2011 ANNUAL REPORT

SEPARATE FINANCIAL STATEMENTS

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SEPARATE FINANCIAL STATEMENTS

EDISON

Income Statement

(in euros)	See Note	2011	amount with related parties	2010 (*)	amount with related parties
Sales revenues	1	5,833,012,169	2,050,539,247	5,590,781,569	2,221,714,059
Other revenues and income	2	546,641,587	27,845,048	367,820,638	37,303,431
Total revenues		**6,379,653,756**		**5,958,602,207**	
Raw materials and services used (-)	3	(6,133,888,549)	(114,912,330)	(5,451,392,518)	(212,871,334)
Labor costs (-)	4	(137,856,124)		(139,683,328)	
EBITDA	5	**107,909,083**		**367,526,361**	
Depreciation, amortization and writedowns (-)	6	(594,227,081)		(403,854,683)	
EBIT		**(486,317,998)**		**(36,328,322)**	
Net financial income (expense)	7	(69,744,968)	68,651,463	(37,699,247)	71,628,299
Income from (Expense on) equity investments	8	71,633,482	77,656,133	(51,398,882)	(50,277,102)
Other income (expense), net	9	(13,133,562)		43,825,689	-
Profit (Loss) before taxes		**(497,563,046)**		**(81,600,762)**	
Income taxes	10	125,685,325		18,007,978	
Profit (Loss) from continuing operations		**(371,877,721)**		**(63,592,784)**	
Profit (Loss) from discontinued operations	11	(523,671,470)		(22,416,140)	
Profit (Loss)		**(895,549,191)**		**(86,008,924)**	

(*) In accordance with IFRS 5 – Discontinued Operations, 2010 balances were reclassified to "Profit (Loss) from discontinued operations."

Other Components of the Comprehensive Income Statement

(in euros)	See Note	2011	2010
Net profit (loss)		**(895,549,191)**	**(86,008,924)**
Other components of comprehensive income			
- Change in the cash flow hedge reserve	23	(143,548,509)	82,906,922
- Profit (Loss) from available-for-sale investments	23	3,773,275	(1,872,460)
Income taxes attributable to other components of comprehensive income (-)		53,807,211	(31,421,724)
Total other components of comprehensive income net of taxes		**(85,968,023)**	**49,612,738**
Total comprehensive profit (loss)		**(981,517,214)**	**(36,396,186)**

Balance Sheet

(in euros)	See Note	12.31.2011	amount with related parties	12.31.2010 (*)	amount with related parties
ASSETS					
Property, plant and equipment	12	3,095,670,569		3,269,102,161	
Investment property	13	1,282,347		1,318,858	
Goodwill	14	2,407,570,046		2,567,320,046	
Hydrocarbon concessions	15	157,528,796		175,678,088	
Other intangible assets	16	16,404,895		23,377,572	
Investments in associates	17	1,273,750,808	1,273,750,808	1,242,165,715	1,242,165,715
Available-for-sale investments	17	197,740,775		292,062,652	
Other financial assets	18	6,951,039	6,951,027	6,854,020	6,854,019
Deferred-tax assets	19	-		-	
Other assets	20	32,592,035		98,389,610	
Total non-current assets		**7,189,491,310**		**7,676,268,722**	
Inventories		158,782,994		212,575,591	
Trade receivables		1,526,850,428	666,591,169	1,243,314,244	652,818,136
Current-tax assets		18,316,705		18,562,181	
Other receivables		501,544,160	117,597,219	369,122,654	104,723,852
Current financial assets		2,852,641,008	2,795,813,554	2,070,700,456	2,036,973,218
Cash and cash equivalents		198,444,147		285,397,946	
Total current assets	21	**5,256,579,442**		**4,199,673,072**	
Assets held for sale	22	**600,000,000**	**600,000,000**	**1,340,630,522**	**1,131,368,322**
Total assets		**13,046,070,752**		**13,216,572,316**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		5,291,700,671		5,291,700,671	
Statutory reserve		125,290,832		125,290,832	
Other reserves		1,368,684,335		1,454,693,259	
Retained earnings (Loss carryforward)		(7,453,942)		78,514,081	
Net profit (loss) of the period		(895,549,191)		(86,008,924)	
Total shareholders' equity	23	**5,882,672,705**		**6,864,189,919**	
Provision for employee severance indemnities and provision for pensions	24	25,480,446		26,743,407	
Provision for deferred taxes	25	131,231,798		279,560,739	
Provision for risks and charges	26	711,536,407	12,294,660	630,745,808	
Bonds	27	1,793,437,720		1,791,324,994	
Long-term financial debt and other financial liabilities	28	1,185,608,294		847,490,051	
Other liabilities	29	23,175,667		22,342,857	
Total non-current liabilities		**3,870,470,332**		**3,598,207,856**	
Bonds		70,908,978		527,677,188	
Short-term financial debt		1,871,519,441	893,344,798	859,124,350	641,458,844
Trade payables		973,655,865	157,673,161	1,181,924,463	201,837,152
Current taxes payable		-		-	
Other liabilities		376,843,431	55,243,933	181,656,247	15,598,343
Total current liabilities	30	**3,292,927,715**		**2,750,382,248**	
Liabilities held for sale	31	**-**		**3,792,293**	
Total liabilities and shareholders' equity		**13,046,070,752**		**13,216,572,316**	

(*) In accordance with IFRS 5 - Discontinued Operations, 2010 balances were reclassified to "Assets held for sale."

Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets (i.e., due within 3 months), which amounted to 198,444,000 euros in 2011, compared with 285,398,000 euros 2010.

(in euros)	See Note	2011		2010 (*)	
			amount with related parties		amount with related parties
Profit (Loss) of Edison Spa from continuing operations		(371,877,721)		(63,592,784)	
Profit (Loss) of Edison Spa from discontinued operations		(523,671,470)		(22,416,140)	
Profit (loss)		**(895,549,191)**		**(86,008,924)**	
Amortization, depreciation and writedowns	6	594,227,081		403,854,683	
(Gains) Losses on the sale of non-current assets		(37,733,888)		3,923,444	
(Revaluations) Writedowns of non-current financial assets		17,579,458	545,392	360,094,978	359,069,535
Change in provision for employee severance indemnities and provision for pensions	24	(2,620,119)		(1,460,128)	
Change in fair value recorded in EBITDA		193,246	-	(3,318,357)	-
Change in operating working capital		(423,927,047)	(57,937,024)	147,343,853	(37,283,058)
Change in other operating assets and liabilities		(74,502,726)	26,772,223	(249,554,825)	(75,405,952)
Change in other operating assets and liabilities - discontinued operations		550,692,356	552,692,356	17,583,860	17,583,860
A. Cash flow from operating activities provided by continuing operations		**(271,640,830)**		**592,458,584**	
Additions to intangibles and property, plant and equipment (-)	12-16	(176,870,038)		(201,435,437)	
Additions to equity investments and other non-current financial assets (-)		(30,945,000)	(30,945,000)	(655,900,804)	(655,900,804)
Proceeds from the sale of intangibles and property, plant and equipment		9,762,786		2,647,707	
Proceeds from the sale of non-current financial assets and capital distributions		269,668,515	177,725,704	8,199,038	162,802
Change in other current assets		(781,940,552)	(758,840,336)	271,921,536	278,392,319
B. Cash used in investing activities		**(710,324,289)**		**(574,567,960)**	
Proceeds from new medium-term and long-term loans	27-28	1,135,599,750		1,100,000,000	
Redemptions of medium-term and long-term loans (-)	27-28	(530,530,618)		(1,330,895,936)	
Capital contributions provided by controlling companies or minority shareholders		-		-	
Dividends paid to controlling companies or minority shareholders (-)		-	-	(228,215,051)	(177,567,787)
Other changes in financial debt, net		289,942,188	(251,885,954)	159,365,633	169,047,868
C. Cash used in financing activities		**895,011,320**		**(299,745,354)**	
D. Net change in cash and cash equivalents (A+B+C)		**(86,953,799)**		**(281,854,730)**	
E. Cash and cash equivalents at the beginning of the year		**285,397,946**		**567,252,676**	
F. Cash and cash equivalents at the end of the year (D+E)		**198,444,147**		**285,397,946**	
G. Total cash and cash equivalents at end of the year (F)		**198,444,147**		**285,397,946**	
H. (-) Cash and cash equivalents of discontinued operations		**-**		**-**	
I. Cash and cash equivalents of continuing operations (G-H)		**198,444,147**		**285,397,946**	

(*) In accordance with IFRS 5 – Discontinued Operations, 2010 balances were reclassified to "Profit (Loss) from discontinued operations."

Statement of Changes in Shareholders' Equity

(amounts in euros)	Share capital	Statutory reserve	Other reserves and ret. earnings (loss carryforw.)	Reserve for other components of comprehensive income: Cash flow hedge reserve	Reserve for other components of comprehensive income: Available-for-sale investments	Profit for the year	Total shareholders' equity
Balance at December 31, 2009	**5,291,700,671**	**90,313,590**	**1,294,628,017**	**30,802,157**	**(1,900,814)**	**423,257,535**	**7,128,801,156**
Appropriation of the 2009 result and dividend distribution	-	34,977,242	160,065,242	-	-	(423,257,535)	(228,215,051)
Total comprehensive net result for 2010	**-**	**-**	**-**	**51,485,198**	**(1,872,460)**	**(86,008,924)**	**(36,396,186)**
broken down as follows:							
Change in comprehensive result for the year (*)	-	-	-	51,485,198	(1,872,460)	-	49,612,738
Net result for 2010 (*)	-	-	-	-	-	(86,008,924)	(86,008,924)
Balance at December 31, 2010	**5,291,700,671**	**125,290,832**	**1,454,693,259**	**82,287,355**	**(3,773,274)**	**(86,008,924)**	**6,864,189,919**
Replenishment of 2010 loss	-	-	(86,008,924)	-	-	86,008,924	-
Total comprehensive result for 2011	**-**	**-**	**-**	**(89,741,297)**	**3,773,274**	**(895,549,191)**	**(981,517,214)**
broken down as follows:							
Change in comprehensive result for the year (*)	-	-	-	(89,741,297)	3,773,274	-	(85,968,023)
Net result for 2011 (*)	-	-	-	-	-	(895,549,191)	(895,549,191)
Balance at December 31, 2011	**5,291,700,671**	**125,290,832**	**1,368,684,335**	**(7,453,942)**	**-**	**(895,549,191)**	**5,882,672,705**

(*) Included in the comprehensive income statement.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2011

The Simeri Crichi (Catanzaro) thermoelectric power plant.

ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

Content and Presentation of the Financial Statements

Dear Shareholders:
We submit for your approval the separate financial statements of Edison Spa at December 31, 2011, which consist of an Income Statement, a Statement of Other Components of Comprehensive Income, a Balance Sheet, a Cash Flow Statement, a Statement of Changes in Shareholders' Equity and the accompanying notes.
The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Financial Accounting Standards Board (IASB), as published in the *Official Journal of the European Union* (*O.J.E.U.*).

Effective January 1, 2011, some international accounting principles and interpretations have been amended. However, none of these amendments had a material impact on the financial statements of Edison Spa. Specifically, they include the following:
- **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.

For the sake of full disclosure, it is important to point out that certain marginal amendments to the international accounting principles and interpretations published in the *O.J.E.U.* in 2011 will be applicable starting in 2012. More specifically, the amendments to IFRS 7 require the disclosure of additional quantitative and qualitative information about fully or partly derecognized financial assets, when there is a residual involvement.

The financial statements were prepared treating the sale of the equity interest held in Edipower as a "highly probable" transaction, as allowed by IFRS 5, even though all of the conditions precedent had not yet been met. More specifically, the closing of this transaction, which is predicated on the execution, by February 15, 2012, of the contracts related to the abovementioned agreement, which are currently being finalized, is conditional, inter alia, on the authorization by the relevant antitrust authorities to proceed with the sale of the entire 70% interest (Edison and Alpiq stakes) in Edipower's share capital and the concurrent purchase by EDF of the 50% interest held by Delmi in Transalpina di Energia, which is, in turn, conditional, inter alia, on the CONSOB confirming that, should a tender offer for Edison's shares be required, it would be carried out at a price of not more than 0.84 euros per share.
Because the investment in Edipower qualified as a "major line of business," the divestment transaction was represented as involving a discontinued operation. Consequently:
- In the income statement, the result attributable to the net assets held for sale and the adjustment of the carrying amount of the investment to its fair value, less cost to sell, were included in Profit (Loss) from discontinued operations.
- In the balance sheet, the assets attributable to the equity investment were reclassified to assets held for sale.

- In the 2011 cash flow statements and, for comparison purposes, the 2010 statement, the individual cash flows attributable to the discontinued operations were reclassified to "Change in other operating assets and liabilities - discontinued operations."

The Board of Directors, meeting on February 13, 2012, authorized the publication of these separate financial statements, which were audited by Deloitte & Touche Spa in accordance with an assignment awarded by the Shareholders' Meeting of April 26, 2011 for a period of nine years (2011-2019).

Unless otherwise stated, the amounts that appear in the Notes to the Separate Financial Statements are in thousands of euros.

Presentation Format of the Financial Statements

The presentation format chosen by Edison Spa for its financial statements incorporates the changes required by the adoption of "IAS 1 Revised 2008." The financial statements have the following characteristics:

- The **Income Statement** is a step-by-step income statement, with the different components analyzed by nature. It also provides a disclosure of **Other Components of the Comprehensive Income Statement,** showing the components of net profit or loss that were provisionally recognized in equity.
- In the **Balance Sheet** assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the end of the reporting period, respectively, are shown separately.
- The **Cash Flow Statement** shows the cash flows in accordance with the indirect method, as allowed by IAS 7.
- The **Statement of Changes in Shareholders' Equity** shows separately the flows reflected in the reserves for cash flow hedge transactions and for held-for-sale investments.

With regard to the discontinued operations, please note that, in accordance with IFRS 5, the amounts in the 2010 balance sheet, income statement and cash flow statement were reclassified to allow a homogenous comparison with the 2011 financial year; please refer to the section of these Notes entitled "Disclosure pursuant IFRS 5" for additional information.

Valuation Criteria

Property, Plant and Equipment and Investment Property

Land and buildings used in the production process are classified as "Property, plant and equipment." Land and buildings that are not used in the production process are classified as "Investment property." In the financial statements, these assets are shown at purchase or production cost, or at their conveyance value, including any attributable incidental costs and direct costs deemed necessary to make them operable, net of any capital grants.

Individual components of a facility that have different useful lives are recognized separately, so that each component may be depreciated at a rate consistent with its useful life. Under this principle, the value of a building and the value of the land over which it has been erected are recognized separately and only the building is depreciated.

Any costs that the Company expects to incur in the decommissioning and remediation of industrial sites are recognized as an amortizable asset component. The value at which these costs are recognized is equal to the present value of the costs that the Company expects to incur in the future. Scheduled maintenance costs are charged in full to income in the year they are incurred.

Costs incurred for major maintenance that is performed at regular intervals are added to the respective assets and are written off over the remaining useful lives of the assets.

The estimated realizable value that the Company expects to recover at the end of an asset's useful life is not depreciated. Property, plant and equipment is depreciated each year on a straight-line basis at rates based on technical and financial estimates of the assets' remaining useful lives.

The range of depreciation rates applied is shown below:

	Electric Power		Hydrocarbons		Corporate	
	min.	max.	min.	max.	min.	max.
Buildings	4.0%	6.1%	-	1.4%	-	2.1%
Plant and machinery	4.0%	20.0%	1.8%	64.4%	7.2%	29.3%
Manufacturing and distribution equipment	5.0%	10.0%	17.5%	35.0%	5.0%	25.0%
Other assets	6.0%	20.0%	6.0%	25.0%	6.0%	25.0%
Investments property	-	-	-	-	2.0%	2.4%

Items of property, plant and equipment appurtenant to hydrocarbon production concessions and the related costs incurred to close mineral wells, clear the drill site and dismantle or remove structures are recognized as assets and depreciated in accordance with the unit of production method, which is also used to amortize the underlying concessions. The depreciation rate is determined as the ratio between the quantity produced during the year and the estimated remaining available reserves at the beginning of the year. The value of the initial reserves is based on the best and most up-to-date estimates available at the end of each reporting period.

Thermoelectric power plant that sell energy under the CIP 6/92 rate schedule are depreciated by a method based on the economic benefits produced. The resulting depreciation process follows a step-down process, with straight line depreciation for each of the periods. This method reflects the differences between the amounts charged under the CIP 6/92 rate schedule for the eight-year incentivized period, those for the following seven years and the market rates applicable upon the expiration of the CIP 6/92 contracts.

The depreciation of assets transferable free of charge is taken on a straight-line basis over the remaining term of the respective contracts or their estimated useful lives, whichever is shorter.

Assets acquired under a finance lease are recognized as "Property, plant and equipment," offset by a financial liability of equal amount. The liability is gradually eliminated in accordance with the principal repayment schedule of the respective lease agreement. The value of the asset recognized as property,

plant and equipment is depreciated on a straight-line basis, based on technical and financial estimates of its useful life.
Upon first-time adoption of the IFRS principles, the Company used fair value as deemed cost. As a result, accumulated depreciation and amortization and the provision for writedowns booked through January 1, 2004 were derecognized. The accumulated depreciation and amortization and the provision for writedowns discussed in the notes to the financial statements refer exclusively to depreciation, amortization and writedowns accumulated after January 1, 2004.
If there are indications of a reduction in value, assets are tested for impairment in the manner described below under "Impairment of Assets." When the reasons for a writedown no longer apply, the asset's cost can be reinstated.
Beginning on January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset with a significant useful life are capitalized, when the investment amount exceeds a predetermined threshold. Until December 31, 2008, financial expense was not capitalized.

Goodwill

Goodwill acquired for consideration, which in the transition process was recognized at the same carrying amount as in the statutory financial statements at December 31, 2003, and other intangible assets with indefinite useful lives are not amortized, but the recoverability of their carrying amounts is tested annually (impairment test) for each Cash Generating Unit (CGU) or group of CGUs to which assets with indefinite lives can be reasonably allocated. The impairment test is described below in the paragraph entitled "Impairment of Assets." Writedowns cannot be reversed in subsequent periods.
The decision to take the conservative approach of using for the transition to the IAS/IFRS principles on January 1, 2004 the same carrying amounts as those used in the statutory financial statements prepared in accordance with Italian accounting principles is justified by the uncertainty that currently exists with respect to the accounting treatment that should be applied to these assets in the separate financial statements prepared in accordance with the IAS/IFRS principles.

Hydrocarbon Concessions and Other Intangible Assets

Only identifiable assets that are controlled by the Company and are capable of producing future benefits qualify as intangible assets. Intangible assets are recognized at their purchase price or internal production cost, including incidentals, in accordance with the same criteria used for "Property, plant and equipment." Development costs can be capitalized, provided they can be identified reliably and it can be demonstrated that the asset is capable of producing future economic benefits.
Intangible assets with finite useful lives are amortized on a straight-line basis over their useful lives, starting when they are available for use.

Hydrocarbon Concessions, Exploration Activities and Measurement of Mineral Resources

The costs incurred to **acquire mineral leases** or extend the duration of existing concessions are recognized as intangible assets. If an exploration project is later abandoned, the residual cost is immediately recognized in profit or loss.
Exploration costs and costs incurred in connection with geological surveys, exploratory testing, geological and geophysical mapping and exploratory drilling are recognized as intangible assets but their full amount is amortized in the year they are incurred.
Development costs related to successful mineral wells and **production costs incurred to build facilities to extract and store hydrocarbons** are recognized as "Property, plant and equipment," in accordance with the nature of the asset, and are depreciated by the unit of production (UOP) method.
The costs incurred to shut down wells, abandon the drill site and dismantle or remove the equipment (so-called decommissioning costs) are capitalized and amortized in accordance with the unit of production (UOP) method.
Hydrocarbon production concessions are amortized in accordance with the unit of production method.


Hydroelectric power plants, harmoniously nestled in their surroundings, provide an important contribution to the production of renewable and clean energy, with no emissions into the atmosphere.

The amortization rate is determined as the ratio between the quantity produced during the year and the estimated remaining available reserves at the beginning of the year. The value of the initial reserves is based on the best and most up-to-date estimates available at the end of each reporting period. In addition, a test is conducted each year to ensure that the carrying amounts of these assets are not greater than their realizable values computed by discounting future cash flows, which are estimated based on future production programs and market values.

Environmental Securities (Emissions Rights and Green Certificates)

Edison Spa secures a supply of environmental securities (emissions rights and green certificates) to meet its own requirements in the exercise of its industrial activities (so-called "own use").

Specifically, "Other intangible assets" can include emissions rights and green certificates, which are recognized at the cost incurred to acquire them, provided that the rights or certificates carried by the Company at the end of the reporting period represent a surplus over its requirements of such instruments, based on the emissions released during the year, for the emissions rights, or the production generated, for the green certificates. Emissions rights and green certificates allocated free of charge are recognized at a zero carrying value. Since these assets are designed for instantaneous use, they are tested for impairment and cannot be amortized. Their recoverable value is their value in use or their market value, whichever is greater. On the other hand, if, at the end of the reporting period, the volume of the emissions actually generated is greater than the volume of allocated emissions and any purchased emissions, a special provision for risks is recognized to account for the difference. Any emissions rights and certificates that are surrendered each year, based on the volume of polluting emissions released into the atmosphere each calendar year or the production generated, will be derecognized using any reserves for risks set aside the previous year.

Equity Investments in Subsidiaries and Affiliated Companies

Subsidiaries are companies with respect to which Edison has the power to independently make strategic corporate decisions for the purpose of obtaining the resulting benefits. As a rule, control is presumed to exist when the controlling company holds, directly or indirectly, more than half of the votes that can be cast at an Ordinary Shareholders' Meeting, counting the so-called "potential votes" (i.e., votes conveyed by convertible instruments).

Affiliated companies are companies with respect to which Edison exercises a significant influence over the process of making strategic corporate decisions, even though it does not have control, when the so-called "potential votes" (i.e., voting rights conveyed by convertible instruments) are counted. A

significant influence is presumed to exist when the controlling company holds, directly or indirectly, more than 20% of the votes that can be cast at an Ordinary Shareholders' Meeting.
Equity investments in subsidiaries and affiliated companies are valued at cost, written down to reflect any distributions of share capital or equity reserves or any impairment losses detected as a result of an impairment test. If the reasons that justified the writedown cease to apply in subsequent years, the original cost is reinstated.

Impairment of Assets

IAS 36 requires that an entity test its property, plant and equipment and intangible assets for impairment when there are indications that an impairment has occurred.
In the case of goodwill and other assets with indefinite lives or assets that are not available for use, an impairment test must be performed at least once a year.
The recoverability of an asset's carrying amount is tested by comparing it with its fair value, less cost to sell, and it value in use, whichever is greater, because IAS 36 defines recoverable value as the fair value of an asset or cash generating unit, less cost to sell, or its value in use, whichever is greater.
As a rule, value in use is the present value of the future cash flows that an asset or a CGU is expected to generate, plus the amount expected from its disposal at the end of its useful life.
CGUs, which have been identified in a way that is consistent with Edison's organizational and business structure, are homogeneous groups of assets that generate cash inflows independently, through the continued use of the assets included in each group.

Translation of Items Denominated in Foreign Currencies

Transactions in foreign currencies are translated into euros at the exchange rate in force on the transaction date. At the end of the year, cash assets and liabilities are translated at the exchange rates in force at the end of the reporting period. Any resulting foreign exchange translation differences are recognized in profit or loss. Non-cash assets and liabilities denominated in foreign currencies are valued at cost and translated at the exchange rates in force on the transaction date.

