

Directors' Report with proposals

SHAREHOLDERS' MEETING, APRIL 26-27, 2011

BOARD OF DIRECTORS

Dear Shareholders,

upon approval of 2010 financial statements the mandate of the Directors currently in office will lapse for expiry.

Therefore, the Shareholders' Meeting is asked to appoint the Board of Directors, according to the terms and provisions of article 14 of the by-laws. On this regard it is specified that, in order to allow the presence of a Director elected by minority shareholders as member of the Board of Directors, Directors may be elected based on slates filed by shareholders who – considering the market capitalization – represent in aggregate at least 1% of the shares giving right to vote at the ordinary Shareholders' Meeting.

Please note that the by-laws prescribe that the Board will comprise **thirteen** Directors if slates by minority shareholders are voted; if not so, the Board will comprise **twelve** members. At present the Board is composed of thirteen Directors, as minority shareholders filed and voted a slate.

Consequently, the number of Directors elected at the next Shareholders' Meeting will depend on whether slates are filed and voted by minority shareholders.

The by-laws also prescribe that Directors will remain in office for three financial years, unless the Shareholders' Meeting sets a shorter duration for the Board of Directors when it is appointed, and their mandate will expire the day of the Shareholders' Meeting convened to approve the financial statements of their last year of office. Thus, the Shareholders' Meeting may also resolve on the matter
The Board of Directors proposes to determine in one fiscal year the duration of the directors' mandate.

The Shareholders' Meeting will also appoint a Chairman who, as prescribed in the by-laws, will be identified among the Directors marked with odd numbers in the slate filed by the controlling shareholder.

Finally, as far as compensations to the Board of Directors are concerned, the by-laws prescribe that they will be determined by the Shareholders' Meeting, which will therefore resolve on the matter. At present every Director is paid a fixed compensation amounting to 45,000 euros per year and a token equalling 1,800 euros for each Board or Committee meeting attended. Please note that the following Committees are currently operating within the Board: Internal Audit Committee, Remuneration Committee, Strategic Committee and Independent Committee.

The Board of Directors proposes to maintain the overall current level of remuneration of the Board members, taking into account that the amount of said remuneration was revised by the shareholders' meeting of last year.

Filing of slates

The Shareholders' Meeting will be asked to resolve on filed slates, with the procedures and the terms stated in article 14 of the by-laws, thus at least twenty-five days before the Shareholders' Meeting date, in accordance with the procedure published on the Company's website.

Only shareholders who, alone or together with other shareholders, own in aggregate at least no. 51,811,083 common shares will be entitled to file a slate.

The by-laws prescribe that Directors will meet the requirements set forth by law and regulations on the matter and at least two of them also meet the independence requirements prescribed by applicable legislative and regulatory provisions (see article 148 of the Consolidating Finance Act). Moreover, as the Company declared to apply the Self-Regulatory Code promoted by Borsa Italiana, independent Directors will also certify whether they meet the independence criteria provided by this Code.

The Directors currently in office may be elected again.

Disclosure of appointment proposals

At least twenty-one days before the Shareholders' Meeting the Company will make available to the public, on Edison and Borsa Italiana websites (by NIS), the slates of candidates filed by shareholders and provided with:

- 1) Statement of nomination acceptance;
- 2) curriculum vitae with exhaustive information on the candidates' personal and professional features, with specification of management and control tasks in other companies;
- 3) statement that independence requirements are met;
- 4) specification of the names of the shareholders who filed the slates and the total shareholding percentage;
- 5) statement by shareholders, other than controlling or majority shareholders, attesting that they are not linked one with the other, directly or indirectly.

Voting procedures

The vote cast by every shareholder will concern the slate as a whole according to the order provided therein.

Directors will be appointed as follows:

- (a) The first twelve Directors, taken in the consecutive order in which they are listed on the slate, will be drawn from the slate that received an absolute majority of the votes, without prejudice to the provisions below;
- (b) one Director will be drawn from the slate that, among all of the slates other than the slate referred to in letter (a) above, received the highest number of votes and was filed or voted by entitled shareholders who are not linked in any way, directly or indirectly, with the entitled shareholders who filed or voted for the slate that ranked first in terms of votes received, selecting the candidate who is listed first consecutively among the slate's candidates.

