QUARTERLY REPORT
AT SEPTEMBER 30, 2007

EDISON

CONTENTS

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SIMPLIFIED STRUCTURE OF THE GROUP AT SEPTEMBER 30, 2007

EDISON

Energy

Electric Power Operations	Hydrocarbons Operations	Energy Management/ Gas Supply & Logistics	Marketing & Distribution

EDISON Spa [1]

Edison Energie Speciali Production of Electric Power	**Edison International** Hydrocarbon Expl. & Prod.	**Edison Trading** Energy management	**Edison Energia** Sales of Energy & Gas
Edipower (2) Production of Electric Power	**Edison Stoccaggio** Natural Gas Storage		
	Edison DG Natural Gas Distribution		

Other Operations

IWH [2]
Water

Electric Power Operations

Hydrocarbons Operations

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

(2) Edipower and IWH are joint ventures consolidated at 50% by the proportional method.

KEY EVENTS

Growing Our Business

Edison: Joint Venture with Hellenic Petroleum in Greece

On July 11, 2007, Edison's Board of Directors authorized the signing of a Memorandum of Agreement between Edison and Hellenic Petroleum, the largest operator in Greece's hydrocarbon industry, for the creation of a 50-50 joint venture to operate in Greece's electric power market.

Hellenic Petroleum will convey to the new joint venture its T-Power subsidiary, which owns a 390 MW, combined-cycle power plant fueled with natural gas that is already operational in Thessaloniki; Edison will convey its equity investment (65%) in a project for a 420 MW combined-cycle facility that is being developed in Thisvi, in central Greece, and a project, currently in the study phase, for the construction of a coal-fired 600 MW power plant in an industrial park in the Greek port of Astakos (Etoloakarnania Prefecture).

The joint venture's objective is to develop a generating capacity of more than 1,400 MW (including 390 MW already operational), an output equal to about 12% of the Greek market.

Edison: Intergovernmental Agreement to Develop a Turkey-Greece-Italy Natural Gas Transit Corridor

On July 26, 2007, at a meeting today in Rome, Italy's Minister of Economic Development, Greece's Minister of Development and Turkey's Minister of Energy and Natural Resources signed an Intergovernmental Agreement for the development of a system of pipelines to import natural gas from the Caspian Basin and the Middle East, where over 20% of the world's reserves are located (30,000 billion cubic meters of natural gas), passing through Turkey and Greece.

By this official document, the three governments recognized the strategic importance of this natural gas transit corridor and undertook to support the efforts of the industrial enterprises involved in the construction of the required infrastructure - Edison in Italy, Depa and Desfa in Greece and Botas in Turkey - with the goal of shortening construction time and achieving completion by 2012. Specifically, the new agreement defines the tasks and responsibilities of the industrial enterprises involved, identifies the manner in which the agreements for transit of natural gas through Turkey will be finalized and establishes a special intergovernmental coordination committee to monitor and facilitate construction of the different parts of the Turkey-Greece-Italy corridor.

Other Key Events

Edison: The Edipower Put and Call Options Are Exercised

On July 16, 2007, in accordance with the agreements executed in 2002 and 2003, Edison Spa exercised its call option for the Edipower shares held by Interbanca Spa and Albojo (a wholly owned subsidiary of The Royal Bank of Scotland), who were Edipower's financial shareholders, acquiring 72,065,000 shares, equal to 5% of Edipower's share capital. The shares were transferred on July 31, 2007.

In addition, Edison was informed that Unicredit Spa exercised its put option selling to Edison Spa 72,065,000 shares, equal to 5% of Edipower's share capital. The transfer of the shares is expected to occur at the end of January 2008.

The total outlay required by these transactions will amount to 265 million euros. Once the share transfers are completed, Edison's interest in Edipower's share capital will increase from 40% to 50%.