Financial Instruments

Financial instruments include equity investments (other than investments in subsidiaries and affiliate companies) that are held for trading and held-for-sale investments. They also include long-term loans and receivables, trade receivables and other receivables generated by the Company, and other current financial assets, such as cash and cash equivalents. Cash and cash equivalents include deposits in bank and postal accounts, readily marketable securities purchased as temporary investments of cash and loans receivable due within three months. Financial instruments also include loans payable, trade and other payables, other financial liabilities and derivatives.

Financial assets and financial liabilities are recognized at fair value when the Company acquires the rights or assumes the obligations conveyed contractually by the financial instrument.

The initial amount at which these items are recognized shall include transaction costs directly attributable to the purchase or the issue costs that are included in the initial valuation of all assets and liabilities that can be classified as financial instruments. Subsequent measurements will depend on the type of instrument, as follows:

- With the exception of derivatives, **assets held for trading** are valued at fair value, with any resulting gains or losses are recognized in profit or loss. This class of assets consists mainly of equity investments held for trading and of the so-called trading activities, as described below.
- Provided they are not derivatives and equity investments, **other financial assets and liabilities** with fixed or determinable payments are valued at their amortized cost. Any transaction costs incurred un the purchasing/selling phase (e.g., issue premiums or discounts, costs incurred to secure loans, etc.) are recognized directly as adjustments to the face value of the corresponding asset or liability. Financial income and expense is computed in accordance with the effective interest rate method. Financial assets are measured on a regular basis to determine whether there is any objective evidence that their value has been impaired. More specifically, the measurement of receivables takes into account the solvency of creditors and the level of credit risk, which is indicative of individual debtors' ability to pay. Any losses are recognized in profit or loss for the corresponding period. This category includes long-term loans and receivables, trade receivables and other receivables generated by the Company, as well as loans payable, trade and other payables and other financial liabilities.
- **Assets held for sale** are measured at fair value and any resulting gains or losses are recognized in equity, posted to the "Reserve for other components of comprehensive income," and transferred to the income statement upon the disposal of the corresponding asset. Losses that result from measurement at fair value are recognized directly in profit or loss when there is objective evidence that the value of a financial asset has been impaired, even if the asset has not been sold. Equity investments in companies that are not publicly traded, the fair value of which cannot be measured reliably, are valued at cost less impairment losses. This category includes equity investments representing an interest of less than 20%.
- **Derivatives** are measured at fair value and, as a rule, any resulting changes are recognized in the income statement. However, whenever possible, the Company uses hedge accounting. Derivatives are classified as hedges when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedging relationship, which is tested periodically, is high in accordance with IAS 39 rules. If this is the case, the following accounting treatments are applied:
  a) When derivatives hedge the risk of fluctuations in the cash flow of the hedged items (Cash Flow Hedge), the effective portion of any change in the fair value of the derivatives is recognized directly in equity, posted to the "Reserve for other components of comprehensive income," while the ineffective portion is recognized directly in profit or loss. The amounts recognized in equity are transferred to the income statement in conjunction with the gains or losses generated by the hedged items.
  b) When derivatives hedge the risk of changes in the fair value of the hedged items (Fair Value Hedge), any changes in the fair value of the derivatives are recognized directly in profit or loss. The carrying amounts of the hedged items are adjusted accordingly in the income statement, to reflect changes in fair value associated with the hedged risk.

Financial assets are derecognized when they no longer convey the right to receive the related cash flows and substantially all of the risks and benefits conveyed by the ownership of the assets have been transferred or when an asset is deemed to be totally non-recoverable after all necessary recovery procedures have been carried out.

Financial liabilities are derecognized when the corresponding contractual obligations have been extinguished. Changes to existing contract terms can qualify as an extinguishing event if the new terms materially alter the original stipulations and, in any case, when the present value of the cash

flows that will be generated under the revised agreements differs by more than 10% from the value of the discounted cash flows of the original liability.
The fair value of financial instruments that are traded on an active market is based on their market price at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is determined using appropriate valuation techniques.

Trading Activities

Approved activities that are part of the Company's core businesses include physical and financial trading in commodities. These activities must be carried out in accordance with special procedures and are segregated at inception in special Trading Portfolios, separate from the other core activities (so-called Industrial Activities). Trading Activities include physical and financial contracts for commodities, which are measured at fair value, with changes in fair value recognized in profit or loss. Individual contracts may require physical delivery. In such cases, any inventories are measured at fair value, with changes in fair value recognized in profit or loss.
The amounts shown in the income statement for revenues and raw materials and services used reflect a presentation that recognizes only the resulting "trading margin" (so-called "net presentation").

Inventories

Inventories related to the so-called Industrial Activities are valued at purchase or production cost, including incidental expenses, determined primarily by the FIFO method, or at estimated realizable value, based on market conditions, whichever is lower. Inventories attributable to Trading Activities are deemed to be assets held for trading and, consequently, are measured at fair value, with changes in fair value recognized in profit or loss.

Valuation of Long-term Take-or-pay Contracts

Under the terms of medium/long-term contracts for the importation of natural gas, the importer is required to take delivery of a minimum annual quantity of natural gas. If delivery of the minimum annual quantity is not achieved, the importer is required to pay the consideration attributable to the undelivered quantity. This payment can be treated either as an advance on future deliveries or as a penalty for the failure to take delivery. The first situation (advance on future deliveries) occurs in the case of undelivered quantities at the end of the reporting period for which there is a reasonable certainty that, over the remaining term of the contract, the shortfall will be made up in future years by means of increased deliveries of natural gas, in excess of minimum annual contract quantities. The second situation (penalty for failure to take delivery) occurs in the case of undelivered quantities for which there is no expectation that the shortfall can be made up in the future. The portion of the payment that qualifies as an advance on future deliveries is initially recognized in "Other assets" (current and/or non-current depending on the expected timing of recovery) and its recoverability is periodically verified, based on updated forecasts. These recoverability assessments are also applied to quantities that, while scheduled for delivery, were still undelivered and unpaid at the end of the reporting period, the payment for which will occur in the following period. The corresponding amount is recognized as a commitment.

Employee Benefits

The **provision for employee severance indemnities and the provisions for pensions** are computed on an actuarial basis. The amount of employee benefits that vested during the year is recognized in profit or loss as a labor cost. The theoretical finance charge that the Company would incur if it were to borrow in the marketplace an amount equal to the provision for employee severance indemnities is posted to financial income (expense). Actuarial gains and losses that arise from changes in the actuarial assumptions used are recognized in profit or loss, taking into account the average working lives of the employees.
Specifically, in accordance with Budget Law No. 296 of December 27, 2006, only the liability for the vested employee severance benefits that remained with the Company was valued for IAS 19 purposes, since the portion applicable to future vesting benefits was paid to separate entities (supplemental pension funds or

INPS funds). As a result of these payments, the Company has no further obligations with regard to the work that employees will perform in the future (so-called “defined-contribution plan”).

Any **stock option plans** that may be in effect are valued at the time the options are awarded by determining the fair value of the options granted. This amount, net of any subscription costs, is allocated over the plan’s vesting period. The corresponding cost is recognized in profit or loss, with an offsetting entry posted to an equity reserve (so-called “equity-settled payments”).

Provisions for Risks and Charges

Provisions for risks and charges are recognized exclusively when there is a present obligation arising from past events that can be reliably estimated. These obligations can be legal or contractual in nature or can be the result of representations or actions by the Company that created valid expectations in the relevant counterparties that the Company will be responsible for complying or will assume the responsibility of causing others to comply with an obligation (implied obligations). If the time value of money is significant, the liability is discounted and the effect of the discounting process is recognized as a financial expense.

Recognition of Revenues and Expenses

Revenues and income and costs and expenses are recognized net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of goods or the provision of services. Sales revenues are recognized when title to the goods passes to the buyer. As a rule, this occurs when the goods are delivered or shipped. Materials used include the cost of green certificates and emissions rights attributable to the period, as well as those attributable to divested plants for the accrual period attributable to the seller. Financial income and expense is recognized when accrued. Dividends are recognized when the shareholders are awarded the rights to collect them, which generally occurs in the year when the disbursing investee company holds a Shareholders’ Meeting that approves a distribution of earnings or reserves.

Income Taxes

Current **income taxes** are recognized based on an estimate of taxable income, in accordance with the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and taking into account any applicable exemptions or available tax credits.

Deferred-tax assets and liabilities are computed on the temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases, using the tax rates that are expected to

The Vega offshore field is located in the Strait of Sicily, about 12 miles from the coast of Pozzallo (Syracuse). This field produced 55.5 million barrels of oil since it went on stream in 1987.

be in effect when the temporary differences are reversed. Deferred-tax assets are recognized only to the extent that their future recovery is probable. The valuation of deferred-tax assets must be carried out taking into account future tax liabilities, as projected in approved Company industrial plans. When gains and losses are recognized directly in equity, posted to the "Reserve for other components of comprehensive income," the corresponding deferred-tax assets or liabilities shall also be recognized in equity.

Use of Estimated Values

The preparation of the financial statements and the accompanying notes requires the use of estimates and assumptions both in the measurement of certain assets and liabilities and in the valuation of contingent assets and liabilities. The actual results that will arise upon the occurrence of the relevant events could differ from these estimates.

The estimates and assumptions used are revised on an ongoing basis, and the impact of any such revision is immediately recognized in profit or loss. The use of estimates is particularly significant for the following items:

- Amortization (for assets with a finite useful life), depreciation and impairment tests of property, plant and equipment, goodwill and other intangible assets. The process of determining depreciation and amortization expense entails reviewing periodically the remaining useful lives of assets, the available hydrocarbon reserves, the decommissioning/shutdown costs and the assets' recoverable values. Information about the impairment test, specifically regarding the benchmark industrial and context assumptions used, is provided later in these Notes, in the section entitled "Impairment Test Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles," which includes a description of the methods and assumptions made.
- Valuation of derivatives and financial instruments in general. Information about valuation criteria and quantitative disclosures are provided, respectively, in the paragraph entitled "Financial Instruments" and in the Notes to the financial statement, which supplement and complete the financial statements. The methods applied to determine fair value and manage inherent risks in connection with energy commodities traded by the Company, foreign exchange rates and interest rates are described in the section of these Notes entitled "Financial Risk Management."
- Measurement of certain sales revenues, particularly for CIP 6/92 contracts, of the provisions for risks and charges, of the allowances for doubtful accounts and other provisions for writedowns, of employee benefits and of income taxes. In these cases, the estimates used are the best possible estimates, based on currently available information.

NOTES TO THE INCOME STATEMENT

Edison Spa reported a **net loss** of 896 million euros at December 31, 2011; in 2010, the net loss amounted to 86 million euros.

The following factors contributed to the Company's negative performance in 2011:

- for 372 million euros, the net loss from **continuing operations,** mainly arising from writedowns of some industrial assets, goodwill and some investments in subsidiaries due to the results of the impairment test. The loss also reflects a reduction in industrial margins, which, as explained below, was particularly true for the electric power operations.
- for 524 million euros, the net loss from **discontinued operations,** related mainly to the sale of the equity investments in Edipower, the divestment of the Taranto power plants and the charges recognized to reflect an unfavorable decision by the Council of State that disallowed certain rate benefits attributable to previous years.

In 2011, **sales revenues** totaled 5,833 million euros, for a modest increase of 4.3% compared with the previous year (5,591 million euros). This positive performance is the net result of a revenue shortfall reported by the **electric power operations** (-17.6%), caused by a decrease in unit sales (-17.7%) attributable primarily to the CIP 6/92 activities, and a revenue gain by the **hydrocarbons operations,** which grew by 20.4%, due mainly to a rise in average unit sales prices consistent with changes in the benchmark scenario, which more than offset the impact of a 4.4% reduction in unit sales.

EBITDA decreased to 108 million euros, or 260 million euros less than the 368 million euros earned in 2010, chiefly as a result of a negative performance by the electric power operations and a loss of 105 million euros by Corporate Activities.

More specifically:

- The **electric power operations** reported negative EBITDA of 1 million euros, down sharply compared with the 254 million euros earned in 2010. Lower unit sales margins, a contraction of the EBITDA generated by the CIP 6/92 activities, caused by the early termination of some contracts in December 2010, which, however, generated a non-recurring gain of 24 million euros, and by the scheduled expiration of other contracts, account for this result.
- The EBITDA of the **hydrocarbons operations** totaled 215 million euros, substantially in line with the amount reported in 2010, as the effect of a reduction both in sales volumes and unit sales margins was largely offset by gains generated through the successful renegotiation of long-term contracts to import natural gas from Russia and Norway. Also in this area, Edison is currently in the process of renegotiating long-term contracts to import natural gas from Qatar, Libya and Algeria with the aim of restoring profitability at the operating level for these contracts as well.
  Also worth mentioning is the positive performance by the exploration and production activities, particularly with regard to sales of crude oil from the Italian fields, which benefited from an increase in sales prices compared with the previous year.

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

- **Net financial expense** of 70 million euros, up 32 million euros compared with 2010 (38 million euros), which reflects mainly higher net foreign exchange losses (-17 million euros in 2011), due to negative results on derivatives executed to hedge natural gas purchases.
- **Net income from equity investments,** which totaled 72 million euros at December 31, 2011 (net financial expense of 51 million euros in 2010) and is mainly the net result of the following items:
  - 80 million euros in the dividends received from subsidiaries and affiliated companies (327 million euros in 2010);

- 73 million euros from the revaluation of the carrying amount of Edison International, following a revision of this subsidiary's hydrocarbon reserves;
- 85 million euros in writedowns of investments in some Group companies, recognized to adjust the corresponding carrying amounts for impairment losses, including Sarmato Energia, Edison International Holding, Termica Milazzo and Terminale GNL Adriatico.

• **Other expense, net,** of 13 million euros (net income of 44 million euros in 2010), which consist mainly of legal costs.
• **Income taxes,** positive by 126 million euros (18 million euros in 2010), which reflect primarily the effect of filing a national consolidated tax return (benefit of 26 million euros) and utilizing deferred taxes on non-current assets recognized upon transition to the IFRS (80 million euros) for the use of fair value as the deemed cost of non-current assets.

1. Sales Revenues

Sales revenues totaled 5,833,012,000 euros, or 4.3% more than in 2010 (5,590,782,000 euros). A breakdown of sales revenues by type, which were earned mainly in Italy, is provided below:

(in thousands of euros)	2011	2010	Change	% change
Revenues from the sale of:				
- Natural gas	3,680,124	3,066,660	613,464	20.0%
- Electric power	1,764,392	2,210,895	(446,503)	(20.2%)
- Oil	154,121	109,255	44,866	41.1%
- Steam	82,036	88,578	(6,542)	(7.4%)
- Green certificates and emission rights	65,837	12,945	52,892	n.a.
- Water and other utilities	863	1,276	(413)	(32.4%)
- Sundry items	9,334	18,799	(9,465)	n.a.
Revenues from the sale of products	**5,756,707**	**5,508,408**	**248,299**	**4.5%**
Revenues from services provided	51,272	64,166	(12,894)	(20.1%)
Revenues from power plant maintenance	11,473	11,055	418	3.8%
Transmission revenues	2,432	3,471	(1,039)	(29.9%)
Revenues from the provision of services	**65,177**	**78,692**	**(13,515)**	**(17.2%)**
Margin on trading on physical contracts	11,128	3,682	7,446	n.a.
Total sales revenues	**5,833,012**	**5,590,782**	**242,230**	**4.3%**
breakdown by business segment:				
Electric power operations	1,937,657	2,350,266	(412,609)	(17.6%)
Hydrocarbons operations	3,871,648	3,215,115	656,533	20.4%
Corporate activities	23,707	25,401	(1,694)	(6.7%)
Total sales revenues	**5,833,012**	**5,590,782**	**242,230**	**4.3%**

The sales revenues of the **electric power operations** decreased to 1,937,657,000 euros in 2011, or 17.6% less than in the previous year (2,350,266,000 euros), as the impact of a reduction in CIP 6/92 sales caused by the early termination of some contracts in December 2010 and the scheduled expiration of other contracts was offset only in part by price increases driven by favorable changes in the benchmark scenario.

The sales revenues of the **hydrocarbon operations** grew to 3,871,648,000 euros, for a gain of 20.4% compared with the previous year (3,215,115,000 euros), reflecting the positive effect of higher sales prices, supported by a substantial rise in the price of Brent crude, offset in part by a reduction in unit sales, mainly in the thermoelectric and residential areas. Fuel oil sales were particularly strong (+41,1%) thanks to a favorable trend in benchmark prices, which more than offset the impact of a drop in production (-8.1%) resulting from the natural depletion of oil deposits.

Revenues from services provided, which are included in **corporate activities,** refer mainly to the coordination support provided by Edison to other Group companies and to engineering services.

2. Other Revenues and Income

Other revenues and income amounted to 546,642,000 euros, for an increase of 48.6% compared with 2010 (367,821,000 euros), due mainly to higher income from commodity derivatives. A breakdown of sales revenues by type, which were earned mainly in Italy, is provided below:

(in thousands of euros)	2011	2010	Change	% change
Commodity derivatives	337,178	97,380	239,798	n.a.
Out of period income	99,676	44,516	55,160	n.a.
Contractutal damage compensation	27,451	29,492	(2,041)	(6.9%)
Recovery of costs from partners in hydrocarbon exploration projects	21,587	19,240	2,347	12.2%
Reversals of allowances for doubtful accounts and sundry provisions for risks	17,638	18,555	(917)	(4.9%)
Insurance settlements	11,400	17,811	(6,411)	(36.0%)
Recovery of payroll costs	6,063	7,026	(963)	(13.7%)
Leases of Company-owned property and lands	3,026	3,184	(158)	(5.0%)
Operating grants	2,443	2,857	(414)	(14.5%)
Gains on the sale of property, plant & equipment	849	1,831	(982)	(53.6%)
Revenues from sales of sundry materials	570	1,359	(789)	(58.1%)
Sundry items	18,761	124,570	(105,809)	n.a.
Total	**546,642**	**367,821**	**178,821**	**48.6%**

Commodity derivatives, which should be viewed in conjunction with the corresponding cost included in Raw materials and services used (increased from 20,368,000 euros to 103,622,000 euros), reflects mainly the results of Brent crude and foreign exchange hedges executed to mitigate the risk of price fluctuations on natural gas purchases. More specifically, the gain in income from commodity derivatives is the direct result of an increase in the volume of instruments traded, mainly to hedge commodity prices.
A complete description of the effects of derivatives is provided in the section of these Notes entitled "Financial Risk Management."

Contractual damage compensation includes a gain of 14,071,000 euros generated by the early termination of the CIP 6/92 contracts for the Taranto thermo electric power plant pursuant to a Decree issued by the Ministry of Economic Development on June 23, 2011 (24,329,000 euros in 2010).

Out-of-period income includes 66,054,000 euros for the effect of the successful renegotiation of a natural gas supply contract concerning volumes supplied in previous years and 12,068,000 euros for the recognition of lower CO_2 costs.

3. Raw Materials and Services Used

Raw materials and services used totaled 6,133,889,000 euros, up 12.5% compared with 2010 (5,451,393,000 euros), reflecting the impact of changes in benchmark prices and sales volumes discussed when commenting Sales revenues. A breakdown is provided below:

(in thousands of euros)	2011	2010	Change	% change
- Natural gas	4,417,388	4,009,576	407,812	10.2%
- Electric power	9,056	7,114	1,942	27.3%
- Blast furnace, recycled and coke furnace gas	380,627	339,913	40,714	12.0%
- Oil and fuel	4,379	11,136	(6,757)	(60.7%)
- Demineralized industrial water	30,466	34,919	(4,453)	(12.8%)
- Green certificates	67,974	51,471	16,503	32.1%
- CO_2 emissions rights	49,944	56,530	(6,586)	(11.7%)
- Utilities and other materials	68,655	57,857	10,798	18.7%
Total	**5,028,489**	**4,568,516**	**459,973**	**10.1%**
- Facilities maintenance	108,940	111,591	(2,651)	(2.4%)
- Transmission of natural gas	418,411	371,718	46,693	12.6%
- Regasification fee	102,155	108,274	(6,119)	(5.7%)
- Professional services	78,180	73,999	4,181	5.7%
- Insurance services	18,170	22,447	(4,277)	(19.1%)
- Writedowns of trade and other receivables	1,774	3,087	(1,313)	(42.5%)
- Commodity derivatives	103,622	20,368	83,254	n.a.
- Derivative margin from financial trading activities	5,627	-	5,627	n.a.
- Additions to provisions for miscellaneous risks	30,650	8,677	21,973	n.a.
- Change in inventories	53,645	(8,642)	62,287	n.a.
- Use of property not owned	51,610	46,990	4,620	9.8%
- Sundry charges	132,616	124,368	8,248	6.6%
Total	**6,133,889**	**5,451,393**	**682,496**	**12.5%**
breakdown by business segment:				
Electric power operations	785,550	715,741	69,809	9.8%
Hydrocarbons operations	5,229,836	4,620,146	609,690	13.2%
Corporate activities	118,503	115,506	2,997	2.6%
Total	**6,133,889**	**5,451,393**	**682,496**	**12.5%**

The increase in the amount shown for **natural gas** compared with 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 contracts for the supply of natural gas from Norway and Russia. This item also includes charges of 30,313,000 euros for the negative results from the effective portion of derivatives hedging foreign exchange risk on commodities (positive by 21,557,000 euros in 2010).

The higher amount shown for the purchases of **blast furnace, recycled and coke furnace gas** compared with 2010 is directly related to the increase in raw materials costs in the underlying supply contracts, (i.e., gasoil, BTZ and ATZ), which more than offset the reduction in production caused in part by the sale of the Taranto power plants.

Insofar as the costs incurred to purchase **CO_2 emissions rights** are concerned, the decrease of 6,586,000 euros is due both to the smaller quantity required (deficit) and to a lower purchase price. **Green certificate** costs increased compared with 2010, as the net result of higher required purchases and a lower average purchase price.

Gas transmission costs were higher than the previous year, due mainly to an increase in the rates paid to the transmission system operator.

The sharp increase in charges for **commodity derivatives** is consistent with the trends in the prices of the hedged commodities, as discussed in the section of these Notes entitled "Financial Risk Management."

Additions to provisions for risks refer mainly to costs that the Company expects to incur in future years for environmental remediation projects at some decommissioned industrial sites.

The main components of **sundry charges** are damage compensation paid (41,243,000 euros), out-of-period charges (28,152,000 euros), indirect taxes and fees (8,191,000 euros), expense for security, janitorial and relocation services (6,997,000 euros), corporate expenses (5,552,000 euros), membership dues (4,402,000 euros), advertising expenses (3,809,000 euros), entertainment expenses (2,973,000 euros) and losses on divestments of property, plant and equipment (2,014,000 euros).

Margin on Trading Activities

The table below shows the results of the gas trading activity included in sales revenues and raw materials and services used, which are generated by trading in physical and financial energy commodity contracts held in the Trading Portfolios. The increase compared with the previous year reflects the growth in trading in instruments the underlying commodity of which is natural gas.