In compliance with the by-laws, on the first calling (also in the event of runoff ballots) the elections of the majority slate will also require the favourable vote of shareholders representing at least half of the Company's common shares. If on the first calling the slate referred to in letter a) above fails to garner the favourable vote of shareholders representing at least half of the Company's common shares, no Director, including the Director that should be taken from the minority slates, will be elected upon the first calling.

If only one slate is filed, the Shareholders' Meeting will vote this slate and if the slate receives an absolute majority of the votes cast and, on the first calling, the favourable vote of shareholders representing at least half of the Company's common shares, all of the twelve candidates listed on that slate will be elected.

If no slate is filed the provisions of the Italian Civil Code will apply and the Shareholders' Meeting will pass resolutions by an absolute majority of the votes cast, it being understood that on the first calling the favourable vote of shareholders representing at least half of the Company's common shares will be required, and the Board of Directors will comprise the twelve Directors elected by the Shareholders' Meeting.

Disclosure of Directors' election

The Company will inform the public immediately, by notice spread by NIS and published on the website, of the Directors' appointment specifying:

- . the slate from which each member of the Board of Directors was elected, specifying whether it was a slate filed or voted by majority or minority shareholders;
- . the Directors who declared to meet independence requirements;
- . the assessment made by the Board of Directors on compliance with independence requirements (also with notice issued later).

That having been said, the Shareholders' Meeting is asked to pass the following resolutions:

RESOLUTION ONE

Voting of the slates of candidates filed.

Each entitled shareholder will vote for only one of the filed slates.

RESOLUTION TWO

Appointment of the Chairman of the Board of Directors, chosen among the candidates marked with odd numbers in the slate voted by the majority shareholder.

RESOLUTION THREE

Determination of the Directors' term of office: The Board of Directors proposes to determine in one fiscal year the duration of the directors' mandate.

RESOLUTION FOUR

Determination of the compensation to the whole Board of Directors: The Board of Directors proposes to maintain the overall current level of remuneration.

BOARD OF STATUTORY AUDITORS

Dear Shareholders,

upon approval of 2010 financial statements the mandate of the Statutory Auditors currently in office will lapse for expiry.

Therefore, the Shareholders' Meeting is asked to appoint the Board of Statutory Auditors, according to the terms and provisions of article 22 of the by-laws. On this regard it is specified that, in order to allow the presence of a Statutory Auditor elected by minority shareholders as member of the Board of Statutory Auditors, Statutory Auditors may be elected based on slates filed by shareholders who – considering the market capitalization – represent in aggregate at least 1% of the shares giving right to vote at the ordinary Shareholders' Meeting.

The by-laws prescribe that the Board of Statutory Auditors will comprise three Regular Statutory Auditors and three Substitute Statutory Auditors, who will meet the independence, honourability and professionalism requirements set forth by the applicable legislation.

The Chairman of the Board of Statutory Auditors will be the Regular Statutory Auditor drawn from the minority slate, as identified below.

The Board of Statutory Auditors will remain in office for three financial years, thus until approval of the financial statements at December 31, 2013.

The Shareholders' Meeting will also resolve on the compensation to the Board of Statutory Auditors.

Please note that, as far as the annual compensation to the Board of Statutory Auditors is concerned, the past Shareholders' Meeting set 60,000 euros as compensation to the Chairman and 40,000 euros as compensation to every Regular Statutory Auditor. The Board of Directors proposes to maintain the overall current level of remuneration

Filing of slates

The Shareholders' Meeting will be asked to resolve on the filed slates with the terms and procedures stated in article 22 of the by-laws, thus at least twenty-five days before the Shareholders' Meeting date, in accordance with the procedure published on the Company's website.

In the event that by this date no slate has been filed, only one slate has been filed or only slates submitted by linked shareholders have been filed, the slates filing deadline will be extended for three days.

Only shareholders who, alone or together with other shareholders, the day when the slate is filed at the Company hold a number of shares equal in the aggregate to at least 51,811,083 common shares will have the right to file a slate. The slate filing percentage will be reduced to 0.5% of the common shares giving right to vote, equalling 25,905,543 common shares, if the above assumptions for the extension of the slates filing deadline are met.