FINANCIAL HIGHLIGHTS – FOCUS ON RESULTS

Edison Group

(in miliions of euros)

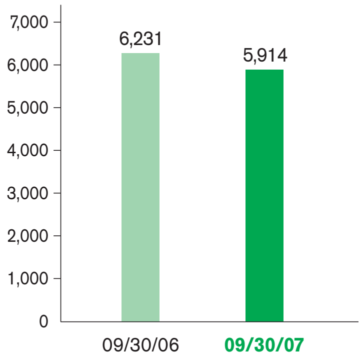
2006 Full year		9 months 2007	9 months 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
8,523	Sales revenues	5,914	6,231	(5.1%)	1,862	1,965	(5.2%)
1,536	EBITDA	1,270	1,219	4.2%	366	445	(17.7%)
18.0%	*as a % of sales revenues*	*21.5%*	*19.6%*		*19.7%*	*22.6%*	
752	EBIT	746	694	7.5%	174	279	(37.6%)
8.8%	*as a % of sales revenues*	*12.6%*	*11.1%*		*9.3%*	*14.2%*	
559	Profit before taxes	584	515	13.4%	118	231	(48.9%)
654	Group interest in net profit	321	531	(39.5%)	65	133	(51.1%)
489	Capital expenditures	317	327	(3.1%)	105	136	(22.8%)
41	Investments in exploration	48	29	65.5%	31	6	n.m.
11,146	Net invested capital (A + B)[1]	10,645	11,335	(4.5%)			
4,256	Net borrowings (A)[1]	3,192	4,575	(25.0%)			
6,890	Shareholders' equity before minority interest (B)[1]	7,453	6,760	8.2%			
6,743	Group interest in shareholders' equity[1]	7,318	6,615	8.5%			
6.81%	ROI[3]	9.29%	8.31%				
10.05%	ROE[4]	6.09%	10.99%				
0.62	Debt / Equity ratio (A/B)	0.43	0.68				
38%	Gearing (A/A+B)	30%	40%				
2,923	Number of employees[1][2]	2,950	2,974	0.9%			
	- including:						
6	employees of discontinued operations	-	82				
	Stock market prices (in euros)[5]						
1.9483	common shares	2.1868	1.6639				
2.2385	savings shares	2.0478	1.8981				
1.1132	warrants outstanding	1.2454	0.7860				
	Profit (Loss) per share						
0.1522	basic	0.0671	0.1235				
0.1380	diluted	0.0630	0.1128				

(1) End-of-period amounts. The changes are computed against the data at December 31, 2006.
(2) Companies consolidated line by line and Group interest in companies consolidated by the proportional method.
(3) Annualized EBIT/Average net invested capital.
Net invested capital does not include the value of equity investments held as fixed assets and is computed as the arithmetic average of the net invested capital at the end of the period and at the end of the previous year.
(4) Annualized Group interest in net profit/Average Group interest in shareholders' equity. Average Group interest in shareholders' equity is the arithmetic average of the Group interest in shareholders' equity at the end of the period and at the end of the previous year
(5) Simple arithmetic average of the prices for the last calendar month of the year.

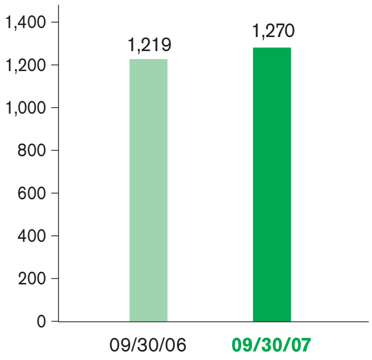
Key Group Data

(in millions of euros)

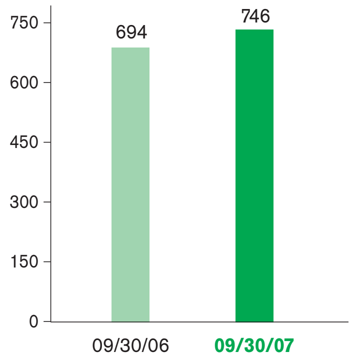
Sales revenues



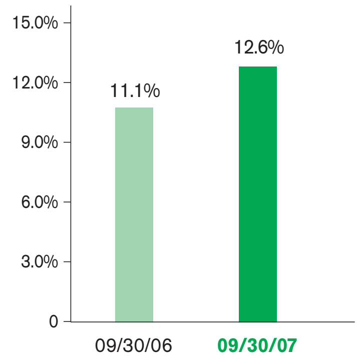
EBITDA



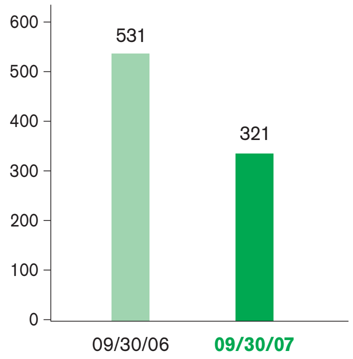
EBIT



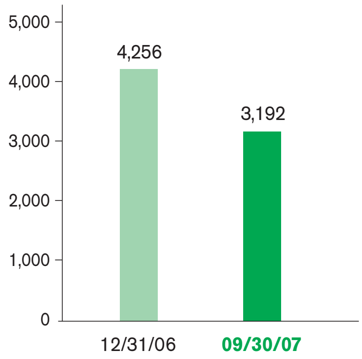
EBIT/Sales revenues



Group interest in net profit



Net borrowings



Sales Revenues and EBITDA by Type of Business

(in miliions of euros)