(in thousands of euros)	Note	2011	2010	Change	% change
Margin on trading in physical contracts					
Sales revenues		303,205	53,309	249,896	n.a.
Raw materials and services used		(292,077)	(49,627)	(242,450)	n.a.
Total included in sales revenues	1	**11,128**	**3,682**	**7,446**	**n.a.**
Margin on trading in financial contracts					
Other revenues and income		4,464	-	4,464	n.a.
Raw materials and services used		(10,091)	-	(10,091)	n.a.
Total included in raw materials and services used	3	**(5,627)**	**-**	**(5,627)**	**n.a.**
Total margin on trading activities		**5,501**	**3,682**	**1,819**	**49,4%**

A complete description of the effects of derivatives is provided in the section of these Notes entitled "Financial Risk Management."

4. Labor Costs

Labor costs decreased to 137,856,000 euros, or 1,827,000 euros less than in 2010 (139,683,000 euros), as the net result of staff reductions and labor contract increases in wages and salaries. At December 31, 2011, the Company had 1,588 employees, 152 fewer than at December 31, 2010. The table that follows provides a breakdown by category of the Company's staff:

(number of employees)	01.01.11	Added to payroll	Removed from payroll	Change of classification/Other	12.31.11	Average payroll
Executives	126	-	(9)	6	123	128
Office staff and middle managers	1,317	30	(123)	7	1,231	1,315
Production staff	297	8	(57)	(14)	234	248
Total	**1,740**	**38**	**(189)**	**(1)**	**1,588**	**1,691**

5. EBITDA

EBITDA totaled 107,909,000 euros, or 259,617,000 euros less (-70.6%) than the 367,526,000 euros earned in 2010, due mainly to negative margins on volumes sold and a reduction in unit sales caused by the crisis that is currently affecting the Italian economy.

(in thousands of euros)	2011 EBITDA	As a % of sales revenues	2010 EBITDA	As a % of sales revenues	% change
Electric power operations	(1,340)	(0.1%)	254,155	10.8%	n.a.
Hydrocarbons operations	214,570	5.5%	215,153	6.7%	(0.3%)
Corporate activities	(105,321)	n.s.	(101,782)	n.s.	3.5%
Total	**107,909**	**1.8%**	**367,526**	**6.6%**	**(70.6%)**

The performance of the different Group businesses is reviewed below:

- The **electric power operations** reported negative EBITDA of 1,340,000 euros, as against positive EBITDA of 254,155,000 euros in 2010. The negative impact of a reduction in the EBITDA contribution provided by the CIP 6/92 activities, caused by the early termination and schedule expiration of some contracts, and a contraction in unit sales margins account for this result.
  Net production of electric power totaled 23,075 GWh. The decrease of 4,964 GWh (-17.7%), compared with the 28,039 GWh generated in 2010, is due mainly to a reduction in the production of CIP 6/92 facilities that reflects the sale of the Taranto power plant, whose output was included in the reported total until September 30, 2011.
  It is also worth noting that EBITDA include 58,400,000 euros, which represents the amount recognized for the positive effect of Resolution No. 77/08 defining the criteria for reimbursement of the costs incurred by CIP 6/92 facilities to meet emissions rights requirements (93,950,000 euros in 2010), and 14,400,000 euros for the reimbursement of green certificate costs owed to CIP 6/92 facilities pursuant to AEEG Resolution No. 113/06 (16,407,000 euros in 2010).

- The EBITDA of the **hydrocarbons operations** amounted to 214,570,000 euros, down 583,000 euros (-0.3%), compared with 215,153,000 euros reported at December 31, 2010. This decrease reflects a negative performance by the activities involved in buying and selling **natural gas,** which were adversely affected by a reduction in sales volumes and a contraction of unit sales margins, which became negative overall. The adverse impact of this development was offset only in part by the positive effect of the successful renegotiation of the long-term contracts to purchase natural gas from Russia and Norway.
  Reported EBITDA also include 233,557,000 euros (77,013,000 euros in 2010) for the positive effect of derivatives hedging fluctuations in foreign exchange rates and commodity prices.
  Natural gas volumes decreased to 15,205 million cubic meters in 2011, or 4.0% less than in 2010, when they totaled 15,839 million cubic meters. On the procurement side, domestic purchases and pipeline imports under long-term contracts were both down, falling by 46.7% and 25.03%, respectively. However, imports of LNG from Qatar, which is regasified at the Rovigo terminal, were up 7.1%.
  Consistent with the trend on the procurement side, demand by users was also down, with the largest decreases occurring in the residential (-27.7%) and thermoelectric (-11.4%) areas, offset in part by higher sales to other wholesalers and buyers on the Virtual Exchange Facility.
  The performance of the hydrocarbons operations benefited from the sale of **crude oil** generated by the Group's exploration and production activities at fields in Italy, whose positive performance was boosted by the effect of an upturn in crude oil prices that more than compensated for a reduction in production, which decreased by 8.1% to 2,142,000 barrels (2,331,000 barrels in 2010). Lastly, the result of the exploration and production activities benefited from insurance settlements totaling about 10,060,000 euros in connection with projects carried out to repair damages suffered by some facilities in previous years.

6. Depreciation, Amortization and Writedowns

Depreciation, amortization and writedowns increased to 594,227 ,000 euros, or 190,372,000 euros more than in 2010, as the net result of a decrease of 39,846,000 euros in depreciation and amortization expense and an increase of 230,218,000 euros in writedowns.

A breakdown of this item is provided below:

(in thousands of euros)	2011	2010	Change	% change
Depreciation of property, plant and equipment	286,049	323,229	(37,180)	(11.5%)
Depreciation of investment property	37	55	(18)	(32.7%)
Amortization of hydrocarbon concessions	18,149	18,161	(12)	(0.1%)
Amortization of other intangible assets	8,512	11,148	(2,636)	(23.6%)
Total amortization and depreciation	**312,747**	**352,593**	**(39,846)**	**(11,3%)**
Writedown of property, plant and equipment	120,717	51,055	69,662	n.a.
Writedown of goodwill	159,750	-	159,750	n.a.
Writedown of intangible assets	1,013	207	806	n.a.
Total writedown	**281,480**	**51,262**	**230,218**	**n.a.**
Total	**594,227**	**403,855**	**190,372**	**47.1%**
breakdown by business segment:				
Electric power operations	343,804	326,224	17,580	5,4%
Hydrocarbons operations	69,926	66,676	3,250	4.9%
Corporate activities	180,497	10,955	169,542	n.a.
Total	**594,227**	**403,855**	**190,372**	**47.1%**

A review by business segment is provided below:

- In the **electric power** segment:
  - **depreciation and amortization** decreased to 230,987,000 euros, or 43,974,000 euros less than in 2010, due mainly to a reassessment of the useful lives of some hydroelectric power plants, the expiration of some CIP 6/92 contracts and the writedowns recognized at December 31, 2010;
  - **writedowns of property, plant and equipment** (112,817,000 euros) reflect mainly the outcome of the impairment test, according to which the recoverable value of these assets was lower than their carrying amount, due primarily the current and prospective reduction of market margins.
- In the **hydrocarbons** segment, depreciation and amortization amounted to 69,926,000 euros. The increase of 3,250,000 euros, compared with 2010, reflects a change in the extraction profiles of hydrocarbon deposits. Also in the hydrocarbons segment, exploration costs totaled 1,269,000 euros.
- In the **corporate** segment, goodwill was written down by 159,750,000 euros (see the impairment test section of these Notes for more information). In addition, a writedown of 8,913,000 euros was recognized to align the carrying amount of some plots of land to their presumed realizable value.

A detailed analysis of the effects of the impairment test on the Company is provided later in these Notes in the section entitled "Impairment Test in accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles" (Note 16).

7. Net Financial Income (Expense)

Net financial expense totaled 69,745,000 euros, or 32,046,000 euros more than in 2010 (37,699,000 euros). This increase reflects primarily the following factors:

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

The negative impact of these factors was mitigated by the positive balance generated by financial hedging transactions executed with derivative products.

The table that follows provides a breakdown of the components of financial income and expense:

(in thousands of euros)	2011	2010	Change
Financial income			
Financial income from financial derivatives	86,608	52,985	33,623
Financial income from Group companies	75,253	73,634	1,619
Bank interest earned	1,519	1,283	236
Interest earned on trade receivables	1,882	2,407	(525)
Other financial income	3,207	651	2,556
Total financial income	**168,469**	**130,960**	**37,509**
Financial expense			
Financial expense on financial derivatives	(33,109)	(49,623)	16,514
Interest paid on bond issues	(73,799)	(88,819)	15,020
Fair value hadge adjustment on bonds	(47,284)	8,908	(56,192)
Interest paid to banks	(25,928)	(16,953)	(8,975)
Financial expense paid to Group companies	(6,601)	(1,996)	(4,605)
Bank fees paid	(6,888)	(4,490)	(2,398)
Financial expense on decommissioning projects	(14,058)	(13,217)	(841)
Other financial expense	(13,899)	(14,437)	538
Total financial expense	**(221,566)**	**(180,627)**	**(40,939)**
Net financial income (expense)	**(53,097)**	**(49,667)**	**(3,430)**
Foreign exchange gains (losses)			
Foreign exchange gains	96,892	107,443	(10,551)
Foreign exchange losses	(113,540)	(95,475)	(18,065)
Net foreign exchange gain (loss)	**(16,648)**	**11,968**	**(28,616)**
Total net financial income (expense)	**(69,745)**	**(37,699)**	**(32,046)**

More specifically:

- **Other financial expense** includes 5,352,000 euros in charges for transactions involving the assignment of receivables without recourse, 5,249,000 euros in financial expense accrued on provisions for risks, 1,410,000 euros in interest paid on the lease for the Leonis ship and 1,171,000 euros in accrued financial expense on employee severance indemnities computed with the method required by IAS 19;
- **Foreign exchange gains (losses)** include the effects of derivatives executed to hedge foreign exchange risks on commodity purchases, which generated a **net loss** of 16,207,000 euros in 2011;
- Information about other **transactions involving financial derivatives** is provided in a separate disclosure later in these Notes.

8. Income from (Expense on) Equity Investments

Net income from equity investments increased to 71.633,000 euros, for an improvement of 123,032,000 euros compared with 2010, when the balance was negative by 51,399,000 euros. The table that follows provides a breakdown of this item:

(in thousands of euros)	2011	2010 (*)	Change
Income from equity investments			
Dividends:			
Dividends from subsidiaries and affiliated companies			
- Termica Milazzo	32,238	7,198	25,040
- Edison Stoccaggio	15,000	10,000	5,000
- Ibiritermo	7,587	12,470	(4,883)
- Edison Energie Speciali	7,294	6,800	494
- Terminale GNL Adriatico	3,284	-	3,284
- Hydros	3,200	2,738	462
- Sel Edison	3,116	3,740	(624)
- Gever	2,761	-	2,761
- Termica Cologno	1,812	2,080	(268)
- Dolomiti Edison Energy	1,348	2,695	(1,347)
- AMG Gas	1,136	706	430
- Edison Trading	-	240,000	(240,000)
- Edison Energia	-	10,000	(10,000)
- Jesi Energia	-	8,120	(8,120)
- Other subsidiaries and affiliated companies	1,168	3,272	(2,104)
	79,944	309,819	(229,875)
Revaluation of equity investments	**73,400**	**-**	**73,400**
Dividends from other companies	**252**	**168**	**84**
Revaluation of trading securities	**-**	**62**	**(62)**
Gains on the sale of equity investments	**7,017**	**35**	**6,982**
Total income from equity investments	**160,613**	**310,084**	**(149,471)**
Expense on equity investments			
Writedowns of equity investments			
- Edison International	-	(311,000)	311,000
- Selm Holding	-	(34,000)	34,000
- Edison international Holding	(27,100)	-	(27,100)
- Sarmato Energia	(22,650)	(12,400)	(10,250)
- Termica Milazzo	(18,700)	-	(18,700)
- RCS Mediagroup	(6,520)	-	(6,520)
- Terminale GNL Adriatico	(6,175)	-	(6,175)
- Montedison	(1,730)	(377)	(1,353)
- AMG Gas	(800)	-	(800)
- Nuova Alba	(652)	(697)	45
- Galsi Spa	(400)	(520)	120
- MB Venture	(201)	(1,000)	799
- Other equity investments	(112)	(101)	(11)
Total writedowns of equity investments	**(85,040)**	**(360,095)**	**275,055**
Writedowns of trading securities	**(3,940)**	**(1,388)**	**(2,552)**
Total expense on equity investments	**(88,980)**	**(361,483)**	**272,503**
Income from (Expense on) equity investments, net	**71,633**	**(51,399)**	**123,032**

(*) Edipower's dividend equal to 17,584,000 euros was reclassified to "Profit (Loss) from discontinued operations".

Revaluation of equity investments refers mainly to a revaluation of the investment in the Edison International subsidiary, recognized to align the investment's carrying amount with the subsidiary's shareholders equity, which was higher than in 2010 due to the positive impact of a revised estimate of its hydrocarbon reserves, particularly for the Egyptian fields.

Gains on the sale of equity investments reflects primarily the gains generated by the disposal of a 2.703% interest in Terminale GNL Adriatico and the sale of the investments in CESI, amounting to 5,088,000 euros and 1,186,000 euros, respectively.

Writedowns of equity investments totaling 88,980,000 euros include a charge of 68,450,000 euros recognized to write down the carrying amounts of the investments in some subsidiaries consistent with the outcome of the impairment test performed on their assets. Also please note that:

- The writedown of the investment in Terminale GNL Adriatico was recognized to adjust its carrying amount to its fair value. The valuation of the investment in this company was carried out taking into account both the duration of the current regasification contract and future reductions in its shareholders' equity resulting from distributions of capital and/or reserves to Edison Spa and other shareholders. The amount determined by this approach is dement to approximate fair value, as a valuation based on market criteria is not practicable due to the unique nature of the regasification terminal and the contract terms of the regasification service received by Edison Spa.
- The writedown of the investment in RCS Mediagroup was recognized to adjust its carrying amount to its stock market price.

9. Other Income (Expense), Net

Net other expense totaled 13,134,000 euros in 2011, as against net other income of 43,826,000 euros the previous year.

The balance in this account is the net result of nonrecurring items that are not directly related to the Group's industrial or financial operations, including:

- **Income** of 1,512,000 euros resulting mainly from the end of a risk for which provisions for risks and charges had been recognized in previous years;
- **Expense** of 14,646,000 euros arising mainly from settlements concluded during the year, additions to provisions for tax risks and costs mainly for extraordinary transactions executed in previous years.

10. Income Taxes

A breakdown of income taxes is provided below:

(in thousands of euros)	2011	2010	Change
Current taxes	(24,417)	41,214	(65,631)
Net deferred-tax liabilities (assets)	(94,584)	(52,732)	(41,852)
Income taxes attributable to previous years	(6,684)	(6,490)	(194)
Total	**(125,685)**	**(18,008)**	**(107,677)**

Current taxes include a benefit of 26,167,000 euros resulting from the use of the tax losses contributed by the companies included in the national consolidate corporate income tax(IRES) return filed by the controlling company Transalpina di Energia Srl, and an expense of 1,750,000 euros for regional taxes (IRAP).

Net deferred-tax liabilities (assets) include the recognition of a tax asset on the portion of the tax loss for the period for the IRES surcharge (the so-called Robin Hood tax) amounting to 6,882,000 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 87,308,000 euros.

Income taxes attributable to previous years represent a benefit of 6,684,000 euros arising from tax incentives provided under the *Tremonti-ter* law that could not be recognized the previous year.

The table below shows, in relative terms, the composition of the tax rate for 2011 (the permanent differences include the tax effect of the writedown of goodwill and the sale of the Taranto power plants) and provides a comparison with the previous year:

(in thousands of euros)	2011		2010	
Result before taxes (*)	**(497,563)**		**(81,601)**	
Theoretical income taxes	**(189,074)**	**38.0%**	**(27,744)**	**34.0%**
Non-taxable dividends	(29,016)	5,8%	(100,009)	n.a.
Writedowns (Revaluations) of equity investments	5,920	(1.2%)	122,905	n.a.
Permanent differences	85,206	(17.1%)	(5,952)	7.3%
Income taxes applicable to previous years and other differences	(6,684)	1.3%	(6,089)	7,5%
Tremonti - ter incentives	-	-	(4,398)	5.4%
IRAP	1,750	(0.4%)	10,300	(12.6%)
Deferred taxes	6,213	(1.2%)	(7,020)	8.6%
Total income taxes in the income statement	**(125,685)**	**25.3%**	**(18,008)**	**22.1%**

(*) Does not include the components attributable to the discontinued operations.

The table that follows provides a breakdown of **deferred-tax liabilities and deferred-tax assets** and shows the changes that occurred in 2011:

(in thousands of euros)	12.31.2010	Additions	Utilizations	Riclassif./Other changes	12.31.2011
Provision for deferred taxes:					
Valuation differences of property, plant and equipment	236,382	7,139	(86,618)	997	157,900
Adoption of IAS 17 to value finance leases	27,662	68	(690)	-	27,040
Adoption of IAS 39 to value financial instruments:					
- impact on the income statement	-	-	-	-	-
- impact on shareholders' equity	50,220	-	(50,220)	-	-
Other deferred taxes	32	243	-	-	275
	314,296	**7,450**	**(137,528)**	**997**	**185,215**
Offsets	(34,735)	(24,661)	5,413	-	(53,983)
Provision for deferred taxes net of offsets	**279,561**	**(17,211)**	**(132,115)**	**997**	**131,232**
Deferred-tax assets:					
Tax assets from tax losses	-	6.882	-	-	6,882
Taxed reserves for risks	31,695	12,470	(2,471)	-	41,694
Adoption of IAS 39 to value financial instruments:					
- impact on the income statement	332	-	(234)	-	98
- impact on shareholders' equity	-	3,587	-	-	3,587
Other deferred-tax assets	2,708	1,722	(2,708)	-	1,722
	34,735	**24,661**	**(5,413)**	**-**	**53,983**
Offsets	(34,735)	(24,661)	5,413	-	(53,983)
Deferred-tax assets net of offsets	**-**	**-**	**-**	**-**	**-**

11. Profit (Loss) from Discontinued Operations

The loss of 523,671,000 euros includes the following items:

- loss of 510,044,000 euros for the effect of the sale of Edipower;
- a charge of 7,945,000 euros for the disallowance of certain rate benefits for a thermoelectric power plant divested in 2008;
- a charge of 5,682,000 euros for the net writedown of some thermoelectric power plants recognized to align their carrying amount to their realizable value, consistent with contractual stipulations.

A more detailed analysis of these transaction is provided later in these Notes in the section entitled "Disclosure Required by IFRS 5."

NOTES TO THE BALANCE SHEET

Assets

12. Property, Plant and Equipment

Property, plant and equipment, which consist of the Company's production assets, totaled 3,095,671,000 euros, or 173,431,000 euros less than the 3,269,102,000 euros reported at December 31, 2010, as depreciation expense and asset writedowns exceeded additions for the year. The table below shows the main changes that occurred in 2011:

(inthousands 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)	**455,061**	**2,676,951**	**2,935**	**4,188**	**129,967**	**3,269,102**
Changes in 2011:						
- Additions	1,013	140,818	269	985	31,155	174,240
- Disposals (-)	(2,592)	(8,773)	(5)	(3)	(18)	(11,391)
- Depreciation (-)	(18,524)	(265,304)	(988)	(1,233)	-	(286,049)
- Writedowns (-)	(15,884)	(82,499)	(44)	(25)	(265)	(98,717)
- Revision of decommissioning costs	-	12,385	-	-	-	12,385
- Reclassification to assets held for sale	4,227	32,216	158	18	(549)	36,070
- altri movimenti	355	65,833	4	561	(66,722)	31
Total changes (B)	**(31,405)**	**(105,324)**	**(606)**	**303**	**(36,399)**	**(173,431)**
Balance at 12.31.11 (A+B)	**423,656**	**2,571,627**	**2,329**	**4,491**	**93,568**	**3,095,671**
Breakdown:						
- Historical cost	547,166	4,447,632	9,349	12,294	93,833	5,110,274
- Writedowns (-)	(17,919)	(204,150)	(50)	(26)	(265)	(222,410)
- Accumulated depreciation (-)	(105,591)	(1,671,855)	(6,970)	(7,777)	-	(1,792,193)
Net carrying amount	**423,656**	**2,571,627**	**2,329**	**4,491**	**93,568**	**3,095,671**

The total value of these assets reflects **construction in progress and advances** amounting to 93,568,000 euro, which are attributable almost entirely to the **hydrocarbons operation** and include about 77,094,000 euros for the development of some gas fields in Italy and about 4,855,000 euros in expenses for the replacement of a ship.

Other noteworthy additions include completion of the repowering of the Bussi thermoelectric power plant and of some hydroelectric production facilities.

The main changes that occurred in 2011 are reviewed below:

- **Additions** of 174,240,000 euros include the following:
  - 59,608,000 euros for the **electric power operations,** mainly to repower some units of hydroelectric and thermoelectric power plants;
  - 112,562,000 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 286,049,000 euros, or 37,180,000 euros less than at December 31, 2010, as explained in more detail in the note to the corresponding income statement item.
- **Writedowns,** amounting to 98,717,000 euros, refer to some merchant, CIP6/92 and captive thermoelectric power plants, due to the results of the impairment test, and include 8,913,000 euros recognized to align the carrying amount of some plots of land located at former industrial sites to their estimated realizable value. For more detailed information please see the note to the income

statement entitled “Depreciation, Amortization and Writedowns” and the disclosure provided later in these Notes entitled “Impairment Test in accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles” (Note 16).

- **Revision of decommissioning costs** reflects mainly a revision of estimated remediation costs for the sites of some thermoelectric power plants.

The net carrying amount of **property, plant and equipment** also includes:

- **Assets transferable without consideration** valued at 80,483,000 euros (105,081,000 euros at December 31, 2010), attributable mainly to Edison’s hydroelectric operations, which hold directly 24 concessions. A breakdown is as follows:

Assets transferable without consideration (in thousands of euros)	Historical cost	Depreciation and writedowns	**Net carrying amount at 12.31.11**	Net carrying amount at 12.31.10
Buildings and other assets	12,098	(9,751)	2,347	5,833
Plant and machinery	291,162	(213,026)	78,136	99,248
Total	**303,260**	**(222,777)**	**80,483**	**105,081**

- **Assets acquired under finance leases**, which at December 31, 2011 referred to the Leonis ship put into service at the Vega field, were recognized in accordance with the IAS 17 (revised) method.

Assets acquired under finance leases (in thousands of euros)	Historical cost	Depreciation and writedowns	**Net carrying amount at 12.31.11**	Net carrying amount at 12.31.10
Plant and machinery	34,224	(3,715)	30,509	32,234
Total	**34,224**	**(3,715)**	**30,509**	**32,234**

The remaining financial debt is shown under “Long-term financial debt and other financial liabilities” for 23,482,000 euros and “Current financial debt” for 2,544,000 euros.

13. Investment Property

The Group’s investment property, valued at 1,282,000 euros, consists of land and buildings that are not used for production purposes. A breakdown of the changes that occurred in this account is provided below:

(in thousands of euros)	
Balance at 12.31.2010 (A)	**1,319**
Changes in 2011:	
- Depreciation (-)	(37)
Total changes (B)	**(37)**
Balance at 12.31.2011 (A+B)	**1,282**
Breakdown:	
- Historical cost	1,643
- Accumulated depreciation (-)	(361)
- Writedowns (-)	-
Net carrying amount at 12.31.2011	**1,282**

14. Goodwill

Goodwill totaled 2,407,570,000 euros. The decrease of 159,750,000 euros is due to an impairment loss that reflects primarily the current and prospective reduction of market margins. For more detailed analysis please see the disclosure provided later in these Notes entitled “Impairment Test in accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles” (Note 16).

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.

