Spa
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20121 Milano
Italy

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and Tax I.D. No. 06722600019
VAT No. 08263330014
REA Milan No. 1698754

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