2006 Full year		9 months 2007	9 months 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
	Core Business						
	Electric Power Operations (1)						
6,945	Sales revenues	4,906	5,097	(3.7%)	1,662	1,737	(4.3%)
1,162	EBITDA	934	892	4.7%	313	329	(4.9%)
16.7%	*as a % of sales revenues*	*19.0%*	*17.5%*		*18.8%*	*18.9%*	
	Hydrocarbons Operations (2)						
4,171	Sales revenues	2,744	2,955	(7.1%)	758	871	(13.0%)
434	EBITDA	384	368	4.3%	69	128	(46.1%)
10.4%	*as a % of sales revenues*	*14.0%*	*12.5%*		*9.1%*	*14.7%*	
	Corporate Activities						
43	Sales revenues	32	31	3.2%	10	9	11.1%
(70)	EBITDA	(54)	(48)	(12.5%)	(18)	(13)	(38.5%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
	Eliminations						
(2,670)	Sales revenues	(1,790)	(1,879)	(4.7%)	(575)	(661)	(13.0%)
-	EBITDA	-	-		-	-	
	Total core businesses						
8,489	**Sales revenues**	**5,892**	**6,204**	**(5.0%)**	**1,855**	**1,956**	**(5.2%)**
1,526	**EBITDA**	**1,264**	**1,212**	**4.3%**	**364**	**444**	**(18.0%)**
18.0%	***as a % of sales revenues***	***21.5%***	***19.5%***		***19.6%***	***22.7%***	
	Other operations						
	Continuing Operations						
	Water						
34	Sales revenues	22	27	(18.5%)	7	9	(22.2%)
10	EBITDA	6	7	(14.3%)	2	1	n.m.
29.4%	*as a % of sales revenues*	*27.3%*	*25.9%*		*28.6%*	*11.1%*	
	Eliminations						
-	Sales revenues	-	-		-	-	
-	EBITDA	-	-		-	-	
	Total other operations						
34	**Sales revenues**	**22**	**27**	**(18.5%)**	**7**	**9**	**(22.2%)**
10	**EBITDA**	**6**	**7**	**(14.3%)**	**2**	**1**	**n.m.**
29.4%	***as a % of sales revenues***	***27.3%***	***25.9%***		***28.6%***	***11.1%***	
	Edison Group						
8,523	**Sales revenues**	**5,914**	**6,231**	**(5.1%)**	**1,862**	**1,965**	**(5.2%)**
1,536	**EBITDA**	**1,270**	**1,219**	**4.2%**	**366**	**445**	**(17.7%)**
18.0%	**as a % of sales revenues**	**21.5%**	**19.6%**		**19.7%**	**22.6%**	

(1) Activities carried out by the following Business Units: Electric Power Operations, Energy Management and Marketing & Distribution.
(2) Activities carried out by the following Business Units: Hydrocarbons Operations, Gas Supply & Logistics and Marketing & Distribution.

PERFORMANCE AND RESULTS OF THE GROUP IN THE THIRD QUARTER

Operating Performance

In the third quarter of 2007, sales revenues decreased by 5.2% compared with the same period last year, in line with the results reported for the first half of the year. A breakdown by type of business shows that revenues were down 4.3% for the electric power operations and 13.0% for the hydrocarbons operations.
In the electric power area, a change in the scope of consolidation caused by the sale of Serene Spa is the main reason for the decrease, while in the hydrocarbons area revenues were curtailed by a reduction in the average prices charged to CIP 6/92 thermoelectric power plants due to the price adjustments required to comply with the new guidelines of Resolution No. 249/06, which introduced a new method for computing the avoided-fuel-cost component of the price charged for fuel provided to CIP 6/92 facilities. It must be pointed out that the effect of the application of this resolution concerns almost totally the third quarter 2007, as a resultant of the different hysteresis of the oil scenario in the two different formulas (for additional information about this issue, please see the section of this Report entitled “Regulatory Framework”).