15. Hydrocarbon Concessions

Concessions for the production of hydrocarbons include 47 hydrocarbon production leases in Italy. The decrease of 18,149,000 euros compared with December 31, 2010 is the result of the amortization for the period. The table below shows the balance in this account and the changes that occurred in 2011:

(in thousands of euros)	
Balance at 12.31.2010 (A)	**175,678**
Changes in 2011:	
- Amortization (-)	(18,149)
Total changes (B)	**(18,149)**
Balance at 12.31.2011 (A+B)	**157,529**
Breakdown:	
- Historical cost	329,566
- Accumulated amortization (-)	(171,948)
- Writedowns (-)	(89)
Net carrying amount	**157,529**

Disclosure About the Concessions Held by Edison Spa

The table below shows a breakdown of the concessions held by Edison. As explained earlier in these Notes, the corresponding carrying amounts are included under "Intangibles" and "Hydrocarbon concessions."

	Number	Remaining life	
		from	to
Hydroelectric concessions	24	1	18
Hydrocarbon concessions	47	unit of production (*)	

(*) The amortization and the remaining life of mineral deposits is computed as a ratio of the quantity extracted to the available reserves.

16. Other Intangible Assets

The balance of 16,405,000 euros, down by 6,972,000 euros compared with December 31, 2010 (23,377,000 euros), includes the following:

- 12,074,000 euros for patents, licenses and similar rights consisting mainly of software licenses;
- 4,256,000 euros for CO_2 emissions rights held in excess of the Company's overall requirements; these rights were measured at fair value, which required writing down their carrying amount by 1,013,000 euros;
- 75,000 euros for work in progress.

The table that follows shows the changes that occurred in 2011:

(in thousands of euros)	
Balance at 12.31.10 (A)	**23,377**
Changes in 2011:	
- Additions	2,630
- Amortization	(8,512)
- Disposals	(95)
- Writedowns	(1,013)
- Other changes	18
Total changes (B)	**(6,972)**
Balance at 12.31.11 (A+B)	**16,405**
Breakdown:	
- Historical cost	111,347
- Accumulated amortization (-)	(93,112)
- Writedowns (-)	(1,830)
Net carrying amount at 12.31.11	**16,405**

With the Don Giovanni in Città project, Edison and the City of Milan brought this opera to the people of Milan; in one of the project's initiatives, the Milanese could listed to arias from Mozart's opera using clean energy they produced by pedaling on a system of bicycle-powered generators.

Impairment Test in Accordance with IAS 36 Applied to the Value of Goodwill, Property, Plant and Equipment and Other Intangibles

The impairment test performed in accordance with IAS 36 on the separate financial statements of Edison Spa, the Group's Parent Company, required the recognition of writedowns totaling 277,554,000 euros, broken down as follows:

- 159,750,000 euros for goodwill, due to the current and prospective reduction of market margins;
- 89,804,000 euros for some merchant, captive and CIP6/92 thermoelectric power plants, due to following impairment indicators: a projected reduction in volumes and unit margins, attributable in part to the scenario effect, and the early termination of some CIP 6/92 contracts;
- 28,000,000 euros for thermoelectric production facilities written down in 2011 and divested later in the year.

Specifically with regard to the value of **goodwill,** because it is an intangible asset with an indefinite useful life, pursuant to IAS 36, it cannot be amortized in regular installments, but its value must be tested for impairment at least once a year. Since goodwill does not generate cash flows independently and cannot be sold separately from the assets to which it is allocated, IAS 36 requires a test of the value that can be recovered on a residual basis. This is accomplished by determining the cash flows generated by the complex of assets that constitute the business or businesses to which goodwill is allocated: the cash generating units (CGUs).

Consistent with past practice, the test was carried out by an independent appraiser based on the cash flows used in the 2012 Budget approved by the Board of Directors on December 2, 2011 and on medium/long-term projections developed by management contained in the document entitled "2012-2019 Company Plan" presented to the Board of Directors, which takes into account the new scope of the Group's activities, following the future divestment of Edipower. These documents reflect the best estimates of top management with regard to the main assumptions regarding the Company's operating activities (macroeconomic and price trends, working hypothesis for operational assets and business development). These assumptions and the corresponding financials were deemed to be suitable for impairment test purposes by the Board of Directors.

With regard to this, please note that IAS 36 defines the recoverable value of an asset or a cash-generating unit as the higher of its fair value, less cost to sell, and its value in use.

In 2011, consistent with past practice, the recoverable value pursuant to IAS 36 was estimated based on value in use, which is the present value of the future cash flows that the Company expects to receive from a given asset. For Edipower, its presumed disposal value was used.

It is important to note that the market price of the Edison shares was found be an unreliable reference

parameter of recoverable value, due to the limited share float and market conditions characterized by a prolonged bearish phase and a significant liquidity crisis, and because IAS 36 defines recoverable value as the higher of an asset's fair value and its value in use. In the same fashion, Edison's per share value was not deemed to be an impairment indicator in connection with the Group's corporate and industrial restructuring transactions.

For the purpose of estimating value in use, the independent appraiser verified the assumptions contained in the abovementioned documents and in analyses and simulations developed in support of the "2012-2019 Company Plan," which he verified against various external sources.

In addition, the independent appraiser reviewed previous plans prepared by the Company's top management and analyzed variances shown by actual data.

The recoverable value (understood as value in use) was determined based on a plan's explicit projection horizon of five years, which is shorter than the time horizon projected in the plan, considering cash flows net of future developments (so-called inertial plan), due to the unpredictability of the scenario in general and the change in governance in particular.

Consistent with the cash flows described above, the discount rates applied were estimated by determining the weighted average cost of capital. Starting in 2014, consistent with current legislation concerning the Robin Hood Tax, the discount rates were restated without the impact of the corporate income tax surcharge, amounting to 4% in 2012 and 2013. The impact of the income tax surcharge was completely eliminated starting in 2020.

In constructing the discount rate, the effect of an increased country risk was mitigated by the different structure of borrowing costs resulting from the corporate restructuring process.

The recoverable value was estimated using the financial method. It was obtained using simulations for different variables (the most significant and sensitive to the value being the margins generated by the production and sales activities, discount rates, discount rates, discount rate parameters, margins on long-term gas contracts, growth rates and non-discretional investments required to keep the Company operating at a normal level) and applying statistical simulation techniques (Montecarlo method). The effects of different timeframes for the renegotiation processes currently under way in the hydrocarbons area were also taken into account.

Lastly, it is worth mentioning that, in the case of goodwill, the impairment test was based on management's best estimates, taking into account different key assumptions (WACC, margins, hydrocarbon reserves, etc.) and market scenarios. Those assumptions and scenarios could change in the future, particularly in a context that, as is currently the case, is characterized by high volatility, with a resulting impact on recoverable value.

In order to determine if the value of its **property, plant and equipment and intangibles** had been impaired, Edison tested the components of property, plant and equipment and intangibles held by the Company's core businesses that could be identified as cash generating units. These assets are used mainly for the production of electric power.
The composition of the CGUs to which property, plant and equipment and intangibles are allocated takes into account the current makeup of the Group's markets and businesses and is consistent with its management reporting systems (CIP 6/92 Thermoelectric, Captive Thermoelectric, Merchant Thermoelectric, Gas Italy), while the flows generated by market sales of electric power and natural gas reflect the total quantity of commodities traded.
As was the case for the goodwill impairment test, the analysis was carried out by identifying the recoverable value (understood as value in use) of the CGUs, based on the economic-financial plans for each CGU and on a time horizon equal to the useful lives of its assets: the cash flows used until 2019 were those obtained from the abovementioned planning documents.
The financial flows used in connection with the abovementioned economic-financial plans were indicative of specific production profiles and prices and took into account such items as decommissioning costs and residual values, when identifiable. As was done when testing goodwill for impairment, the recoverable value was estimated by applying the financial method, used in combination with the Montecarlo simulation technique (specifically for the purpose of determining the recoverable value interval).
The pretax cash flows used for each CGU were discounted using rates that were consistent with those applied when testing goodwill.
Writedowns of property, plant and equipment recognized in addition to those listed above include 8,913,000 euros to align the carrying amount of some plots of land to their estimated realizable value.

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

The balance of 1,471,492,000 euros includes the following:

- **Investments in associates** of 1,273,751,000 euros, consisting of investments in subsidiaries totaling 1,205,340,000 euros and investments in joint ventures and affiliated companies amounting to 68,411,000 euros;
- **Available-for-sale investments** valued at 197,741,000 euros, which include 187,520,000 euros for a 7.297% equity interest in Terminale GNL, which is the company that owns the offshore regasification terminal near Porto Viro (RO).

The table that follows shows the main changes that occurred in 2011:

(in thousands of euros)	Equity investments (*)	Available-for-sale investments	Total
Balance at 12.31.10 (A) (*)	**1,242,166**	**292,063**	**1,534,229**
Changes in 2011:			
- Additions	3,385	-	3,385
- Divestments	(818)	(73,989)	(74,807)
- Changes in share capital and reserves	26,570	(11,210)	15,360
- Coverage of losses	990	-	990
- Revaluations (Writedowns) recog. in P&L (-)	13,556	(12,896)	660
- Other changes (-)	(12,098)	3,773	(8,325)
Total changes (B)	**31,585**	**(94,322)**	**(62,737)**
Balance at 12.31.11 (A+B)	**1,273,751**	**197,741**	**1,471,492**
Breakdown:			
- Historical cost	1,715,266	233,496	1,948,762
- Writedowns (-)	(441,515)	(35,755)	(477,270)
Net carrying amount	**1,273,751**	**197,741**	**1,471,492**

(*) The opening balance does not include the equity investment in Edipower Spa, amounting to 1,066,368,000 euros, reclassified for comparison purposes to "Assets held for sale" in the financial statements at December 31, 2010.

The main changes are reviewed below:

- **Divestments** reflects primarily the sale of an interest in Terminale GNL Adriatico Srl. Specifically, in 2011, Edison Spa exercised its tag along option, selling a 2.703% interest for a price of 73,101,000 euros and earning a gain of 5,088,000 euros.
- **Changes in share capital and reserves** refers mainly to a capital increase of 26,550,000 euros carried out by the Edison International Holding subsidiary and to distributions of reserves by Terminale GNL Adriatico.
- **Writedowns recognized in profit or loss** reflects adjustments made to the carrying values of some equity investments described in the note to "Income from (Expense on) Equity Investments."
- **Other changes** includes the liquidation of Selm Holding International 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 6,951,000 euros represents loans receivable due in more than one year. A loan owed by the Gever subsidiary accounts for entire 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 totaled 32,592,000 euros, or 65,798,000 euros less than at December 31, 2010 (98,390,000 euros). They include the following:

- 25,456,000 euros (91,425,000 euros at the end of 2010) for advances paid under long-term natural gas procurement contracts, corresponding to natural gas volumes that Edison was required to pay for, even though it was unable to take delivery (take-or-pay clause). The Company expects to make up the undelivered volumes over the remaining lives of the contracts. It is worth mentioning that the decrease compared with the previous year reflects deliveries of natural gas received following to the exercise of the make-up capacity option in connection with take-or-pay clauses of contracts for the supply of natural gas from Russia and Libya.
- 4,570,000 euros (4,522,000 euros at the end of 2010) for tax refunds receivable and accrued interest at December 31, 2011.
- 2,560,000 euros (2,436,000 euros at the end of 2010) for security deposits.

21. Current Assets

(in thousands of euros)	12.31.2011	12.31.2010	Change
Inventories	158,783	212,576	(53,793)
Trade receivables	1,526,850	1,243,314	283,536
Current-tax assets	18,317	18,562	(245)
Other receivables	501,544	369,123	132,421
Current financial assets	2,852,641	2,070,700	781,941
Cash and cash equivalents	198,444	285,398	(86,954)
Total current assets	**5,256,579**	**4,199,673**	**1,056,906**

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

- **Inventories,** which decreased to 158,783,000 euro due to a reduction in the inventory of stored natural gas, consist mainly of stored hydrocarbon products (142,688,000 euros) and supplies and equipment used to maintain and operate the Company's production facilities (15,921,000 euros).
- **Trade receivables** totaled 1,526,850,000 euros. They stem mainly from contracts to supply electric

power and steam, contracts to supply natural gas and sales of natural gas. They also reflect the fair value of physical energy commodity contracts held in the Trading Portfolio. A breakdown by business segment is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Electric power operations	535,052	592,362	(57,310)
Hydrocarbons operations	991,196	650,952	340,244
Corporate activities	602	-	602
Total trade receivables	**1,526,850**	**1,243,314**	**283,536**
Broken down as follows:			
- amount owed by outside customers	*867,980*	*599,154*	*268,826*
- amount owed by subsidiaries and affiliated companies	*658,870*	*644,160*	*14,710*
Total trade receivables	**1,526,850**	**1,243,314**	**283,536**

Please note that the amount shown for the **hydrocarbons operations** includes receivables resulting from the exercise at the end of the year of the make-up capacity option in connection with contracts for the supply of natural gas from Russia and Libya.

A breakdown of trade receivables owed by subsidiaries and affiliated companies is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Subsidiaries			
Edison Trading	464,659	456,395	8,264
Edison Energia	166,391	133,541	32,850
Sarmato Energia	9,321	5,604	3,717
AMG Gas	7,143	5,287	1,856
Termica Milazzo	6,294	16,254	(9,960)
Termica Cologno	2,909	4,133	(1,224)
Edison International	654	2,845	(2,191)
Montedison Srl	354	354	-
Jesi Energia	209	17,823	(17,614)
Dolomiti Edison Energy	-	590	(590)
Other companies	117	110	7
Total subsidiaries (A)	**658,051**	**642,936**	**15,115**
Joint ventures and affiliated companies			
Edipower	449	111	338
GTI Dakar	-	703	(703)
Sel Edison	370	410	(40)
Total joint ventures and affiliated companies (B)	**819**	**1,224**	**(405)**
Total (A+B)	**658,870**	**644,160**	**14,710**

Trade receivables are shown net of an allowance for doubtful accounts. The table below shows the changes that occurred in this allowance in 2011:

(in thousands of euros)	Balance at 12.31.2010	Utilizations	Additions	Balance at 12.31.2011
Electric power operations	13,709	(3,698)	73	10,084
Hydrocarbons operations	14,135	(5,269)	1,649	10,515
Corporate activities	8,582	(53)	-	8,529
Total allowance for doubtful accounts	**36,426**	**(9,020)**	**1,722**	**29,128**

In 2011, as was the case the previous year, the Company executed transactions that involved the assignment of receivables without recourse both on a monthly and quarterly revolving basis and a spot basis, in accordance with a policy that allows the use of such transactions to control and minimize credit risks. The total value of the receivables assigned in 2011 amounted to 2,109 million euros (1,585 million euros at December 31, 2010), including 1,911 million euros assigned on a revolving basis and 198 million euros assigned on a spot basis. The residual risk of recourse associated with receivables amounted to about 8 million euros.

- **Current-tax assets,** which totaled 18,317,000 euros, include receivables for 2010 overpayments of corporate income taxes (IRES) and regional taxes (IRAP) amounting to 12,090,000 euros and 6,227,000 euros, respectively.

- **Other receivables,** which increased to 501,544,000 euros, or 132,421,000 euros more than at December 31, 2010, are shown net of an allowance for doubtful accounts of 15,978,000 euros. A breakdown of this account is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Valuation of derivatives	101,461	164,531	(63,070)
Provision of technical, admin. and financial services to Group companies	63,097	52,183	10,914
Amounts owed by the tax administration	61,292	6,255	55,037
Amounts owed by partners and assoc. in hydrocarbon exploration projects	51,053	23,911	27,142
Transalpina di Energia for the consolidated income tax return	72,645	38,085	34,560
Receivables for advances on take-or-pay contracts	42,054	-	42,054
Prepaid insurance premiums	11,060	15,884	(4,824)
Advances paid to suppliers	6,738	4,470	2,268
Prepaid contributions to pension funds	6,121	7,103	(982)
Dividends receivable from subsidiaries	1,891	1,891	-
Prepaid hydroelectric concession fees	1,100	1,206	(106)
Amounts owed by local governments	1,003	11,284	(10,281)
Sundry items	82,029	42,320	39,709
Total	**501,544**	**369,123**	**132,421**
Broken down as follows:			
- amount owed by outsiders	*393,212*	*286,934*	*106,278*
- amount owed by subsidiaries and affiliated companies	*108,332*	*82,189*	*26,143*
Total	**501,544**	**369,123**	**132,421**
amount of allowance for doubtful accounts	**(15,978)**	**(16,501)**	**523**

Receivables owed by the other Group companies refer mainly to receivables arising from the provision of centralized services, including 21,057,000 euros owed by Sarmato Energia, 15,517,000 euros owed by Termica Milazzo, 14,892, 000 owed by Edison Energia, 8,705,000 owed by Edison Trading and 3,431,000 by Edison Energie Speciali.
Other receivables includes 42,054,000 euros for advances on take-or-pay contracts for the supply of natural gas from Norway, the recovery of which will be completed in the first quarter of 2012.

- **Current financial assets** totaled 2,852,641,000 euros, up from the balance at December 31, 2010. A breakdown is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Equity investments held for trading	3,759	7,699	(3,940)
Loans receivable	2,795,904	2,036,973	758,931
Derivatives	52,978	26,028	26,950
Total current financial assets	**2,852,641**	**2,070,700**	**781,941**

Equity Investments Held for Trading

This account includes investments in the following publicly traded companies: ACEGAS APS Spa (2,334,000 euros), ACSM Spa (969,000 euros) and AMCS American Superconductor Corp. (456,000 euros). The carrying values of these investments were marked to market at the end of 2011.

Loans Receivable

Loans receivable reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intercompany current accounts, a list of which is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Subsidiaries			
Edison International	1,204,905	1.080,402	124,503
Edison Energia	364,740	313,822	50,918
Edison Energie Speciali	309,398	284,980	24,418
Edison Stoccaggio	296,835	260,734	36,101
Edison DG	27,556	34,373	(6,817)
Hydros	14,001	20,000	(5,999)
Compagnia Energetica Bellunese	10,931	9,775	1,156
Eneco Energia	-	8,404	(8,404)
Montedison	6,548	5,045	1,503
Sistemi di Energia	1,303	1,502	(199)
Parco Eolico San Francesco	-	533	(533)
Edison International Holding	-	457	(457)
Edison Idrocarburi Sicilia	-	6	(6)
Subtotal (A)	**2,236,217**	**2,020,033**	**216,184**
Joint ventures and affiliated companies			
Edipower	550,090	-	550,090
Ibiritermo	9,597	10,676	(1,079)
Elite	-	6,120	(6,120)
Parco Eolico Castelnuovo	-	144	(144)
Subtotal (B)	**559,687**	**16,940**	**542,747**
Total (A+B)	**2,795,904**	**2,036,973**	**758,931**

Derivatives instruments

This item refers in its entirety to the measurement at fair value of derivatives hedging interest rate and foreign exchange risks that were outstanding at December 31, 2011.

A comprehensive description of the impact of derivatives is provided in a separate disclosure included in the "Financial Risk Management" section of this Report.

- **Cash and cash equivalents,** which totaled 198,444,000 euros, consist of short-term deposits in bank and postal accounts and other readily available assets.

22 Assets Held for Sale

This item totaled 600,000,000 euros and refers to the interest held in Edipower. The decrease of 740,630,000 euros compared with the restated 2010 balance includes:

- 466,368,000 euros for the writedown of the equity investment in Edipower, recognized to adjust its carrying amount (amounting to 1,066,368,000 euros at the end of 2010) to the sale price stipulated by its shareholders;
- 209,262,0000 euros for the sale of the Taranto power plants;
- 65,000,000 euros for the writedown of goodwill directly attributable to Edipower's assets.

More detailed information is provided in the section of these Notes entitled "Disclosure Required by IFRS 5."

Liabilities and Shareholders' Equity

23. Shareholders' Equity

Edison's shareholders' equity amounted to 5,882,673,000 euros, for a decrease of 981,517,000 euros compared with December 31, 2010. This reduction reflects primarily the net loss of the year, amounting to 895,549,000 euros, and a negative change of 89,741,000 euros in the Reserve for cash flow hedge transactions.

The main component of **Other reserves** is a reserve of 467,109,000 euros established in connection with the adjustment to fair value as the deemed cost of property, plant and equipment upon transition to the IFRSs.

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

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

The table below shows the change that occurred in the Reserve for cash flow hedge transactions related to the adoption of IAS 39 to value derivatives, which refers to the suspension in equity of the fair value of derivatives executed to hedge price and foreign exchange risks related to energy commodities and interest risks.

Reserve for cash flow hedge transactions

(in thousands of euros)	Gross reserve	Dererred taxes	Net reserve
Reserve at December 31, 2010	132,508	(50,221)	82,287
- Change in 2011	(143,549)	53,808	(89,741)
Reserve at December 31, 2011	**(11,041)**	**3,587**	**(7,454)**

The following changes occurred in the Reserve for available-for-sale investments, (IAS 32), the entire amount of which is attributable to RCS Mediagroup Spa:

Reserve for available-for-sale investments

(in thousands of euros)	Gross reserve	Dererred taxes	Net reserve
Reserve at December 31, 2010	(3,773)	-	(3,773)
- Change in 2011	3,773	-	3,773
Reserve at December 31, 2011	**-**	**-**	**-**

24. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 25,480,000 euros, practically unchanged compared with December 31, 2010, reflect the accrued severance indemnities and other benefits owed to employees at December 31, 2011. A valuation in accordance with the 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 economic and financial parameters used for valuation purposes are listed below:

- Technical annual discount rate	4.35%
- Annual inflation rate	2.00%

The table below shows the changes that occurred in 2011:

(in thousands of euros)	
Balance at 12.31.2010 (A)	**26,743**
Changes in 2011:	
- Utilizations (-)	(2,344)
- Actuarial (gains) losses (+/-)	(106)
- Financial expense (+)	1,171
- Other changes	16
Total changes (B)	**(1,263)**
Balance at 12.31.2011 (A+B)	**25,480**

25. Provision for Deferred Taxes

The balance of 131,232,000 euros (279,561,000 euros at December 31, 2010), reflects mainly the deferred-tax liability from the use during transition to the IFRSs 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 thousands of euros)	12.31.2011	12.31.2010	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	157,900	236,382	(78,482)
- Adoption of standard on finance leases (IAS 17)	27,040	27,662	(622)
- Adoption of standard on financial instruments (IAS 39) with impact on:			
- the income statement	-	-	-
- shareholders' equity	-	50,220	(50,220)
- Other deferred taxes	275	32	243
Total deferred-tax liabilities (A)	**185,215**	**314,296**	**(129,081)**
Deferred-tax assets usable for offset purposes:			
- Tax assets for tax losses	6,882		6,882
- Taxed provisions for risks	41,694	31,695	9,999
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	98	332	(234)
- shareholders' equity	3,587	-	3,587
- Other prepaid taxes	1,722	2,708	(986)
Total deferred-tax assets (B)	**53,983**	**34,735**	**19,248**
Total provision for deferred taxes (A-B)	**131,232**	**279,561**	**(148,329)**

Insofar as the recognition of deferred-tax assets is concerned, they were valued in accordance with realistic assumptions that they would be realized and the tax benefits would be recovered within the limited time horizon covered by the Company's industrial plans.