The by-laws prescribe that individuals who already hold the maximum allowable number of posts in a management or control body, as determined in accordance with the applicable legislation, or who fail to meet the requirements of independence, professionalism and honourability required by the applicable legislation, and who would otherwise be unfit for election or be required to resign under the applicable laws and regulations, may not be listed on a slate and, if elected, must forfeit their office.

The candidates listed on the slates must also meet the following professional requirements:

- at least 1 (one) of the candidates for the post of Regular Statutory Auditor and at least 1 (one) of the candidates for the post of Substitute Statutory Auditor must be listed in the Register of Auditors and must have exercised a statutory auditing function for at least 3 (three) years;
- the remaining candidates, if they do not meet the requirements listed in the previous section, must have at least three years' uninterrupted experience as:
- managers of administration, finance and control departments of publicly traded companies;
- professionals or teachers at the university level in the fields of law, economics, finance or energy-related technologies and science;
- managers of public agencies or public administrations in the energy field.

Moreover, as the Company declared to apply the Self-Regulatory Code promoted by Borsa Italiana, Statutory Auditors will also certify whether they meet the independence criteria provided by this Code.

Outgoing Statutory Auditors may be elected again.

Disclosure of appointment proposals

At least twenty-one days before the Shareholders' Meeting the Company will make available to the public, on Edison and Borsa Italiana websites (by NIS), the slates of candidates filed by shareholders and provided with:

- information on the identity of the shareholders who filed them, specifying their total shareholding and a certification of the shareholding ownership;
- statement by shareholders other than those who hold, also in aggregate, a controlling shareholding in the Company, attesting that there are no links with those shareholders, directly or indirectly;
- *curricula vitae* with exhaustive information on the personal and professional features of each candidate (with specification of management and control tasks in other companies);
- statements by which the single candidates accept the nomination and attest that there are no issues that would make them incompatible or unelectable or would cause them to be removed from office and that they meet the requirements pursuant to law and the by-laws.

Failure to file the slates by the deadline of twenty-five days before the Shareholders' Meeting date will lead the Company to issue a press release, specifying that the deadline has been extended for 3 days and that the slates filing percentage has been reduced to 0.5%.

Voting procedures

The vote cast by every shareholder will concern the slate as a whole, according to the order stated therein.

Without prejudice to the provisions below, the election of Statutory Auditors will be carried out as follows:

- (a) two Regular Statutory Auditors and two Substitute Statutory Auditors will be taken from the slate that received an absolute majority of the votes cast, in the consecutive order in which they are listed on the corresponding sections of the slate;
- (b) a Regular Statutory Auditor and a Substitute Statutory Auditor will be drawn, in the consecutive order in which they are listed on the corresponding sections of the slate, from the slate that, among all of the slates other than the slate referred to in letter (a) above, received the highest number of votes and was filed or voted by shareholders who are not linked in any way, directly or indirectly, with the shareholders who filed or voted for the slate that ranked first in terms of votes received.

If only one slate has been filed or if no slate has been filed, the provisions of the Italian Civil Code will be followed and the Shareholders' Meeting will approve resolutions with an absolute majority of the votes. Only those who have provided or updated, by the Shareholders' Meeting date, the documents and certifications required by the by-laws and the legislation in force can be proposed as candidates.

Disclosure of the Board of Statutory Auditors election

In any case the Company will inform the public immediately, by notice spread by NIS and published on its website, of the appointment of the Board of Statutory Auditors, specifying the slate from which each member of the Board of Statutory Auditors was elected, specifying whether it was a slate filed or voted by majority or minority shareholders.

That having been said, the Shareholders' Meeting is asked to pass the following resolutions.

RESOLUTION ONE

Voting of the slates of candidates filed with the terms and procedures stated in article 22 of the by-laws and disclosed in compliance with the provisions in force, election of regular and Substitute Statutory Auditors and appointment of the Chairman

RESOLUTION TWO

Determination of the compensation to the Board of Statutory Auditors (Chairman and Regular Statutory Auditors). The Board of Directors proposes to maintain the overall current level of remuneration

Milan, March 16, 2011

On behalf of the Board of Directors

The Chairman
Giuliano Zuccoli