As a result of the revenue shortfall, third-quarter EBITDA decreased by 79 million euros (-17.7%), falling from 445 million euros in 2006 to 366 million euros in 2007.
The hydrocarbons operations accounted for 59 million euros of this decrease, which is attributable totally to the impact of the abovementioned Resolution No. 249/06, which, however, was offset in part by higher returns earned on market sales thanks to an effective source optimization policy that enabled the Group to seize attractive opportunities on the spot market. Also in the case of the electric power operations (-16 million euros compared with the third quarter of 2006), the operating management and specifically the operations on the deregulated markets produced higher margins in comparison with the same period of 2006. The increase helped minimize the impact of the absence of the EBITDA contributed by Serene Spa before its sale (8 million euros) and other non-recurring factors, chief among them a refund received in the third quarter of 2006 pursuant to Resolution No. 113/06 as reimbursement of green certificate costs incurred by CIP 6/92 power plants in 2003, 2004 and 2005, which amounted to about 20 million euros.

As a result of the developments discussed above and of an increase of 25 million euros in depreciation and amortization caused by higher exploration costs incurred during the quarter, EBIT decreased to 174 million euros, or 37.6% less than at September 30, 2006.

In a continuation of the trend that started earlier in the year, cumulative revenues for the first nine months of the year decreased by 5.1%, falling from 6,231 million euros in 2006 to 5,914 million euros in 2007. Revenues were down 3.7% for the electric power operations and 7.1% for the hydrocarbons operations.
This reduction is the combined result of the negative impact on unit sales prices of a decline of raw material prices on the international markets and of a decrease in unit sales of natural gas (-2.8%) and electric power (-1.4%, but after a -2.8% decrease caused by the sale of Serene Spa).

Despite this, EBITDA increased from 1,219 million euros to 1,270 million euros (+4.2%). The electric power operations benefited from greater availability of internal production made possible by an increase in high efficiency capacity and from a further optimization of the sources and uses mix in the deregulated market. These factors more than offset a decrease in the margins earned by the CIP 6/92 facilities following the expiration of incentives and the absence of the margins contributed by Serene Spa and Edison Rete Spa prior to their sale. For the hydrocarbon operations, a higher return earned on market sales and the reversal of about 56 million euros from a provision that was established to cover the cost of complying with Resolution No. 248/04 (in the first nine months of 2006, a provision of about 53 million euros was established for this purpose) offset the negative impact of the price adjustment required by resolution No. 249/06.

As a result, EBIT improved by 7.5%, rising from 694 million euros in 2006 to 746 million euros in 2007.

The profit before taxes amounted to 584 million euros, up from 515 million euros at September 30, 2006 (+13.4%).

The net profit totaled 321 million euros, compared with 531 million euros at September 30, 2006. The main reason for this 39.5% decrease is the absence of a net tax benefit of 202 million euros recognized in 2006 in connection with the decision to realign the taxable base of a significant portion of Edison's production assets to the amounts used for reporting purposes, as allowed by Law No. 266 of December 23, 2005. This decision permitted the derecognition of provisions for deferred tax liabilities (computed at a rate of 37.25%) corresponding to the higher realigned asset values totaling 298 million euros upon payment of a substitute tax (computed at a rate of 12% and amounting to 96 million euros) on the increase of the taxable base.

At September 30, 2007, net borrowings totaled 3,192 million euros (4,575 at September 30, 2006), down from 4,256 million euros at December 31, 2006. More detailed information about the individual components of this item is provided in the "Net Borrowings" chapter found within the section of this Report entitled "Operating Performance, Financial Results and Financial Position of the Group.".

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

(in miliions of euros)

2006 full year		01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006
(4,820)	**A. Net borrowings at beginning of period**	**(4,256)**	**(4,820)**
1,536	EBITDA	1,270	1,219
(121)	Change in operating working capital	304	61
(93)	Income taxes paid (-)	(131)	(37)
(30)	Change in other assets (liabilities)	54	(188)
1,292	**B. Cash flow from operating activities**	**1,497**	**1,055**
(548)	Investments in property, plant and equipment and intangibles (-)	(367)	(389)
(85)	Investments in non-current financial assets (-)	(319)	(60)
373	Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets	136	15
-	Dividends received	2	4
1,032	**C. Free cash flow**	**949**	**625**
(246)	Financial income (expense), net	(157)	(184)
-	Contributions of share capital and reserves	520	-
(196)	Dividends declared (-)	(248)	(196)
590	**D. Cash flow after financing activities**	**1,064**	**245**
(26)	Change in the scope of consolidation	-	-
564	**E. Net cash flow for the period**	**1,064**	**245**
(4,256)	**F. Net borrowings at end of period**	**(3,192)**	**(4,575)**