26. Provisions for Risks and Charges

The provisions for risks and charges, which were established to cover contingent liabilities, increased to 711,536,000 euros, or 80,790,000 euros more than at December 31, 2010 (630,746,000 euros), as a result of the changes listed in the table that follows:

(in thousands of euros)	12.31.2010	Additions	Utilizations	Other changes and reclassification	12.312011
- Disputed tax items	55,576	7,381	(2,304)	-	60,653
- Risks for disputes, litigation and contracts	138,096	3,583	(9,338)	-	132,341
- Changes for contractual guarantees on the sale of equity investments	58,657	21,667	-	-	80,324
- Provisions for decommissioning and remediation of industrial sites	305,607	19,319	(4,079)	12,385	333,232
- Environmental risks	37,924	903	(7,567)	-	31,260
- Risks on equity investments	-	12,294	-	-	12,294
- Provision for CO_2 emissions rights and Green Certificates	1,038	6,000	(1,038)	10,504	16,504
- Other risks and charges	33,848	15,602	(5,169)	647	44,928
Total	**630,746**	**86,749**	**(29,495)**	**23,536**	**711,536**

The main changes that occurred in 2011 are reviewed below:

- **Additions** totaling 86,749,000 euros refer mainly to financial expense on decommissioning provisions (14,058,000 euros), statutory and tax interest accrued on existing provisions (5,248,000 euros) and, lastly, additions to provisions for environmental, legal and tax related risks (55,149,000 euros). The risks on equity investments, amounting to 12,294,000 euros, refer to a charge recognized to align the investment's carrying amount with the negative shareholder's equity of the Sarmato Energia subsidiary, following an impairment test of this subsidiary's assets.
- **Utilizations** of 29,495,000 euros refer primarily to charges for contractual and tax disputes (11,635,000 euros), green certificates (1,038,000 euros) and other risks (16,822,000 euros).
- **Other changes and reclassifications** reflect mainly an increase in decommissioning costs (12,385,000 euros), 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 Consolidated Financial Statements entitled "Status of the Main Legal and Tax Disputes Pending at December 31, 2011."

27. Bonds

The balance of 1,793,438,000 euros represents the non-current portion of bonds issues, valued at amortized cost. The changes that occurred in 2011 are reviewed in the "Net Financial Debt" section of these Notes.

The table below shows the balance outstanding at December 31, 2011 and indicates the fair value of each bond issue:

(in thousands 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:									
Luxembourg Secur. Exch.	EUR	700,000	Annual in arrears	4.250%	07.22.2014	698,452	32,565	731,017	684,054
Luxembourg Secur. Exch.	EUR	500,000	Annual in arrears	3.250%	03.17.2015	498,444	19,257	517,701	482,294
Luxembourg Secur. Exch.	EUR	600,000	Annual in arrears	3.875%	11.10.2017	596,542	19,087	615,629	539,773
Total		**1,800,000**				**1,793,438**	**70,909**	**1,864,347**	**1,706,121**

The valuation at amortized cost of the bond issues, a portion of which was hedged with derivatives against the risk of changes in fair value caused by the interest rate 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 the balance of 1,185,608,000 euros is as follows:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Due to banks	1,162,126	820,816	341,310
Due to other lenders	23,482	26,674	(3,192)
Total	**1,185,608**	**847,490**	**338,118**

The amount due to other lenders refers to a finance lease for the Leonis ship used in connection with the Vega field.

29. Other Liabilities

The balance of 23,176,000 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 833,000 euros reflects a revision of the sales price.

30. Current Liabilities

Current liabilities totaled 3,292,928,000 euros. A breakdown is as follows:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Bonds	70,909	527,677	(456,768)
Short-term financial debt	1,871,519	859.124	1,012,395
Trade payables	973,656	1,181,924	(208,268)
Current taxes payable	-	-	-
Other liabilities	376,844	181,657	195,187
Total current liabilities	**3,292,928**	**2,750,382**	**542,546**

The main current liability accounts are reviewed below:

- **Bonds,** amounting to 70,909,000 euros, include the total accrued interest at December 31, 2011. A bond issue maturing on July 19, 2011 (500 million euros in face value) was repaid on schedule using a new credit line provided to Edison in June 2011 on a club-deal basis.
- The table below provides a breakdown of **short-term financial debt,** which totaled 1,871,519,000 euros and shows the changes that occurred in 2011:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Due to subsidiaries and affiliated companies	893,346	641,459	251,887
Due to factoring companies	164,911	165,067	(156)
Due to banks	800,822	27,485	773,337
Interest rate and foreign exchange derivatives	9,610	22,667	(13,057)
Finance leases	2,544	2,416	128
Sundry liabilities	286	30	256
Total current liabilities	**1,871,519**	**859,124**	**1,012,395**

In June 2011, Edison signed a loan agreement with a pool of banks (Banca IMI agent bank) for a new club-deal facility with a face amount of 700 million euros maturing in December 2012. At December 31, 2011, the entire amount had been drawn down.

The table below shows the amounts owed to subsidiaries and affiliated companies:

(in thousands of euros)	12.31.2011	12.31.2010	Change
EdisonTrading	756,144	446,950	309,194
Jesi Energia	50,184	88,584	(38,400)
Edison International Holding	22,726	-	22,726
Euroil Exploration	11,748	11,438	310
Poggio Mondello	10,881	10,884	(3)
Sarmato Energia	8,137	-	8,137
Termica Milazzo	7,979	58,899	(50,920)
Termica Cologno	6,667	12,276	(5,609)
Nuova Alba	5,196	5,710	(514)
Nuova Cisa	4,487	4,459	28
AMG Gas	3,196	1,918	1,278
Dolomiti Edison Energy	2,947	-	2,947
Parco Eolico San Francesco	2,709	-	2,709
Other subsidiaries	345	341	4
Total	**893,346**	**641,459**	**251,887**

- **Trade payables** totaled 973,656,000 euros, an amount lower than at December 31, 2010. A breakdown by business segment is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Electric power operations	258,892	340,974	(82,082)
Hydrocarbons operations	693,396	812,145	(118,749)
Corporate activities	21,368	28,805	(7,437)
Total trade payables	**973,656**	**1,181,924**	**(208,268)**

Trade payables refer mainly to purchases of electric power, natural gas and other utilities, as well as services related to plant maintenance. They also reflect the fair value of physical energy commodity contracts included in the Trading Portfolio.

- The balance due for **Current taxes payable** was equal to zero.
- A breakdown of **Other liabilities,** which at 376,843,000 euros were higher than at December 31, 2010, is provided below:

(in thousands of euros)	12.31.2011	12.31.2010	Change
Valuation of derivatives	116,770	31,782	84,988
Joint holders of permits and concessions for the production of hydrocarbons	94,026	45,540	48,486
Group companies in connection with the filing of a Group VAT return	46,959	5,136	41,823
Amounts payable to employees	20,013	21,390	(1,377)
Amounts owed to pension and social security institutions	16,573	18,852	(2,279)
Payables owed for consulting and other services	16,878	16,748	130
Royalties payable	10,399	12,314	(1,915)
Excise and other taxes payable	2,865	6,139	(3,274)
Customer advances	953	3,678	(2,725)
Sundry items	51,407	20,077	31,330
Total	**376,843**	**181,656**	**195,187**

31. Liabilities Held for Sale

This account had a zero balance at December 31, 2011, due to the conveyance of the Taranto CET 2 and CET 3 thermoelectric power plants to Taranto Energia and the subsequent sale of the equity investment in this company, in October 2011, as described in the section of these Notes entitled "Disclosures Required by IFRS 5."

NET FINANCIAL DEBT

At December 31, 2011, net financial debt totaled 1,870 million euros, or 200 million euros more than the 1,671 million euros owed at December 31, 2010. The cash flow from operating activities reflects primarily the combined impact of the following contrasting factors:

Positive factors:
- 258 million euros from the sale of equity investments, including 78 million euros for Terminale GNL Adriatico and 164 million euros for Taranto Energia;
- 108 million euros in EBITDA;
- 87 million euros in dividends collected from equity investments;

Negative factors:
- 424 million euros in net working capital;
- 177 million euros in additions to property, plant and equipment;
- 70 million euros in net financial expense;
- 20 million euros for purchases and payments provided to subsidiaries as advances on capital contributions and to replenish losses, net of capital distributions received.

(in thousands of euros)	Balance sheet note ref.	12.31.2011	12.31.2010 reclassified	Change
Bonds - non-current portion	27	1,793,438	1,791,325	2,113
Non-current bank loans	28	1,162,126	820,816	341,310
Non-current bank loans of discontinued operations	31	-	632	(632)
Amounts due to other lenders - non current portion	28	23,482	26,674	(3,192)
Total long-term financial debt		**2,979,046**	**2,639,447**	**339,599**
Bonds - current portion	30	70,909	527,677	(456,768)
Current loans payable	30	1,871,519	859,124	1,012,395
Current loans payable of discontinued operations	31	-	215	(215)
Current financial assets	21	(2,852,641)	(2,070,700)	(781,941)
Cash and cash equivalents	21	(198,444)	(285,398)	86,954
Total short-term financial debt		**(1,108,657)**	**(969,082)**	**(139,575)**
Net financial debt		**1,870,389**	**1,670,365**	**200,024**

Current financial assets include a short-term facility provided to Edipower at the end of December 2011, which accrues interest at market rates and matures on June 30, 2012.

The main transactions executed in 2011 that had a material impact on the composition of the Company's financial debt concern non-current bank debt, which increased due to the utilization for an additional 400 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, completely drawn down at December 31, 2011.

Net financial debt includes transactions with significant parties, including 140 million euros owed to Mediobanca classified as current loans payable and 104,000 euros payable to Banca Popolare di Milano included in cash and cash equivalents. As shown in the schedule provided in the section of these Notes entitled "Intercompany and Related-party Transactions," net financial debt includes 2,796 million euros stemming from transactions with related parties.

DISCLOSURES REQUIRED BY IFRS 5

Edipower Spa

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

This sales transactions, which qualifies as a highly material related-party transaction, is part of a more complex restructuring project that concerns Edison's control structure, the purpose of which is, inter alia, the acquisition of control by EDF through the sale of Transalpina di Energia. Basically, this transaction calls for:

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

The implementation of this agreement, which is scheduled to close by June 30, 2012, after Edison's Board of Directors, at its meetings of January 24, 2012 and February13, 2012, taking into account the favorable opinion of the Independent Directors, who, in turn, relied on fairness opinions provided by external advisors, approved the sale of Edipower, is conditional, in addition to approval by the relevant antitrust authorities, on the concurrent purchase by EDF of the 50% interest held by Delmi in Transalpina di Energia, which is, in turn, conditional, inter alia, on the CONSOB confirming that, should a tender offer for Edison's shares be required, it would be carried out at a price of not more than 0.84 euros per share.

Given this context and considering the fact that Edison's Board of Directors approved the transaction and the related contract, scheduled for signing by February 15, 2012, the transaction was deemed to be "highly probable" and, consequently, the corresponding assets and liabilities were classified as "Held for sale." Moreover, given the significance of the divested assets, the output of which represent about one-third of the Group's electric power generating capacity, it seemed appropriate to treat them as a "Discontinued operation." Consequently:

- in the **balance sheet,** the assets corresponding to the equity investment and the attributable pro rata share of goodwill were reclassified to assets held for sale;
- in the **income statement,** the dividends received by Edipower and the writedown of the investment in Edipower recognized to reflect the valuation of this asset at its sales price are shown as a single amount.

The tables below show the contribution provided by the equity investment in Edipower to the balance sheet and income statement of Edison Spa in 2011 and provides a comparison with 2010:

(in thousands of euros)	Balance sheet note ref.	12.31.2011	12.31.2010 reclassified	Change
Balance sheet				
Goodwill	14	-	-	65,000
Investments in associates	17	-	-	1,066,368
Assets held for sale:	22	**600,000**	**1,131,368**	**-**
- goodwill		-	65,000	-
- investments in associates		600,000	1,066,368	-
Income statement				
Income from equity investments	8	-	-	17,584
Profit (loss) from discontinued operations	11	**(510,044)**	**17,584**	**-**
- Income from equity investments		21,324	17,584	-
- loss on equity investments		(531,368)	-	-

Other Disposal Groups

With regard to the Taranto thermoelectric power plants, the Company discloses that the sale of Taranto Energia, a subsidiary to which Edison conveyed the business operations comprised of the CET 2 and CET 3 thermoelectric power plants, closed on October 10, 2011, after being approved by the relevant antitrust authorities. This transaction generated proceeds of 164 million euros and a loss of 6 million euros, classified to "Profit (Loss) from discontinued operations," as follows:

(in million of euros)	of which in EBITDA	of which in "Profit (Loss from discontinued Operations)"	Total in 2011 income statement
Writedowns of net property, plant and equipments	(22)	(6)	(28)
Addition to provision for risks and charges	-	(22)	(22)
Gain on the disposal of the equity investment	-	22	22
Total	**(22)**	**(6)**	**(28)**

The Disposal Group amount also includes:

- the residual charges resulting from a decision handed down on May 31, 2011 by the Council of State, which disallowed certain rate benefits enjoyed by Edison Spa in previous years.

COMMITMENTS AND CONTINGENT RISKS

(in thousands of euros)	12.31.2011	12.31.2010	Change
Guarantees provided	1,293,651	1,370,529	(76,878)
Collateral provided	84,990	1,155,380	(1,070,390)
Other commitments and risks	259,979	287,973	(27,994)
Total for Edison Spa	**1,638,620**	**2,813,882**	**(1,175,262)**

Guarantees provided totaled 1,293,651,000 euros. This figure was determined based on the undiscounted amount of contingent commitments on the balance sheet date.
Guarantees provided included the following:
- 207,775,000 euros in guarantees provided for the use of electrical and gas transmission networks;
- 113,394,000 euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits;
- 50,000,000 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;
- Guaranteed 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 amounted to 84,990,000 euros, or 1,070,390,000 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 consisting mainly of encumbrances provided to secure loans received (56,725,000 euros). Most of the decrease compared with the previous year is due to the cancellation of a pledge on Edipower shares (1,066 million euros) provided in previous years to a pool of banks to secure a loan that was repaid in full at December 31, 2011.

Other commitments and risks, which totaled 259,979,000 euros, reflect 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 42,508,000 euros:
  - Emission Reductions Purchase Agreement (ERPA) to purchase CERs in China by 2013, for a commitment of 14,577,000 euros;
  - Management Agreement with EDF Trading Ltd (EDF Carbon Fund) for the fixed-price purchase of CERs and ERUs by 2013, for a commitment of 24,933,000 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 2,998,000 euros.
- The Group entered into 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 maximum quantities and the quantity actually used, with the option for the buyer, at certain conditions, to recover over the life of the contract the gas volumes that it paid for but did not use. At the end of the year, other assets included 67 million euros, or 24 million euros less than at December 31, 2010, due to a partial use of the make-up capacity option for purchases of gas from Russia and Libya, while commitments included 79 million euros for accrued amounts owed to but not yet paid to the relevant counterparties. In any case, gas delivery profiles and the economic recoverability are periodically updated during the year.
- Among transactions concerning the Electric Power Operations, Edison granted to:
  - Cartiere Burgo Spa a call option to purchase a 51% interest in Gever Spa. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires

The biggest energy is us.
This was the slogan chosen
for the Christmas party
to emphasize the importance
that our company attributes
to its human capital.

(in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity (14 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 (the supply contract with Qatar went into effect in 2009), which will provide total supplies 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 Steam pipeline, it is worth mentioning that deliveries were interrupted from February 2011 until the end of December 2011, due to the well-known international events.
The table below provides a breakdown of the timing for the supply of natural gas, based on minimum contractual deliveries:

		within 1 year	from 2 to 5 years	over 5 years	Total
Natural gas	Billions of m^3	13.6	53.9	163.8	**231.3**

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

2) With regard to the investment in Terminale GNL Adriatico Srl, a regasification company in which Edison holds a 7.3% equity interest, the agreements between the shareholders include the following stipulations:
   - for Edison, an obligation not to transfer its equity interest, which lapsed on July 1, 2011;
   - for the other shareholders, the right to buy Edison's equity interest, 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.

Under the regasification contract executed by Edison and Terminale GNL Adriatico Srl, Edison is guaranteed access to 80% of the terminal's regasification capacity for 25 years, counting from November 2009, leaving a balance of 23 years at December 31, 2011; the annual regasification fee is 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 upstream and midstream chain 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 be provided 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 December 31, 2011

A review, based on information currently available, of the main legal and tax disputes currently outstanding that involve Edison Spa is provided below. Legal disputes were subdivided 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 on 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.

European Commission - Antitrust Proceedings Against Ausimont

By a motion filed on September 1, 2011 and received by the Company on September 8, the European Commission appealed before the Court of Justice of the European Union a decision published on June 16, 2011, by which the European Union Court upheld the challenge filed by Edison and, consequently, set aside the decision by which the European Commission, alleging violations of Article 81 of the EC Treaty and Article 53 of the SEE Agreement concerning a cartel in the market for hydrogen peroxide and its derivatives, sodium perborate and sodium percarbonate, ordered Edison to pay a fine of 58.1 million euros, including 25.6 million euros payable jointly with Solvay Solexis. In the interim, Edison having paid on a provisional basis in 2006 the amount of 45.4 million euros, which is equal to the sum of the entire fine levied on it and one-half of the fine levied jointly on Edison and Solvay Solexis, obtained from the Commission, by virtue of the abovementioned Court decision, the repayment of 32.5 million euros, which is the portion of the fine attributable to Edison exclusively.
The appellate proceedings are still pending before the Court of Justice of the European Union, which has yet to schedule a hearing for oral arguments. In case, it seems likely that the final decision will be published later in 2012.
The status of these proceedings confirms that, due to the effects of the abovementioned Court decision, they qualify as a contingent asset pursuant to 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. Edison believes that this decision is unfair and is challenging it before the Milan Court of Appeals, which has not yet scheduled the initial hearing.

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 è 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. The oral argument phase got under way in January 2012 and is still continuing.

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 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 discovery phase at a hearing that the Preliminary Investigation Judge scheduled for March 2012.

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, other claimants filed a legal action with the Lower Court of Milan, which ruled upholding the plaintiffs' complaints. The Company is appealing this decision before the Milan Court of Appeals, which has not yet scheduled the initial hearing.

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). The initial hearing in the oral arguments phase has been scheduled for March 16, 2012.

Spinetta Marengo Industrial Site

Edison filed an application for voluntary remediation action, subsequently granted, in the environmental remediation proceedings that Ausimont Spa, a company sold in 2002 to Solvay Solexis Spa, a company of the Solvay Group, started pursuant to Ministry Decree No. 471/1999 in connection with the contaminated state of the Spinetta Marengo industrial site in order to better protect its rights. Edison's application was filed after Solvay Solexis (current operator of the facility after its merger by absorption with Ausimont) petitioned the Regional Administrative Court of Piedmont asking that the administrative decisions requiring it to ensure the safety and environmental remediation of the abovementioned site be held in abeyance and voided, insofar as they fail to identify Edison as a liable (or jointly liable) party in the abovementioned proceedings. Further to understandings reached earlier, Edison participates in the Service Conferences, as they are convened from time to time.
Also with regard to this industrial site, the local court's Public Prosecutor began an investigation targeting several individuals, including three former managers of Montedison (now Edison), alleging that they may have committed environmental crimes.
With regard to these proceedings, the Preliminary Hearing Judge, by a Decree dated January 16, 2012, indicted before the Alessandria Superior Court several individuals, including three former Montedison (now Edison) executives for crimes against public safety and the environment. The initial trial hearing has been scheduled for July 2012.
The same judge, by a decision issued on the same date, denied a motion filed by the counsel of some defendants asking to be allowed to introduce evidence developed during the discovery phase.

* * * * *

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.

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, a new trial before the Turin Court of Appeals ended in December 2012 with a full acquittal of the defendants. The detailed text of the decision has not yet been published.

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 deadline for filing an appeal has not yet expired.

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, which is still being developed.

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. At the request of the companies involved, the proceedings resumed before the Court of Milan.

Angelo Rizzoli/Edison et al.

On September 25, 2009, Angelo Rizzoli sued before the Court of Milan 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). Intesa San Paolo was also sued, in its capacity as assign for Banco Ambrosiano. The purpose of the lawsuit was to obtain 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.
By a decision published on January 11, 2012, the Court of Milan denied all of the plaintiff's claims, ordering the plaintiff to refund all litigation costs incurred by the defendants, which, in Edison's case, were quantified at about 1.3 million euros. The Court also ordered Angelo Rizzoli, for liability aggravated by unlawful court conduct pursuant to Article 96 of the Code of Civil Procedure, to pay to each of the defendants, including Edison, the sum of 1.3 million euros.

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, during which the judge is reviewing the complex jurisdictional issues raised by all respondents.

* * * * *

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

Income Tax Assessments for 1995, 1966 and 1997

The disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995, 1996 and 1997 fiscal years of the old Edison Spa, absorbed by the current Edison Spa, are still pending before the Court of Cassation following appeals filed by the Revenue Administration. A special provision has been established to recognize the risks entailed by these disputes and its balance was updated in 2011 to reflect accrued statutory interest.

Income Tax Assessments for 1991 and 1992 (Old Calcestruzzi Spa)

The disputes concerning the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1991 and 1992 tax years of Calcestruzzi Spa (now Edison Spa) were reinstated before the Regional Tax Commission of Emilia Romagna following a ruling handed down by the Court of Cassation in 2008 overturning an earlier decisions by the Regional Tax Commission that was favorable to the Company and reinstating the proceedings before the lower court.
The disputed items arise from a transaction involving the beneficial ownership of shares executed by Calcestruzzi Spa with a foreign company, with regard to which the judges of the Court of Cassation raised for the first time the exception of "abuse of law." The Company believes that the lawfulness of Calcestruzzi's actions will be proven in the review proceedings, following a merit review of the disputed transaction. However, taking into account the approach that has been developing in the case law in 2008 and 2009 specifically regarding the issue of "abuse of law" in tax matters, which, incidentally, is constantly evolving and reflective of changing interpretations, the Company recognized a special provision for contingent risks from disputed items, the balance of which was updated in 2011 to reflect accrued statutory interest.

Tax Assessments for 2002

The dispute concerning the corporate income tax (IRPEG) and regional tax (IRAP) assessments for 2002 is pending before the Court of Cassation following a primary appeal filed by the Office of the Solicitor General, acting on behalf of Milan Revenue Agency No. 1. The decision handed down in 2009 by the Regional Tax Commission was substantially favorable to the Company.

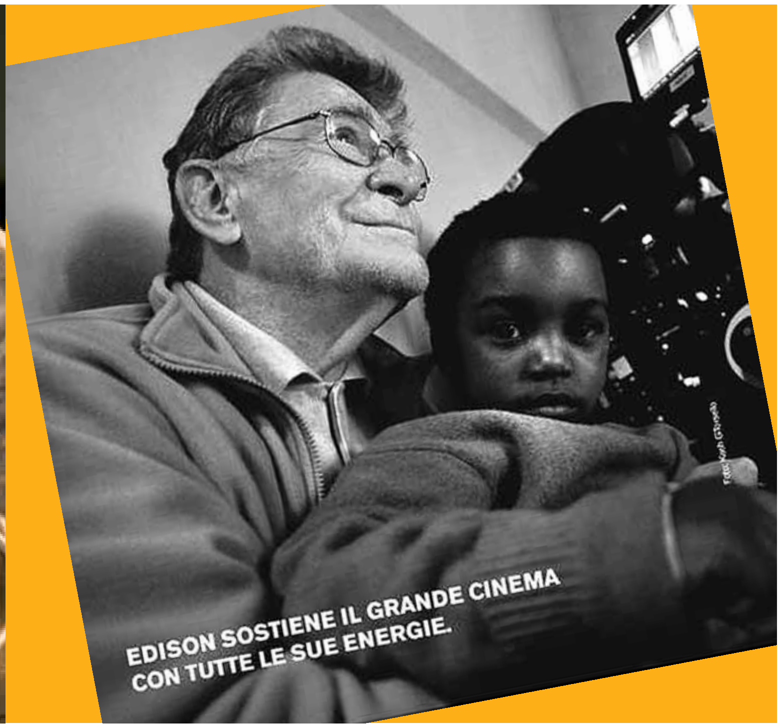
Assessment of Registration Fees for 2008

In June 2011, the Milan Provincial Tax Commission upheld in its entirety the appeal filed by the Company challenging the payment notice for proportional registration, mortgage and cadastral fees, totaling about 11 million euros, in connection with a transaction involving the conveyance of business

Edison's contribution to the production of "The Cardboard Village," Ermanno Olmi's new film, is an affirmation of the bond that still exists today between the company and this famous film maker.

operations executed in 2008. The Tax Commission's decision recognized that the issuance of the payment notice was unlawful and that the Company's decisions with regard to the structure of the divestment transaction it executed were correct in the merit.
The Revenue Agency appealed this decision n January 2012.

IRES and IRAP Assessments for 2005 and 2006
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.
In December 2011, based on the issues raised in an excerpted tax audit report for 2005, completed in 2010, and in the final tax audit report for the 2006-2009 period, issued in May 2011, the Revenue Agency - Regional Lombardy Division - Office of Mayor Taxpayers served Edison Spa with corporate income tax (IRES) and IRAP notices of assessment for 2005 contesting the deductibility of costs incurred with black-listed suppliers, thereby dissenting in part with the conclusions reached by the Revenue Police.
Edison Spa was served with an IRES notice of assessment both directly and as the IRES consolidating company in 2005. The assessment did not produce any additional tax liability because the additional taxable income was fully offset by the tax loss carryforward.
In December 2011, Edison Spa was served with IRES and IRAP notices of assessment for 2006, which disallowed expenses found to be "not attributable" to the year in which they were deducted, but nevertheless deductible in another tax period, and costs that were not deductible because they were incurred with black-listed suppliers.
A similar IRES notice of assessment was served on Transalpina di Energia Srl in its capacity as the lead company for the 2006 IRES consolidated return in which Edison Spa was included.
The Company intends to pursue all available actions to defend its position. All of the costs were found to be effective and applicable both by the Revenue Police and the Revenue Agency. The Company has already produced comprehensive supporting documents and provided detailed explanations in support and as evidence of the financial justification for the transactions it executed, in the belief that these elements will justify a better and more detailed review by the Revenue Agency or, in any event, will provide a response within the framework of a legal challenge.
A provision for risks of 3 million euros was recognized for the potential charges resulting from the notice of assessment.



TAX STATUS OF SHARE CAPITAL AND RESERVES IN THE EVENT OF REPAYMENT OR DISTRIBUTION

The types of tax status and utilization options of the different items that constitute the Company's shareholders' equity are reviewed below:

(in thousands of euros)	Balance sheet amount	Tax status Type	Tax status Amount	Utilization options	Distributable portion
Share capital	**5.291,701**				
	breakdown	C	192,082	-	-
		D	588,628	-	-
Share capital reserves					
Additional paid-in capital	**0**	E	-	1, 2, 3	-
Earnings reserves					
Statutory reserve	**125,291**				
	breakdown	A	107,738	2	13,814
		D	17,553	2	-
Other reserves	**557,721**				
	breakdown	A	7,292	1, 2, 3	7,292
		A	467,109	1, 2	-
		A	83,320	-	-
Reserve for grants	**3,770**	B	3,770	-	-
Retained earnings	**799,740**				
		A	726,795	1, 2, 3	726,795
		D	72,945	1, 2, 3	72,945

Tax Status

A: Reserves that, if distributed, would be included in the taxable income of the shareholders.

B: Reserves the taxation of which has been suspended and which, if utilized, would be included in the Company's taxable income.

C: Reserves the taxation of which has been suspended that are part of share capital. If the share capital is reduced upon a shareholder distribution, these reserves would become taxable.

D: Portion of shareholders' equity restricted pursuant to Section 469 of Law No. 266/2005 (so-called realignment), which, if utilized, would be included in the Company's taxable income, increased by a 12% substitute tax, with the concurrent earning of a 12% tax credit (equal to the substitute tax paid).

E: Reserves that, if distributed, would not be included in the taxable income of the shareholders.

Utilization Options

1: Capital increase.
2: Replenishment of losses.
2: Distribution to shareholders.

A breakdown according to tax status is provided below:

- The reserves for government grants, with **B** status, include the following:

- former Edison - grants under Article 55	3,770

- The reserves the taxation of which has been suspended that are part of share capital, with **C** status, include the following

- No. 576 of 12/1/75 (old Edison form. Montedison)	31,064
- No. 72 of 3/19/83 (old Edison form. Montedison)	15,283
- No. 576 of 12/1/75 (former Finagro)	1,331
- No. 72 of 3/19/83 (former Finagro)	3,310
- No. 72 of 3/19/83 (former Montedison)	8,561
- No. 72 of 3/19/83 (former Silos di Genova S.p.A)	186
- No. 413 of 12/30/91 (former Finagro)	4,762
- No. 576 of 12/1/75 (former Calcemento)	976
- No. 72 of 3/19/83 (former Calcemento)	4,722
- No. 413 of 12/30/91 (former Sondel)	2,976
- No. 413 of 12/30/91 (old Edison)	118,911

Any taxes that may be due (counting also the 10.5% corporate income tax surcharge) on the reserves listed above would amount to 1.6 million euros for those of Item B, 73 million euros for those of Item C and 203 million euros (net of tax credit) for those of Item D.

As for the negative income components that are not reflected in the income statement, which until 2008 could be deducted by listing them on a separate schedule annexed to the income tax return, the provision of the tax code require that a corresponding amount of the unrestricted reserves and retained earnings should be maintained on the Company's financial statements and, if the abovementioned amount is distributed, it would be included in the Company's taxable income.

As a result of non-accounting depreciation and amortization taken in 2006 and 2007 and the derecognition in 2004 of entries booked for tax purposes but which had no relevance for statutory reporting purposes, non-accounting deductions still available totaled about 175 million euros. Deferred taxes totaling about 60 million euros were recognized in connection with these entries.

Therefore, should the Company choose to distribute earnings or reserves, it must have residual qualified reserves, as defined in Article 109 of the Uniform Tax Code, totaling 115 million euros. If the Company lacks or has insufficient qualified reserves, any uncovered portion of the distribution, increased by the applicable deferred taxes, would become part of the Company's taxable income.

Lastly, the reform of the corporate income tax system, which went into effect on January 1, 2004, introduced the overriding presumption that the profit for the year and the portion of reserves other than share capital reserves that has not been set aside in a suspended taxation status will be distributed, irrespective of the motions approved by the Shareholder's Meeting (Article 47 of the Uniform Tax Code).

FINANCIAL RISK MANAGEMENT

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

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

Edison Spa is affected by the risk of fluctuations in the prices of all of the energy commodities that it handles (electric power, natural gas, coal, petroleum products and environmental securities) because they have an impact on the revenues and costs of its production and buying and selling activities. These fluctuations affect the Company both directly and indirectly through indexing mechanisms contained in pricing formulas. Moreover, because some of the abovementioned commodity prices are quoted in U.S. dollars, Edison Spa is also exposed to the resulting exchange rate risk.

Insofar as the derivatives held by the Group's Parent Company that were outstanding at December 31, 2014 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 December 31, 2011, is 85.6 million euros (178.5 million euros at December 31, 2010), as shown in the table below:

Profit at Risk (PaR)	**December 31, 2011**		December 31, 2010	
(in millions of euros)	Level of probability	Expected negative variance in fair value	Level of probability	Expected negative variance in fair value
Edison Spa	**97.5%**	**85.6**	**97.5%**	**178.5**

In other words, compared with the fair value determined for the contracts outstanding at December 31, 2011, the probability of a negative variance greater than 85.6 million euros by the end of 2012 is limited to 2.5% of the scenarios.

The lower amount, compared with the level measured at December 31, 2010, is mainly the result of a smaller net volume of financial contracts executed the hedge the 2012 sales campaign.

The hedging strategy deployed in 2011 enabled Edison to comply with Group risk management objectives, lowering the Industrial Portfolio's commodity price risk profile within the approved Economic Capital limit. Without hedging derivatives, the average amount of Economic Capital absorbed in 2011 by the Industrial Portfolio would have been equal to 108% of the approved limit, with a peak of 198% in January 2011 (with the limit exceeded by 44% on average in 2011). With hedging, the average amount of Economic Capital absorbed in 2011 by the Industrial Portfolio was 37%, with a peak of 69% in February 2011.

Approved activities that are part of the core businesses of Edison Spa include physical and financial commodity trading (natural gas), which must be carried out in accordance with special procedures and segregated at inception in special Trading Portfolios, separated from the Industrial Portfolio. Trading Portfolio are monitored based on strict risk ceilings, based on the allocation of an Economic Capital limit, measured in terms of Value at Risk (VaR, or Value at Risk, is a statistical measurement of the maximum potential negative variance in the portfolio's fair value in response to unfavorable market moves, within a given time horizon and confidence interval), and a stop loss limit. More specifically, the daily Value-at-Risk limit with a 95% probability on the Trading Portfolios on the balance sheet date is 0.9 million euros. This limit was used by up to 56% at December 31, 2011. The Economic Capital of the Trading Portfolios represents the total risk capital available to support the market risks entailed by trading activities and takes into account both the risk capital associated with the VaR and the risk capital estimated by means of stress tests for possible illiquid positions. The Economic Capital limit for the Trading Portfolios of Edison Spa is 13.8 million euros. This limit was used by up to 66% at December 31, 2011.

2. Foreign Exchange Risk

The foreign exchange risk arises from the activities of Edison Spa that are carried out in currencies other than the euro or are influenced by changes in foreign exchange rates through contract components indexed to a foreign currency. 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 (transactional risk).

3. Interest Rate Risk

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

Gross Financial Debt	12.31.2011			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 (including structure with CAP)	1,826	1,226	25%	1,829	1,004	25%
- variable rate portion	3,095	3,695	75%	2,222	3,047	75%
Total gross financial debt (*)	**4,921**	**4,921**	**100%**	**4,051**	**4,051**	**100%**

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

When the fact that, at December 31, 2011, Edison Spa held 198 million euros in liquid assets earning interest at market rates is taken into account, the net financial debt percentages listed above, including outstanding derivative transactions, are 26% for the fixed rate portion and 74% for the variable rate portion.

The interest risk exposure analyzed in the preceding table can be explained when one takes into account the policy pursued by the Group to manage its financial structure and corresponding costs as it relates to the trend in market interest rates. The Group's strategy is to combine fixed-rate bond issues, which are the most stable source for the procurement of financial resources (see the table included in the "Default Risk and Debt Covenants" section, later in these Notes, for a brief description of these bonds), with interest rate swaps negotiated with a six-month Euribor benchmark that qualify as fair value hedges. In addition, in order to have a source of funds protected from a rise in interest rates without giving up the benefits provided by short-term rates, the Group negotiated derivative structures that currently enable it to stay floating within a contractually established cap and floor.
This strategy made it possible to benefit from lower borrowing costs in 2011, as the variable short-term rate was lower than the fixed coupon rate of the outstanding bond issues.
It is worth mentioning that against bond issues outstanding for a total notional amount of 1,800 million euros, the Group negotiated 1,325 million euros in Interest Rate Swap and 725 million euros in structured derivative, including 225 million euros in the last quarter of 2011.

The table that follows 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 corresponding data in 2010.

Sensitivity analysis	2011			12.31.2011		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow edge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	**107**	**96**	**84**	**-**	**-**	**-**

Sensitivity analysis	2010			12.31.2010		
(in millions of euros)	Impact on financial expense (P&L)			Impact on the cash flow edge reserve (S.E.)		
	+50 bps	base	-50 bps	+50 bps	base	-50 bps
Edison Spa	101	90	77	-	-	-

4. Credit Risk

The credit risk represents Edison Spa'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 Spa implemented procedures and programs designed to assess customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions.

The Company is a party to agreements involving the assignment without recourse of trade receivables on a monthly revolving basis.

The receivables assigned by Edison without recourse in 2011 totaled 2,110 million euros. At December 31, 2011, the assigned receivables that were still exposed to the risk of recourse amounted to about 8 million euros.

When choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), Edison Spa deals only with entities with a high credit rating. At December 31, 2011, there were no significant exposures to risks related to a possible further deterioration of the overall financial environment.

The table that follows shows an overview of gross trade receivables, the corresponding allowance for doubtful accounts and the guarantees that the Group holds to secure its receivables. The increase in receivables outstanding at December 31, 2011, compared with the balance a year earlier, is largely due to a rise in sales volumes, particularly by the hydrocarbons operations.

(in millions of euros)	12.31.2011	12.31.2010
Gross trade receivables	1,556	1,279
Allowance for doubtful accounts (-)	(29)	(36)
Trade receivables	**1,527**	**1,243**
Guarantees held (*)	409	313
Receivables 9 to 12 months in arrears	1	1
Receivables more than 12 months in arrears	32	44

(*) Including guarantees covering receivables outstanding at December 31, 2011 totaling 69 million euros.

5. Liquidity Risk

The liquidity risk is the risk that Edison Spa 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 future cash flows required for financial and trade liabilities. In addition to principal and accrued interest, they include 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 an aggregate liability larger than the gross financial debt amount. 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	12.31.2011			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	16	53	2,025	18	558	2,094
Financial debt and other financial liabilities	17	806	1,191	7	20	902
Trade payables	938	36	-	1,138	44	-
Total	**971**	**895**	**3,216**	**1,163**	**622**	**2,996**
Guarantees provided to third parties (*)	**806**	**235**	**375**	**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, se the "Commitments and Contingent Risks"section of this Report.

The strategic objective of Edison Spa was to minimize the impact of financial debt maturities, while still maintaining an adequate level of available credit lines and liquidity, which it pursued with a two-pronged strategy. To begin with, it negotiated a new bank facility to repay a 500-million-euro bond issue maturing in July 2011. In addition, it drew a larger amount from its existing facilities to repay Edipower's bank debt of 1,100 million euros (550 million euros as Edison's pro rata share) maturing at the end of 2011.

At December 31, 2011, the financial debt due on December 31, 2012 totaled 892 million euros, broken down as follows:

- 700 million euros for a credit line provided on a club-deal basis (of equal face value), with a maximum term of 18 months plus 1 day, the full amount of which had been drawn down at December 31, 2011. Most of it (500 million euros in face amount) was used in the third quarter of 2011 to repay a 500-million-euro bond issue with a variable rate floated in 2004 that was due on July 19, 2011;
- about 82 million euros for a facility provided by Mediobanca to Edison Spa for an original amount of 120 million euros, with amortization plan, due on June 15, 2012;
- 69 million euros in accrued interest payable on outstanding bond issues;
- about 41 million euros in installments of loans with amortization plan, plus accrued interest payable on the overall debt amount.

At December 31, 2011, Edison Spa held liquid assets totaling 198 million euros and had access to unused committed credit lines amounting to 450 million euros that are part of a standby syndicated facility of 1,500 million euros that expires in 2013.

Financial debt due after one year totaled 3,216 million euros, including 2,025 million euros for bond issues with a face amount of 1,800 million euros plus accrued interest and 1,191 million euros for Financial debt and other financial liabilities.

It also worth mentioning that the amount drawn from the syndicated standby facility totaled 1,050 million euros at December 31, 2011, for an increase of 200 million euros compared with September

30, 2011. The main reason for this increase was the need to secure the funds required to provide Edipower, through a loan from its shareholders, with sufficient financing, as its bank debt was coming due on December 30, 2011.

Over the coming months, one of the Group's priorities will be to lengthen the remaining average life of its debt. As for maintaining a conservatively adequate level of liquidity, it is worth mentioning that the agreement reached with regard to Edipower's reorganization will have, *inter alia,* the direct effect of generating for Edison proceeds of about 1,100 million euros as a result of the sale of the investment in Edipower and the repayment of the shareholder loan provided by Edison at the end of December 2011.

The table below provides a breakdown by maturity of the Company's gross financial debt at December 31, 2010. 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 thousands of euros)	12.31.2012	12.31.2013	12.31.2014	12.31.2015	12.31.2016	After 5 years	Total
Bonds	70,909	(2,197)	697,967	499,102	(729)	599,295	1,864,347
Financial debt and other financial liabilities owed to outsiders	978,174	1,066,375	64,248	4,577	6,342	44,065	2,163,781
Gross financial debt owed to outsiders	**1,049,083**	**1,064,178**	**762,215**	**503,679**	**5,613**	**643,360**	**4,028,128**
Gross intercompany financial debt	893,346	-	-	-	-	-	893,346
Total gross financial debt	**1,942,429**	**1,064,178**	**762,215**	**503,679**	**5,613**	**643,360**	**4,921,474**

6. Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Edison is a party may contain provisions that, if certain events were to occur, would empower the lenders, be they banks or bondholders, to demand that the borrower repay immediately the loaned amounts, which, consequently, would create a liquidity risk (see the "Liquidity Risk" section above).

A bond issue with a face value of 500 million euros was repaid on July 19, 2011. As a result, the following three Edison Spa bond issues (Euro Medium Term Notes) were outstanding for a total face value of 1,800 million euros:

Description	Issuer	Market where traded	ISIN Code	Term (years)	Maturity	Face value (millions of euros)	Coupon	Current rate
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0441402681	5	07-22-2014	700	Fixed annual	4.250%
EMTN 2009	Edison Spa	Luxembourg Stock Exch.	XS0495756537	5	03-17-2015	500	Fixed annual	3.250%
EMTN 2010	Edison Spa	Luxembourg Stock Exch.	XS0557897203	7	11-10-2017	600	Fixed annual	3.875%

In addition, Edison is a party to non-syndicated loan agreements with a total face value of 887 million euros, including a facility provided to Edison on a club-deal basis on June 2011, and syndicated loan agreements with a total face value of 1,500 million euros (450 million euros unused at December 31, 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: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain to provide Edison Group assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the indebtedness owed by the Edison Group; and (iii) 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 a syndicated credit line of 1,500 million euros provided to Edison Spa 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 the one offered under other unsecured creditors (*pari passu* clause), as well as restrictions on Edison's Spa ability to provide collateral to new lenders (negative pledge clause).
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, following the early repayment, in March and April 2010, of the club deal facility of 600 million euros, Edison Spa is no longer 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.

Analysis of Forward Transactions and Derivatives

Forward Transactions and Derivatives

Edison engages in proprietary trading in physical energy commodities and financial derivatives based on such commodities, in a manner consistent with special Energy Risk Policies. Accordingly, it defined, at the Group level, an appropriate risk control structure and the necessary guidelines and specific procedures. The Company views this activity as part of its regular operations and the results derived from it are recognized in the income statement as part of EBITDA. Whenever possible, Edison 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 Hedge – 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;
- **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 is only one instrument classified in this category. Compared with December 30, 2010, one category of instruments was reclassified from “Level 3” to “Level 2,” since price quotes supplied by an external source are now available.

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

Instruments Outstanding at December 31, 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 thousands of euros)	Fair Value Hierarchy (****)	Notional amount (*)			Carrying amount (**)	Cumulative impact on the income statement at 12.31.11 (***)
		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	-	-	-	-	-
- Fair Value Hedges in accordance with IAS 39	2	-	725,000	600,000	47,776	47,776
- contracts that do not qualify as hedges in accordance with IAS 39	2	-	753,294	-	(4,863)	(4,863)
Total interest rate derivatives		**-**	**1,478,294**	**600,000**	**42,913**	**42,913**

		due within 1 year		due between 2 and 5 years	due after 5 years		
		receivable	payable	receivable	receivable		
Foreign exchange rate risk management:							
- contracts that qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	598,404	952,471	124,843	-	(33,937)	-
- contracts that do not qualify as hedges in accordance with IAS 39:							
- on commercial transactions	2	82,787	56,525	-	-	(3,058)	(3,058)
- on financial transactions	2	11,560	-	-	-	194	194
Total foreign exchange rate derivatives		**692,751**	**1,008,996**	**124,843**	**-**	**(36,801)**	**(2,864)**

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

B) Commodity Risk Management

	Fair Value Hierarchy (****)	Notional amount (*)				Carrying amount (**)	Cumulative impact on the income statement at 12.31.11 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in thousands of euros)	(in thousands of euros)
Price risk management for energy products							
A. Cash Flow Hedges pursuant to IAS 39						**23,973**	**1,075**
- Electric power		TWh	-	-	-	-	-
- Gas	2	Million of therms	189,00	-	-	(20,199)	-
- LNG, crude oil	2	Barrels	(7,688,983)	1,566,400	-	44,172	1,075
B. Fair Value Hedges pursuant to IAS 39						**-**	**-**
C. Contracts that do not qualify as margin hedges pursuant to IAS 39:						**1,978**	**1,978**
- Gas	2/3	Million of therms	-	-	-	391	391
- LNG, crude oil	2	Barrels	(372,078)	-	-	1,587	1,587
Total						**25,951**	**3,053**

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

C) Trading portfolio

	Fair Value Hierarchy (****)	Notional amount (*)				Carrying amount (**)	Cumulative impact on the income statement at 12.31.11 (***)
		Unit of measure	Due within one year	Due within two years	After two years	(in thousands of euros)	(in thousands of euros)
Physical contracts						**8,400**	**8,400**
- Gas	2/3	Million of therms	(97.00)	8.11	-	8,400	8,400
Financial contracts						**(4,284)**	**(4,284)**
- Gas	2/3	Million of therms	(11.80)	28.00	-	(4,284)	(4,284)
Totale						**4,116**	**4,116**

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

Effects of Derivative and Trading Transactions on the Income Statement and Balance Sheet in 2011

The disclosure provided below shows an analysis of the financial results generated by derivative and trading transactions in 2011, including the effects of physical energy commodity contracts.