Outlook for the Balance of 2007

Despite the uncertainties that characterize a still evolving regulatory framework, the commissioning of the Simeri Crichi (CZ) and Turbigo (MI) power plants, coupled with the Group's efforts to optimize its energy portfolio, should produce 2007 industrial results that are slightly better results than those reported in 2006.

THE ITALIAN ENERGY MARKET

Demand for Electric Power in Italy

2006 Full year	TWh	9 months 2007	9 months 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
301.7	Net production	222.4	227.8	(2.4%)	75.7	76.1	(0.6%)
44.7	Imports	35.7	31.2	14.5%	10.5	10.6	(0.9%)
(8.6)	Surges	(5.5)	(6.5)	(15.0%)	(1.6)	(2.0)	(20.3%)
337.8	**Total demand**	**252.6**	**252.5**	**0.0%**	**84.6**	**84.7**	**(0.2%)**

Source: Analysis of official 2006 data and preliminary 2007 Terna and AU data, before line losses.

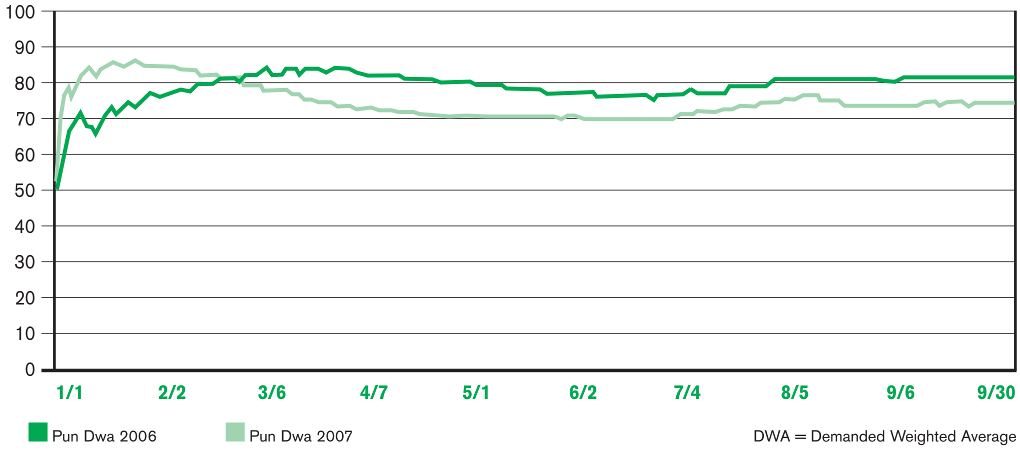
In the third quarter of 2007, demand for electric power in the Italian market was little changed compared with the same period in 2006. Thermoelectric production was also in line with last year's level. Hydroelectric output was down significantly (-9.2%, equal to 1.1 TWh) but the power generated by wind farms rose by 26.9%.

Net of surges, domestic production met 85.9% of demand in the first nine months of 2007, compared with 87.6% in the same period last year. At the same time, net imports rose from 12.4% to 14.1%. This increase is the result of two contrasting developments: on the one hand, imports returned to a level consistent with historical trends (in the first quarter of 2006, the significant price differentials that usually exists between Italy and the rest of Europe decreased, producing a temporary but significant reduction in net imports). On the other hand, most of the increase in exports (+73.4%) is attributable to sales to buyers in Greece, which appear to have stabilized at about 100 GWh a month (in the same period last year, Italy was a net importer of electric power from Greece). An increase in net imports of about 4.5 TWh at a time when total demand was not growing put significant pressure on thermoelectric producers, causing them to reduce their output by about 3.2 TWh before deducting consumption for ancillary services.
In the first nine months of 2007, the cumulative performance of facilities that use renewable sources was consistent with the results reported for the third quarter. The main reason for the overall decrease of 2.7 TWh was a sharp reduction in hydroelectric production (-9.9%, equal to 3.4 TWh), offset in part by a significant increase in wind power generation (+25.0%) and a small gain reported by geothermal facilities (+1.3%) compared with the first nine months of 2006.