(in thousands of euros)	Realized during the period (A)	Fair value recognized for contracts outstanding at 12.31.10 (B)	Portion of (B) contracts realized in 2010 (B1)	Fair value recognized for contracts outstanding at 12.31.11 (C)	Change in fair value in 2011 (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) (**)	237,599	646	646	1,265	619	238,218
- not definable as hedges pursuant to IAS 39	72,548	627	573	20,855	20,228	92,776
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	7,979	2,506	2,009	712	(1,794)	6,185
Margin on trading activities						
- Revenues from physical contracts included in the Trading Portfolios (***)	269,786	5,005	5,005	38,424	33,419	303,205
- Raw materials and services used from derivatives included in the Trading Portfolios (****)	(265,434)	(3,381)	(3,381)	(30,024)	(26,643)	(292,077)
Total margin on trading activities	*4,352*	*1,624*	*1,624*	*8,400*	*6,776*	*11,128*
Total (A)	**322,478**	**5,403**	**4,852**	**31,232**	**25,829**	**348,307**
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) (**)	(36,995)	(1,029)	(1,029)	(190)	839	(36,156)
- not definable as hedges pursuant to IAS 39	(39,590)	(1,242)	(1,242)	(18,878)	(17,636)	(57,226)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH) (*) (**)	(30,313)	-	-	-	-	(30.313)
- not definable as hedges pursuant to IAS 39	(5,300)	(111)	(111)	(5,052)	(4,941)	(10,241)
Margin on trading activities						
- Other revenues from derivatives included in trading portfolios (****)	679	-	-	3,785	3,785	4,464
- Rawmaterials and services from derivatives included in trading portfolios (****)	(2,022)	-	-	(8,069)	(8,069)	(10,091)
Total margin on trading activities	*(1,343)*	-	-	*(4,284)*	*(4,284)*	*(5,627)*
Total (B)	**(113,541)**	**(2,382)**	**(2,382)**	**(28,404)**	**(26,022)**	**(139,563)**
TOTAL INCLUDED IN EBITDA (A+B)	**208,937**	**3,021**	**2,470**	**2,828**	**(193)**	**208,744**
Interest rate hedges, broken down as follows: (see Note 7 to the Income Statement)						
Financial income						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	52,377	21,719	8,117	47,776	26,057	78,434
- not definable as hedges pursuant to IAS 39	7,475	4,309	4,309	5,009	700	8,175
Total financial income (C)	**59,852**	**26,028**	**12,426**	**52,785**	**26,757**	**86,609**
Financial expense						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	-	-	-
- definable as hedges pursuant to IAS 39 (FVH)	(36,484)	(19,068)	903	-	19,068	(17,416)
- not definable as hedges pursuant to IAS 39	(9,159)	(3,338)	442	(9,872)	(6,534)	(15,693)
Total financial expense (D)	**(45,643)**	**(22,406)**	**1,345**	**(9,872)**	**12,534**	**(33,109)**
Margin on interest rate hedging transactions (C+D)=(E)	**14,209**	**3,622**	**13,771**	**42,913**	**39,291**	**53,500**
Foreign exchange rate hedges broken down as follows: (see Note 7 to the Income Statement)						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	36,267	-	-	1,476	1,476	37,743
Total foreign exchange gains (F)	**36,267**	**-**	**-**	**1,476**	**1,476**	**37,743**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	(55,387)	(1,438)	(1,438)	-	1,438	(53,949)
Total foreign exchange losses (G)	**(55,387)**	**(1,438)**	**(1,438)**	**-**	**1,438**	**(53,949)**
Margin on foreign exchange hedging transactions (F+G)= (H)	**(19,120)**	**(1,438)**	**(1,438)**	**1,476**	**2,914**	**(16,206)**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (E+H) (see Note 25 to the Income Statement)	**(4,911)**	**2,184**	**12,333**	**44,389**	**42,205**	**37,294**

(*) 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 (Note1 to the Income Statement) under margin on trading activities.
(****) Amounts included in Other revenues and income (Note 2 to the Income Statement) under margin on trading activities.

Purchases of natural gas reflected in Raw materials and services used include 30,313,000 euros representing the negative impact of the effective portion of commodity-related foreign exchange hedges.
The table below provides a breakdown of the amounts recognized on the balance sheet for the measurement at fair value of derivatives and physical contracts outstanding at December 31, 2011:

(in thousands of euros)	12.31.2011		12.31.2010	
	Receivables	Payables	Receivables	Payables
Transactions on:				
- interest rates	52,784	(9,872)	26,028	(22,406)
- foreign exchange	23,829	(60,676)	30,767	(21,920)
- commodities	74,041	(48,305)	140,151	(10,357)
- trading	42,609	(39,501)	5,005	(3,381)
Fair value recognized as a current asset or a current liability	**193,263**	**(158,354)**	**201,951**	**(58,064)**
Recognized as:				
- Trade receivables and payables	38,424	(30,024)	5,005	(3,381)
- Other receivables and payables	101,461	(118,458)	170,918	(32,016)
- Current financial assets or Short-term financial debt	52,978	(9,872)	26,028	(22,667)

With regard to the items listed above, please note that the receivables and payables shown are offset in shareholders' equity by a negative cash flow hedge reserve amounting to 11,041,000 euros, before the applicable deferred taxes.

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 December 31, 2011.

The Company chose not to adopt the fair value option and, consequently, as the table shows, neither financial debt nor bonds were restated at fair value.

Financial instrument type	Criteria applied to value financial instruments in the financial statements										
(in thousands of euros)	**Financial instruments measured at fair value** with change in fair value recognized in: earnings (a)	equity (b)	equity (c)	**Total Fair Value (A)**	Fair Value Hierarchy (notes a, b, c) 1	2	3 (l)	**Financial instruments valued at amortized cost (B) (d)**	**Equity invest-ments valued at cost (C) (e)**	**Carrying value at 12.31.11 (A+B+C)**	Fair Value at 12.31.11
ASSETS											
Available-for-sale equity investments, including:											
- unlisted securities	187,520	-	-	187,520	-	-	-	-	4,947	192,467	n.a.
- listed securities	5,274	-	-	5,274	5,274	-	-	-	-	5,274	5,274
										197,741	
Other financial assets (h)	-	-	-	-	-	-	-	6,951	-	6,951	6,951
Other assets (i)	-	-	-	-	-	-	-	32,592	-	32,592	32,592
Trade receivables (h) (i)	38,424	-	-	38,424	-	33,409	5,015	1,488,426	-	1,526,850	1,526,850
Other receivables (f) (i)	26,655	74,806	-	101,461	-	96,766	4,695	400,083	-	501,544	501,575
Current financial assets (f) (g) (i)	56,736	-	-	56,736	3,578	53,158	-	2,795,905	-	2,852,641	2,852,641
Cash and cash equivalents (i)	-	-	-	-	-	-	-	198,444	-	198,444	198,444
LIABILITIES											
Bonds	1,368,962	-	-	1,368,962	-	1,368,962	-	495,385	-	1,864,347	1,706,121
Financial debt (f) (i)	9,872	-	-	9,872	-	9,872	-	3,047,256	-	3,057,128	3,009,326
Trade payables (h) (i)	30,024	-	-	30,024	-	24,199	5,825	943,632	-	973,656	976,544
DìOther liabilities (f) (i)	31,999	84,771	-	116,770	-	111,966	4,804	260,073	-	376,843	376,843

(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 equity investments held for trading.
(h) Includes receivables and payables from the measurement at fair value of physical contracts in Trading Portfolio.
(i) The fair value of the components of these items that are not derivatives or loans was not computed because it is substantially the same as their carrying amount.
(l) The fair value classified at Level 3, is recognised for 810,000 euros in the physical trading margin, and for 1,172,000 euros in the financial trading margin, for 4,491,000 euros in the other revunue and income and for 3,428,000 in materials and services used).

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 December 31, 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 thousands of euros)	Related parties in compliance with ias 24					Significant Parties					Total	Total	%
	with Group companies	with controlling company	EDF Group	A2A Group	Total related parties	Iren Group (**)	Dolomiti Group (**)	Banca Popolare di Milano	Mediobanca	Total significant parties	related and significant parties	financial statement item	impact
Balance sheet transactions													
Equity investments	1,273,751	-	-	-	1,273,751	-	-	-	-	-	1,273,751	1,273,751	100.0%
Other financial assets	6,951	-	-	-	6,951	-	-	-	-	-	6,951	6,951	100.0%
Trade receivables	658,529	-	1,656	5,406	665,591	626	13	-	-	639	666,230	1,526,850	43.6%
Other receivables	62,677	43,855	10,266	799	117,597	-	-	-	-	-	117,597	501,544	23.4%
Current financial assets	2,795,814	-	-	-	2,795,814	-	-	-	-	-	2,795,814	2,852,641	98.0%
Cash and cash equivalents	-	-	-	-	-	-	-	104	-	104	104	198,444	0.1%
Provision for risks and charges	12,295	-	-	-	12,295	-	-	-	-	-	12,295	711,536	1.7%
Short-term financial debt	893,345	-	-	-	893,345	-	-	-	139,886	139,886	1,033,231	1,871,519	55.2%
Trade payables	156,530	-	594	549	157,673	10,886	-	-	-	10,886	168,559	973,656	17.3%
Other payables	53,940	-	1,239	64	55,243	30	-	-	691	721	55,964	376,843	14.9%
Balance sheet transactions from discontinued operations													
- Assets held for sale	600,000	-	-	-	600,000	-	-	-	-	-	600,000	600,000	100.0%
Income statement transactions													
Sales revenues	2,030,886	299	753	18,601	2,050,539	125,156	37,305	-	-	162,461	2,213,000	5,833,012	37.9%
Other revenues and income	18,417	-	9,428	-	27,845	-	-	-	-	-	27,845	546,642	5.1%
Raw materials and services used	114,912	-	-	-	114,912	-	-	-	-	-	114,912	6,133,889	1.9%
Financial income	75,253	-	-	-	75,253	-	-	2	-	2	75,255	168,469	44.7%
Financial expense	6,601	-	-	-	6,601	-	-	28	2,169	2,197	8,798	221,566	4.0%
Income from equity investments	149,394	-	-	-	149,394	-	-	-	-	-	149,394	160,613	93.0%
Expense on equity investments	71,738	-	-	-	71,738	-	-	-	-	-	71,738	88,980	80.6%
Income statement transactions from discontinued operations	**(510,044)**	**-**	**-**	**-**	**(510,044)**	**-**	**-**	**-**	**-**	**-**	**(510,044)**	**(523,671)**	**97.4%**
Commitments and contingent risks													
Guarantees provided	-	-	-	-	-	-	-	50,668	-	50,668	50,668	1,293,651	3.9%
Other commitments and risks	-	-	24,933	-	24,933	-	-	-	-	-	24,933	259,979	9.6%

(*) Please refer to "2011 Corporate Governance".
(**) Considered as Related-Party in the "Procedure Governing Related-Party Transactions".

The commitment to the Italian Basketball Federation dates back to 2009. Since then, Edison supported the adult and junior Men and Women National Teams in numerous challenges.

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 and natural gas, green certificates and CO_2 emissions rights.
- 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 the controlling company in connection with the consolidated corporate income tax return.

With the exception of transactions related to the VAT Pool and the consolidated corporate income tax return, which are executed pursuant to law, all of the transactions listed above are governed by contracts with conditions that are consistent with market terms, i.e., the terms that would be applied by two independent parties.

In the area of commercial transactions, the Group's Parent Company, Edison Spa, sells natural gas and electric power to Edison Trading Spa and Edison Energia Spa, respectively, under special contracts that, taking into account the specific functions of the two buyer companies within the Group, provide the seller with adequate coverage of its fixed and variable costs. In addition, the rate earned on transactions involving intercompany current accounts is the Deposit Rate, while the rate paid is the Marginal Refinance Rate, both of which are determined by the European Central Bank.

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, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for December 2011 shows that the Group had a net credit toward the tax administration of about 60,742,000 euros.

Consolidated Corporate Income Tax (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 main subsidiaries expect to determine their corporate income tax liability in concert with Transalpina di Energia

Srl, the Group's controlling company, within the framework of the consolidated corporate income tax return. Special agreements govern the relationships between the filers of the consolidated return.
Please note that, due to amendments introduced in 2011, companies operating primarily in the sectors of hydrocarbon exploration and development, production and distribution, transmission or distribution of natural gas, and production and distribution of electric power, including power generated from renewable sources, are subject to a 6.5% corporate income tax (IRES) surcharge (increased to 10.5% for three years, from 2011 to 2013). The affected companies are required to pay the surcharge directly, even if they are included in the filing of a consolidated IRES return.

B) Transactions with Other Related Parties

In 2009, Edison Spa engaged in a number of commercial and financial transactions with some of its current shareholders and/or companies controlled by them. An overview of these transactions, which were carried out in the normal course of business based on contractual terms mutually agreed upon by the parties and consistent with regular market practices, is provided below.

1) Commercial Transactions

As shown in the summary schedule, these transactions refer mainly to revenues generated by sales of natural gas, electric power and transmission services and the rebilling of maintenance costs.

2) Financial Transactions

The main financial transactions in which certain significant parties played a substantial role are reviewed below:

- Banca Popolare di Milano provided Edison Spa with a 70-million-euro revocable line of credit. At December 31, 2011, about 51 million euros had been drawn against this credit line exclusively for sureties and this amount is listed among guarantees provided.
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds, which has been partially repaid in accordance with the amortization plan. At December 31, 2011, the outstanding balance was about 82 million euros. In addition Mediobanca is one of the banks that, on June 13, 2011, underwrote a senior unsecured credit line provided on a revolving, club-deal basis (total value of 700 million of euros). The entire amount attributable to Mediobanca (58 million euros) had been drawn down at December 31, 2011.
- A loan of about 6 million euros provided to the to EL.IT.E. Spa affiliate was repaid in full in 2011.

3) Other Transactions

There were no significant events requiring disclosure.

OTHER INFORMATION

Significant Nonrecurring Events and Transactions

Significant nonrecurring transactions executed in 2011 that require disclosure pursuant to Consob Communication No. DEM/6064293 of July 28, 2006 are listed below:

- 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, with a benefit of 115 million euros at the EBITDA level.
- On October 10, 2011, Edison sold the business operations comprised of the CET 2 and CET 3 thermoelectric power plants, for a consideration of about 164 million euros.
- Further to the agreements reached by its shareholders on December 26, 2011, Edison signed a preliminary agreement to sell its equity interest in Edipower at a price of about 600 million euros. This sales transactions, which is part of a more complex restructuring project that concerns Edison's control structure, is subject to certain conditions precedent. Given this context, albeit not final, the transaction was deemed to be "highly probable" and, consequently, the corresponding assets and liabilities were classified as "Held for sale," which had a negative economic effect of about 510 million euros, stemming mainly from a writedown of the equity investment's carrying amount to the corresponding realizable value.

Transactions Resulting from Atypical and/or Unusual Activities

In 2011, Edison did not execute atypical and/or unusual transactions, as defined in CONSOB Communication No. DEM/6064293 of July 28, 2006.

Treasury Shares

The Company held no treasury shares at December 31, 2011.

Compensation of Directors and Statutory Auditors, Stock Options Awarded to Directors and Equity Investments of Directors

For information concerning:

- he compensation of Directors and Statutory Auditors;
- stock options awarded to Directors;
- equity investments of Directors;

please consult the Annual Compensation Report.

SIGNIFICANT EVENTS OCCURRING SINCE DECEMBER 31, 2011

The Board of Directors Approves the Agreement in Principle to Restructure Edison and Edipower

On January 24, 2012, Edison's Board of Director, having heard the favorable opinion rendered by the alternative governance body equivalent to the Committee of Independent Directors, comprised of the independent Directors Gregorio Gitti and Gian Maria Gros-Pietro, based on the fairness opinions provided by Rothschild and Goldman Sachs, approved the agreement in principle to restructure Edison and Edipower executed by A2A, Delmi and EDF on December 26, 2011, each company within the scope of its jurisdiction, calling for the sale to Delmi of the equity interest held in Edipower and a contract for the sale of natural gas to Edipower.

Early Termination of the CIP 6/92 Contract for the CET3 Power Plant in Piombino

On February 7, 2012, Edison signed an agreement with the Electrical Services Manager (abbreviated as GSE in Italian) for a voluntary early termination of the CIP 6/92 contract for the CET3 power plant in Piombino, in accordance with the terms of the Ministry Decrees of December 2, 2009 and June 23, 2011. With this transaction, Edison completed the process of early termination of the CIP 6/92 contracts that started in 2010 and resulted in the early termination of CIP 6/92 contracts for the Jesi, Milazzo, Porto Viro. Porcari and Taranto CET 3 power plants. The termination will be effective as of January 1, 2013.

The Board of Directors Approves the Final Agreements to Restructure Edison and Edipower

On February 13, 2012, Edison's Board of Director, having heard the favorable opinion rendered by the alternative governance body equivalent to the Committee of Independent Directors, comprised of the independent Directors Gregorio Gitti and Gian Maria Gros-Pietro, approved the final agreements to restructure Edison and Edipower executed by A2A, Delmi and EDF, each company within the scope of its jurisdiction, calling for the sale to Delmi of the equity interest held in Edipower and a contract for the sale of natural gas to Edipower.

Milan, February 13, 2012

The Board of Directors
by Bruno Lescoeur
Chief Executive Officer

LIST OF EQUITY INVESTMENTS AT DECEMBER 31, 2011

The Rospo offshore platform in the Adriatic Sea.

LIST OF EQUITY INVESTMENTS

Company	Head office	Share capital Currency	Amount	Par value per share
A1. Equity Investments in Subsidiaries				
AMG Gas Srl	**(*) Palermo**			
Balance at 12.31.2010		Eur	100,000	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	100,000	-
Atema Ltd	**Dublin (Ireland)**			
Balance at 12.31.2010		Eur	1,500,000	0.50
Balance at 12.31.2011		Eur	1,500,000	0.50
Dolomiti Edison Energy Srl	**Trento**			
Balance at 12.31.2010		Eur	5,000,000	-
Balance at 12.31.2011		Eur	5,000,000	-
Ecofuture Srl (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	10,200	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	10,200	-
Edison D.G. Spa (single shareholder)	**(*) Selvazzano Dentro (PD)**			
Balance at 12.31.2010		Eur	460,000	1.00
Balance at 12.31.2011		Eur	460,000	1.00
Edison Energia Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	22,000,000	1.00
Merger by absorption of Eneco Energia Spa		Eur	-	-
Balance at 12.31.2011		Eur	22,000,000	1.00
Edison Energie Speciali Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	4,200,000	1.00
Balance at 12.31.2011		Eur	4,200,000	1.00
Edison Energie Speciali Calabria Spa (single shareholder)	**(*) Crotone**			
Balance at 12.31.2010		Eur	120,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	120,000	1.00
Edison Engineering Sa	**Athens (Greece)**			
Balance at 12.31.2010		Eur	260,001	3,00
Balance at 12.31.2011		Eur	260,001	3,00
Edison Hellas Sa	**Athens (Greece)**			
Balance at 12.31.2010		Eur	263,700	2.93
Balance at 12.31.2011		Eur	263,700	2.93
Edison Idrocarburi Sicilia Srl formerly ISE Srl (single shareholder)	**(*) Ragusa**			
Balance at 12.31.2010		Eur	10,000	-
Advance by shareholders on future capital contributions		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	10,000	-
Edison International Spa	**(*) Milan**			
Balance at 12.31.2010		Eur	75,000,000	1.00
Liquidation of Selm Holding - allocation of Edison International shares		Eur	-	-
Revaluation		Eur	-	-
Balance at 12.31.2011		Eur	75,000,000	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
80.000	80,000	25,100,000	-	25,100,000				
-	-	-	(800,000)	(800,000)				
80.000	80,000	25,100,000	(800,000)	24,300,000	5,545,070	4,436,056	1,959,035	1,567,228
100.000	3,000,000	1,381,681	-	1,381,681				
100.000	3,000,000	1,381,681	-	1,381,681	2,126,157	2,126,157	(31,456)	(31,456)
49.000	2,450,000	8,187,900	-	8,187,900				
49.000	2,450,000	8,187,900	-	8,187,900	19,944,729	9,772,917	2,255,501	1,105,195
100.000	10,200	688,801	(653,254)	35,547				
-	-	-	(10,668)	(10,668)				
100.000	10,200	688,801	(663,922)	24,879	24,879	24,879	(10,669)	(10,669)
100.000	460,000	38,512,802	-	38,512,802				
100.000	460,000	38,512,802	-	38,512,802	31,053,149	31,053,149	2,449,866	2,449,866
100.000	22,000,000	73,973,621	-	73,973,621				
-	-	9,470,898	(3,868,128)	5,602,770				
100.000	22,000,000	83,444,519	(3,868,128)	79,576,391	55,381,624	55,381,624	19,945,445	19,945,445
100.000	4,200,000	205,342,755	-	205,342,755				
100.000	4,200,000	205,342,755	-	205,342,755	131,734,150	131,734,150	6,515,322	6,515,322
100.000	120,000	120,000	-	120,000				
-	-	-	(32,330)	(32,330)				
100.000	120,000	120,000	(32,330)	87,670	87,811	87,811	(18,058)	(18,058)
100.000	86,667	260,001	-	260,001				
100.000	86,667	260,001	-	260,001	324,494	324,494	(83,969)	(83,969)
100.000	90,000	187,458	(8,000)	179,458				
100.000	90,000	187,458	(8,000)	179,458	312,007	312,007	(1,618)	(1,618)
100.000	10,000	10,000	(7,671)	2,329				
-	-	20,000	-	20,000				
-	-	-	(5,935)	(5,935)				
100.000	10,000	30,000	(13,606)	16,394	16,394	16,394	(5,935)	(5,935)
92.860	69,645,000	631,678,794	(311,000,000)	320,678,794				
7.140	5,355,000	24,643,000	-	24,643,000				
-	-	-	73,400,000	73,400,000				
100.000	75,000,000	656,321,794	(237,600,000)	418,721,794	418,721,794	418,721,794	83,346,947	83,346,947

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EGP Egyptian pound	USD U.S. dollar	LIT Italian lira	TRL Turkish lira		

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Edison International Holding NV	**Amsterdam (Netherlands)**			
Balance at 12.31.2010		Eur	50,000,000	1.00
Share capital increase		Eur	23,500,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	73,500,000	1.00
Edison Stoccaggio Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	81,497,301	1.00
Balance at 12.31.2011		Eur	81,497,301	1.00
Edison Trading Spa (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	30,000,000	1.00
Balance at 12.31.2011		Eur	30,000,000	1.00
Eneco Energia Spa	**(*) Bolzano**			
Balance at 12.31.2010		Eur	222,000	1.00
Merger by absorption into Edison Energia Spa		Eur	(222,000)	(1.00)
Balance at 12.31.2011		Eur	-	-
Euroil Exploration Ltd	**London (England)**			
Balance at 12.31.2010		GBP	9,250,000	1.00
Balance at 12.31.2011		GBP	9,250,000	1.00
Gever Spa (pledged shares)	**Milan**			
Balance at 12.31.2010		Eur	10,500,000	1,000.00
Balance at 12.31.2011		Eur	10,500,000	1,000.00
Edison Power Energy già Power Energy Srl (single shareholder)	**(*) Bolzano**			
Balance at 12.31.2010		Eur	50,000	-
Liquidation		Eur	(50,000)	-
Balance at 12.31.2011		Eur	-	-
Hydros Srl	**Bolzano**			
Balance at 12.31.2010		Eur	30,018,000	-
Balance at 12.31.2011		Eur	30,018,000	-
Jesi Energia Spa	**(*) Milan**			
Balance at 12.31.2010		Eur	5,350,000	1.00
Balance at 12.31.2011		Eur	5,350,000	1.00
Montedison Srl (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	2,583,000	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	2,583,000	-
Nuova Alba Srl (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	2,016,457	-
Advance by shareholders on future capital contributions		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	2,016,457	-
Nuova C.I.S.A. Spa in liquidation (single shareholder)	**(*) Milan**			
Balance at 12.31.2010		Eur	1,549,350	1.00
Balance at 12.31.2011		Eur	1,549,350	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
100.000	50,000,000	199,137,200	(11,354,934)	187,782,266				
-	23,500,000	26,550,000	-	26,550,000				
-	-	-	(27,100,000)	(27,100,000)				
100.000	73,500,000	225,687,200	(38,454,934)	187,232,266	171,887,268	171,887,268	(7,668,320)	(7,668,320)
100.000	81,497,301	81,497,301	-	81,497,301				
100.000	81,497,301	81,497,301	-	81,497,301	119,292,169	119,292,169	17,193,686	17,193,686
100.000	30,000,000	30,000,000	-	30,000,000				
100.000	30,000,000	30,000,000	-	30,000,000	313,228,020	313,228,020	91,157,500	91,157,500
100.000	222,000	9,470,898	(3,868,128)	5,602,770				
(100.000)	(222,000)	(9,470,898)	3,868,128	(5,602,770)				
-	-	-	-	-	-	-	-	-
0.000	1	950	-	950				
0.000	1	950	-	950	11,337,808	-	37,406	-
51.000	5,355	24,055,699	(13,500,000)	10,555,699				
51.000	5,355	24,055,699	(13,500,000)	10,555,699	26,642,089	13,587,465	4,581,013	2,336,317
100.000	-	70,000	(45,981)	24,019				
(100.000)	-	(70,000)	45,981	(24,019)				
-	-	-	-	-	-	-	-	-
40.000	12,007,200	33,379,456	-	33,379,456				
40.000	12,007,200	33,379,456	-	33,379,456	95,608,502	38,243,401	10,307,004	4,122,802
70.000	3,745,000	15,537,145	-	15,537,145				
70.000	3,745,000	15,537,145	-	15,537,145	74,417,741	52,092,419	67,948,299	47,563,809
100.000	2,583,000	68,760,329	(66,417,313)	2,343,016				
-	-	-	(1,729,724)	(1,729,724)				
100.000	2,583,000	68,760,329	(68,147,037)	613,292	613,292	613,292	(1,729,724)	(1,729,724)
100.000	2,016,457	24,608,550	(23,175,375)	1,433,175				
-	-	990,000	-	990,000				
-	-	-	(652,298)	(652,298)				
100.000	2,016,457	25,598,550	(23,827,673)	1,770,877	1,770,877	1,770,877	(652,298)	(652,298)
100.000	1,549,350	3,500,109	(1,086,596)	2,413,513				
100.000	1,549,350	3,500,109	(1,086,596)	2,413,513	4,341,926	4,341,926	(254,203)	(254,203)

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Presenzano Energia Srl (single shareholder)	**Milan**			
Balance at 12.31.2010		Eur	120,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	120,000	1.00
Sarmato Energia Spa	**Milan**			
Balance at 12.31.2010		Eur	14,420,000	1.00
Acquisition		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	14,420,000	1.00
Selm Holding International Sa in liquidation	**Luxembourg**			
Balance at 12.31.2010		Eur	24,000,000	120.00
Liquidation		Eur	(24,000,000)	(120.00)
Balance at 12.31.2011		Eur	-	-
Sistemi di Energia Spa	**(*) Milan**			
Balance at 12.31.2010		Eur	10,083,205	1.00
Balance at 12.31.2011		Eur	10,083,205	1.00
Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)	**Rome**			
Balance at 12.31.2010		Lit	300,000,000	10,000.00
Balance at 12.31.2011		Lit	300,000,000	10,000.00
Termica Cologno Srl	**(*) Milan**			
Balance at 12.31.2010		Eur	9,296,220	-
Balance at 12.31.2011		Eur	9,296,220	-
Termica Milazzo Srl	**(*) Milan**			
Balance at 12.31.2010		Eur	23,241,000	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	23,241,000	-
Total A1. Equity investments in subsidiaries				

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost [1]	Revaluations (Writedowns)	Net carrying value [1]	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
90.000	108,000	108,000	(29,872)	78,128				
-	-	-	(57,667)	(57,667)				
90.000	108,000	108,000	(87,539)	20,461	22,734	20,461	(55,394)	(49,855)
55.000	7,931,000	32,180,341	(25,200,000)	6,980,341				
45.000	6,489,000	3,375,000	-	3,375,000				
-	-	-	(10,355,341)	(10,355,341)				
100.000	14,420,000	35,555,341	(35,555,341)	-	(25,091,668)	(25,091,668)	(19,306,881)	(19,306,881)
100.000	200,000	247,753,455	(211,036,223)	36,717,232				
(100.000)	(200,000)	(247,753,455)	211,036,223	(36,717,232)				
-	-	-	-	-	-	-	-	-
86.122	8,683,858	4,249,906	4,150,094	8,400,000				
86.122	8,683,858	4,249,906	4,150,094	8,400,000	9,852,411	8,485,093	2,155,011	1,855,939
59.333	17,800	1	-	1				
59.333	17,800	1	-	1	-	-	-	-
65.000	6,042,543	6,069,782	-	6,069,782				
65.000	6,042,543	6,069,782	-	6,069,782	13,935,074	9,057,798	2,935,348	1,907,976
60.000	13,944,600	69,957,191	-	69,957,191				
-	-	-	(18,700,000)	(18,700,000)				
60.000	13,944,600	69,957,191	(18,700,000)	51,257,191	60,484,191	36,290,515	16,888,190	10,132,914
		1,643,534,671	**(438,195,012)**	**1,205,339,659**				

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EGP Egyptian pound | USD U.S. dollar | LIT Italian lira | TRL Turkish lira

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
A2. Equity Investments in Joint Ventures (°) and Affiliated Companies				
Coniel Spa in liquidation	**Rome**			
Balance at 12.31.2010		Eur	1,020	0.51
Balance at 12.31.2011		Eur	1,020	0.51
EL.I.T.E. Spa	**(*) Milan**			
Balance at 12.31.2010		Eur	3,888,500	1.00
Balance at 12.31.2011		Eur	3,888,500	1.00
Eta 3 Spa	**Arezzo**			
Balance at 12.31.2010		Eur	2,000,000	1.00
Balance at 12.31.2011		Eur	2,000,000	1.00
Ibiritermo Sa (pledged shares)	**Ibiritè (Brazil)**			
Balance at 12.31.2010		BRL	7,651,814	1.00
Balance at 12.31.2011		BRL	7,651,814	1.00
Inica Sarl in liquidation	**Lisbon (Portugal)**			
Balance at 12.31.2010		PTE	1,000,000	-
Balance at 12.31.2011		PTE	1,000,000	-
International Water Holdings Bv	**Amsterdam (Netherlands)**			
Balance at 12.31.2010		Eur	40,000	10.00
Liquidation		Eur	(40,000)	(10.00)
Balance at 12.31.2011		Eur	-	-
Kraftwerke Hinterrhein (KHR) Ag	**Thusis (Switzerland)**			
Balance at 12.31.2010		CHF	100,000,000	1,000.00
Balance at 12.31.2011		CHF	100,000,000	1,000.00
Sel-Edison Spa	**Castelbello (BZ)**			
Balance at 12.31.2010		Eur	84,798,000	1.00
Balance at 12.31.2011		Eur	84,798,000	1.00
Società per lo sviluppo la partecipazione del Gasdotto Algeria-Italia - Galsi Spa	**Milan**			
Balance at 12.31.2010		Eur	37,242,300	1.00
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	37,242,300	1.00
Syremont Spa	**Messina**			
Balance at 12.31.2010		Eur	1,250,000.00	1.00
Balance at 12.31.2011		Eur	1,250,000.00	1.00
Utilità Spa	**Milan**			
Balance at 12.31.2010		Eur	2,307,692	1.00
Disposal		Eur	(2,307,692)	(1.00)
Balance at 12.31.2011		Eur	-	-
Total A2. Equity investments in affiliated companies				
Total A. Equity investments				

A2. Equity Investments in Joint Ventures and Affiliated Companies

Discontinued Operation

Company	Head office	Currency	Amount	Par value per share
Edipower Spa	**Milan**			
Balance at 12.31.2010		Eur	1,441,300,000	1.00
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	1,441,300,000	1.00

(1) Amounts in euros.
(*) Company over which Edison Spa exercises management and coordination authority.

% interest held in share capital	No. of shares or face value of capital interests held	Cost [1]	Revaluations (Writedowns)	Net carrying value [1]	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
35.250	705	308	-	308				
35.250	705	308	-	308	-	-	-	-
48.450	1,883,940	1,883,940	-	1,883,940				
48.450	1,883,940	1,883,940	-	1,883,940	-	-	-	-
33.013	660,262	660,262	-	660,262				
33.013	660,262	660,262	-	660,262	-	-	-	-
50.000	3,825,907	1,161,904	-	1,161,904				
50.000	3,825,907	1,161,904	-	1,161,904	43,314,807	21,657,403	17,213,108	8,606,554
20.000	200,000	1	-	1				
20.000	200,000	1	-	1	-	-	-	-
50.000	2,000	20,858,497	(20,858,496)	1				
(50.000)	(2,000)	(20,858,497)	20,858,496	(1)				
-	-	-	-	-	-	-	-	-
20.000	20,000	11,362,052	-	11,362,052				
20.000	20,000	11,362,052	-	11,362,052		-		-
42.000	35,615,160	35,615,160	-	35,615,160				
42.000	35,615,160	35,615,160	-	35,615,160	4,704,515	1,975,896	735,182	308,776
20.809	7,749,845	21,047,121	(2,920,000)	18,127,121				
-	-	-	(400,000)	(400,000)				
20.809	7,749,845	21,047,121	(3,320,000)	17,727,121	-	-	-	-
24.000	300,000	400	-	400				
24.000	300,000	400	-	400	-	-	-	-
35.000	807,692	807,692	-	807,692				
(35.000)	(807,692)	(807,692)	-	(807,692)				
-	-	-	-	-	-	-	-	-
		71,731,148	**(3,320,000)**	**68,411,148**				
		1,715,265,819	**(441,515,012)**	**1,273,750,807**				
50.000	720,650,000	1,066,368,322	-	1,066,368,322				
-	-	-	(466,368,322)	(466,368,322)				
50.000	720,650,000	1,066,368,322	(466,368,322)	600,000,000	2,080,752,021	1,040,376,011	44,895,000	22,447,500

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CHF Swiss franc	EUR euro	NLG Dutch guilder	PTE Portuguese escudo	BRL Brazilian real	GBP British pound
EGP Egyptian pound	USD U.S. dollar	LIT Italian lira	TRL Turkish lira		

LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
B. Equity Investments Held for Sale				
Aquapur Multiservizi Spa	**Porcari (Lu)**			
Balance at 12.31.2010		Eur	1,073,677	5.16
Balance at 12.31.2011		Eur	1,073,677	5.16
Cerset Srl	**Bari**			
Balance at 12.31.2010		Eur	117,088	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	117,088	-
Cesi Spa	**Milan**			
Balance at 12.31.2010		Eur	8,550,000	2.50
Disposal		Eur	(8,550,000)	(2.50)
Balance at 12.31.2011		Eur	-	-
Compagnia Paramatti Finanziaria Spa	**Milan**			
Balance at 12.31.2010 - common shares		Lit.	268,611,102	3.00
Balance at 12.31.2011 - common shares		Lit.	268,611,102	3.00
Consorzio Industriale Depurazione	**Lucca**			
Balance at 12.31.2010		Eur	45,965	-
Balance at 12.31.2011		Eur	45,965	-
Costruttori Romani Riuniti Spa	**Rome**			
Balance at 12.31.2010		Eur	3,274,429	8,186.07
Balance at 12.31.2011		Eur	3,274,429	8,186.07
Emittenti Titoli Spa	**Milan**			
Balance at 12.31.2010		Eur	4,264,000	0.52
Balance at 12.31.2011		Eur	4,264,000	0.52
European Energy Exchange Ag - EEX	**Leipzig (Germany)**			
Balance at 12.31.2010		Eur	40,050,000	1.00
Balance at 12.31.2011		Eur	40,050,000	1.00
Finligure Spa (in bankruptcy)	**Genoa**			
Balance at 12.31.2010		Lit.	6,261,874,080	3.135
Balance at 12.31.2011		Lit.	6,261,874,080	3.135
Fornara Spa in liquidation	**Turin**			
Balance at 12.31.2010 - preferred shares		Eur	52,375,700	0.26
Balance at 12.31.2011 - preferred shares		Eur	52,375,700	0.26
Istituto Europeo di Oncologia Srl	**Milan**			
Balance at 12.31.2010		Eur	80,579,007	-
Balance at 12.31.2011		Eur	80,579,007	-
Istituto Immobiliare di Catania Istica Spa	**Catania**			
Balance at 12.31.2010		Eur	7,700,001	3.10
Disposal		Eur	(7,700,001)	(3.10)
Balance at 12.31.2011		Eur	-	-
I.SV.E.UR. Spa	**Rome**			
Balance at 12.31.2010		Eur	2.500.000	1.000,00
Balance at 12.31.2011		Eur	2.500.000	1.000,00

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost (1)	Revaluations (Writedowns)	Net carrying value (1)	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
0.275	573	1	-	1				
0.275	573	1	-	1				
0.060	70.380	222	-	222				
-	-	-	(166)	(166)				
0.060	70.380	222	(166)	56				
1.055	36,065	142,910	-	142,910				
(1.055)	(36,065)	(142,910)	-	(142,910)				
-	-	-	-	-				
0.004	3,992	1	-	1				
0.004	3,992	1	-	1				
7.303	3,357	1	-	1				
7.303	3,357	1	-	1				
0.500	2	25,823	(25,822)	1				
0.500	2	25,823	(25,822)	1				
3.890	319,000	164,263	-	164,263				
3.890	319,000	164,263	-	164,263				
0.757	303,106	680,500	-	680,500				
0.757	303,106	680,500	-	680,500				
0.035	700	1	-	1				
0.035	700	1	-	1				
-	63	77	(76)	1				
-	63	77	(76)	1				
4.284	3,451,632	4,074,528	(550,686)	3,523,842				
4.284	3,451,632	4,074,528	(550,686)	3,523,842				
0.046	1,150	1	-	1				
(0.046)	(1,150)	(1)	-	(1)				
-	-	-	-	-				
1.000	25	5,620	-	5,620				
1.000	25	5,620	-	5,620				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital Currency	Amount	Par value per share
MB Venture Capital Fund I Participating Comp e Nv in liquidation	**Amsterdam (Netherlands)**			
Balance at 12.31.2010		Eur	50,000	-
Distribution of reserves		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	50,000	-
Mandelli Spa (under extraordinary administration)	**Piacenza**			
Balance at 12.31.2010		Eur	10,200,000	0.51
Balance at 12.31.2011		Eur	10,200,000	0.51
Nomisma - Società di studi economici Spa	**Bologna**			
Balance at 12.31.2010		Eur	5,345,328	0.37
Share capital reduction		Eur	(674,963)	-
Share capital increase		Eur	1,935,464	-
Balance at 12.31.2011		Eur	5,345,328	0.32
Orione - Soc. Ind. per Sic. e Vig. Cons. per Azioni	**Turin**			
Balance at 12.31.2010		Eur	120,000	1.00
Balance at 12.31.2011		Eur	120,000	1.00
Pro.Cal Scrl (in bankruptcy)	**Naples**			
Balance at 12.31.2010		Lit	500,000,000	-
Balance at 12.31.2011		Lit	500,000,000	-
Prometeo Spa	**Osimo (AN)**			
Balance at 12.31.2010		Eur	2,292,436	1.00
Balance at 12.31.2011		Eur	2,292,436	1.00
RCS Mediagroup Spa	**Milan**			
Balance at 12.31.2010:				
- common shares		Eur	732,669,457	1.00
- savings shares		Eur	29,349,593	1.00
		Eur	762,019,050	1.00
Mark to market:				
- common shares		Eur	-	-
- savings shares		Eur	-	-
		Eur	-	-
Balance at 12.31.2011:				
- common shares		Eur	732,669,457	1.00
- savings shares		Eur	29,349,593	1.00
		Eur	762,019,050	1.00
Reggente Spa	**Lucera (FG)**			
Balance at 12.31.2010		Eur	260,000	0.52
Balance at 12.31.2011		Eur	260,000	0.52
Sirio - Sicurezza Industriale Scpa - Sirio Scpa	**Turin**			
Balance at 12.31.2010		Eur	120,000	1.00
Balance at 12.31.2011		Eur	120,000	1.00
Sistemi Formativi Confindustria Scpa	**Rome**			
Balance at 12.31.2010		Eur	236,022	516.46
Disposal		Eur	(236,022)	(516.46)
Balance at 12.31.2011		Eur	-	-

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost [1]	Revaluations (Writedowns)	Net carrying value [1]	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
7.000	3,500	3,021,823	(2,529,385)	492,438				
-	-	(291,122)	-	(291,122)				
-	-	-	(201,315)	(201,315)				
7.000	3,500	2,730,701	(2,730,700)	1				
-	11	13	(12)	1				
-	11	13	(12)	1				
2.215	320,000	479,473	(372,000)	107,473				
-	-	-	-	-				
-	-	-	-	-				
1.566	320,000	479,473	(372,000)	107,473				
0.218	261	261	-	261				
0.218	261	261	-	261				
4.348	21,739,000	11,228	(11,227)	1				
4.348	21,739,000	11,228	(11,227)	1				
17.760	407,136	451,289	-	451,289				
17.760	407,136	451,289	-	451,289				
1.065	7,801,918	31,163,484	(23,143,113)	8,020,371				
-	-	-	-	-				
1.024	7,801,918	31,163,484	(23,143,113)	8,020,371				
-	-	-	(2,746,275)	(2,746,275)				
-	-	-	-	-				
-	-	-	(2,746,275)	(2,746,275)				
1.065	7,801,918	31,163,484	(25,889,338)	5,274,096				
-	-	-	-	-				
1.024	7,801,918	31,163,484	(25,889,338)	5,274,096				
5.209	26,043	13,450	-	13,450				
5.209	26,043	13,450	-	13,450				
0.259	311,00	27	-	27				
0.259	311,00	27	-	27				
6.565	30	15,494	-	15,494				
(6.565)	(30)	(15,494)	-	(15,494)				
-	-	-	-	-				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share
Sistema Permanente di Servizi Spa (in bankruptcy)	**Rome**			
Balance at 12.31.2010		Eur	154,950	51.65
Balance at 12.31.2011		Eur	154,950	51.65
Terminale GNL Adriatico Srl	**Milan**			
Balance at 12.31.2010		Eur	200,000,000	-
Disposal		Eur	-	-
Reimbursement of advance on future capital contributions		Eur	-	-
Writedown		Eur	-	-
Balance at 12.31.2011		Eur	200,000,000	-
3 R Associati Srl in liquidation	**Bergamo**			
Balance at 12.31.2010		Eur	10,000	-
Dissolution		Eur	(10,000)	-
Balance at 12.31.2011		Eur	-	-
Total B. Equity investments held for sale				

(1) Amounts in euros.

% interest held in share capital	No. of shares or face value of capital interests held	Cost [(1)]	Revaluations (Writedowns)	Net carrying value [(1)]	Sharehold. equity in last fin. statements	Pro-rata interest in sharehold. equity	Net profit in last fin. statements	Pro-rata interest in net profit
12.600	378	1	-	1				
12.600	378	1	-	1				
10.000	20,000,000	278,444,481	-	278,444,481				
(2.703)	(5,406,000)	(73,101,143)	-	(73,101,143)				
-	-	(11,648,550)	-	(11,648,500)				
-	-	-	(6,174,950)	(6,174,950)				
7.297	14,594,000	193,694,838	(6,174,950)	187,519,888				
0.180	17,98	387,343	(387,342)	1				
(0.180)	(17,98)	(387,343)	387,342	(1)				
-	-	-	-	-				
		233,495,802	**(35,755,027)**	**197,740,775**				

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LIST OF EQUITY INVESTMENTS (continued)

Company	Head office	Share capital		
		Currency	Amount	Par value per share

C. Equity Investments Held for Trading

Company	Head office	Currency	Amount	Par value per share
Acegas - APS Spa	**Trieste**			
Balance at 12.31.2010		Eur	283,690,763	5.16
Mark to market		Eur	-	-
Balance at 12.31.2011		Eur	283,690,763	5.16
ACSM - AGAM Spa	**Monza**			
Balance at 12.31.2010		Eur	76,619,105	1.00
Mark to market		Eur	-	-
Balance at 12.31.2011		Eur	76,619,105	1.00
American Superconductor Corp.	**Devens (United States)**			
Balance at 12.31.2010		Usd	507,017	0.01
Share capital increase		Usd	1,670	-
Mark to market		Usd	-	-
Balance at 12.31.2011		Usd	508,867	0.01
Total C. Equity investments held for trading				

% interest held	No. of shares or capital interests held	Cost	Mark to market	Net carrying value
1.295	712,000	7,466,306	(4,824,786)	2,641,520
-	-	-	(307,584)	(307,584)
1.295	712,000	7,466,306	(5,132,370)	2,333,936
1.942	1,488,000	5,360,000	(3,726,176)	1,633,824
-	-	-	(665,136)	(665,136)
1.942	1,488,000	5,360,000	(4,391,312)	968,688
0.316	160,000	4,975,111	(1,551,672)	3,423,439
-	-	-	-	-
-	-	-	(2,967,144)	(2,967,144)
0.315	160,000	4,975,111	(4,518,816)	456,295
		17,801,417	**(14,042,498)**	**3,758,919**

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CERTIFICATION OF THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF MAY 14, 1999, AS AMENDED

1. We, the undersigned Bruno Lescoeur, in my capacity as "Chief Executive Officer," and Massimiliano Masi, 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 Statutory Financial Statements for the period from January 1, 2011 to December 31, 2011:

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

2. We further certify that:

   2.1. the Statutory Financial Statements:

   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 accounting records and other corporate documents;
   c) provide a truthful and fair presentation of the balance sheet, income statement and financial position of the issuer;

   2.2. the Report on Operations includes a reliable analysis of the Group performance and results from operations and of the position of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Milan, February 13, 2011

Chief Executive Officer

Bruno Lescoeur

Il Dirigente Preposto alla redazione
dei documenti contabili societari
Massimiliano Masi

REPORT OF THE INDEPENDENT AUDITORS

Detail of a thermoelectric power plant.

Deloitte.

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

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

AUDITORS' REPORT ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

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

1. We have audited the financial statements of Edison S.p.A. (the "Company"), comprising the income statement, the other components of the comprehensive income statement, the balance sheet, the cash flow statement, the statement of changes in shareholders' equity as of December 31, 2011 and the related notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the notes to the financial statements, the Directors have reclassified certain comparative data related to the prior year's financial statements with respect to the figures previously reported and audited by other auditors, on which they issued their auditors' reports dated April 4, 2011.These reclassifications of comparative data and related disclosures included in the notes to the financial statements have been audited by us for the purpose of expressing our opinion on the financial statements as of December 31, 2011.

3. In our opinion, the financial statements give a true and fair view of the financial position of Edison S.p.A. as of December 31, 2011, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. As indicated by the Directors in the report on operations and in the notes to the statutory financial statements, as part of the agreement for the reorganization of Edison and Edipower reached by Edison's shareholders A2A, Electricité de France and Delmi and Edison itself, the Company has defined an agreement for the sale of a 50% interest in Edipower's share capital to Delmi and a contract for the supply of natural gas to Edipower for a period of six years which would cover at least 50% of Edipower's needs. These agreements are transactions between related parties and their finalization is conditional upon, inter alia, the approval of the relevant antitrust authorities and the confirmation by CONSOB, whose assessments and scrutiny are still underway, that the public tender offer by Electricité de France for Edison's shares will be carried out at a price not exceeding Euro 0.84 per share. In this context, the sale of Edipower was deemed to be "highly probable" by the Company and, consequently, was presented in the financial statements as a discontinued operation, giving disclosure of its economic and financial effects.

5. The Directors of Edison S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the statutory financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the statutory financial statements of Edison S.p.A. as of December 31, 2011.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Milan, Italy
March 9, 2012

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

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

Editorial coordination
External Relations and Communications Department

Art direction by
In Pagina, Saronno

Photographs by
Archivio Edipower
Archivio Edison
Renato Cerisola
Eye Studio
Alberto Novelli
Fabrizio Villa

Printed by
Grafiche Mariano, Mariano Comense

Milan, April 2012

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

Edison Spa
31 Foro Buonaparte
20121 Milan, Italy

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

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