In the market served by the Single Buyer, demand continued to decrease, falling to 97.1 TWh (117.2 TWh in the first nine months of 2006), accounting for 38.4% of domestic demand. On the other hand, the deregulated market continued to expand, reaching a level equal to 55.3% of total consumption. Internal consumption by producers accounts for the balance of domestic consumption (6.3%). It is important to keep in mind that until June 30, 2007, the market served by the Single Buyer was based on the demand from captive customers. As of July 1, 2007, following full deregulation of the electric power market pursuant to Directive No. 2003/54/CE, the customers served by the Single Buyer will be those in the so-called non-switched deregulated market.

As for prices, the demand-weighted average Single National Price (PUN in Italian) decreased to euros 73.5/MWh, or about 8.4% less than in the first nine months of 2006 (euros 80.3/MWh). The chart below shows a comparison of the PUN trend in the first nine months of 2006 and 2007.

Domestic Demand Weichted Cumulative Average



Demand for Natural Gas in Italy

2006 Full year	billions of m³	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
29.8	Services and residential customers	16.9	20.9	(18.9%)	2.0	1.8	12.0%
20.7	Industrial users	15.1	15.3	(1.4%)	4.6	4.6	0.6%
32.5	Thermoelectric power plants	25.4	24.2	4.9%	9.0	8.6	4.5%
0.5	Transportation	0.4	0.4	3.1%	0.1	0.1	4.0%
83.5	**Total demand**	**57.8**	**60.8**	**(4.9%)**	**15.7**	**15.1**	**4.2%**

Source: Official 2006 data and preliminary 2007 data provided by the Ministry and Edison estimates, net of system usage and leaks.

In the third quarter of 2007, Italian demand for natural gas increased by about 4.2% (about 0.6 billion cubic meters in absolute terms) compared with the same period last year, rising to about 15.7 billion cubic meters, net of system usage and leaks.
This improvement reflects primarily rising demand from thermoelectric users, which increased by about 0.4 billion cubic meters compared with the third quarter of 2006, and from residential customers (+12.0%), while usage by industrial users was virtually unchanged.
With regard to supply sources, the following developments characterized the third quarter of 2007:

- a steady reduction in domestic production (-15.1% compared with the third quarter of 2006), which has declined at a significantly faster rate than the downward trend experienced in recent years and projected for the future;
- a decrease in imports (-9.2% compared with the third quarter of 2006) attributable to mild weather conditions, which required smaller withdrawals from the storage system and, consequently, a reduction in add-back requirements;
- a change in gas storage volumes that is not comparable with the third quarter of 2006 due to the different weather patterns that prevailed in the 2006/2007 winter (lower volumes drawn during the winter and, consequently, a decrease in additions during the period from April to September 2007).

In the first nine months of 2007, demand for natural gas totaled about 57.8 billion cubic meters, or 3 billion cubic meters less (-4.9%) than in the same period last year. The main reason for this decrease is the impact that the extremely mild weather that occurred in the first quarter of 2007 had on consumption by residential customers (-20% in 2007 during the January to March period compared with 2006).
On the supply side, domestic production continued its steady decline (-11.6%), imports were down 9.4% and gas storage patterns changed for the reasons explained above.

Economic Environment

In the reference oil market, the third quarter of 2007 was characterized by a spike in the price of crude, with the average price rising to USD 74.90/bbl, 7.7% higher than the level reached in the third quarter of 2006 (USD 69.50/bbl). However, the average for the first nine months of 2007 (USD 67.10/bbl) was not significantly different from the average for the same period last year. This is because, during the first half of 2007, the price of Brent crude remained below USD 70/bbl for the first five months of the year and reached USD 75/bbl only in June. It then stayed above USD 75/bbl in July, backtracked in August and resumed its climb toward USD 80/bbl in September.

During the third quarter of 2007, the euro continued to appreciate versus the U.S. dollar. The average exchange rate for the three months ended September 30, 2007 (USD 1.37 for one euro) was 7.9% higher than in the third quarter of 2006. One of the reasons for the weakness of the U.S. dollar is the monetary policy pursued by the Federal Reserve, which cut the discount rate in response to a liquidity crisis in the interbank market. In the first nine months of 2007, the average exchange rate was USD 1.34 for one euro, 8.1% higher than in the same period a year ago, having reached new all-time highs of more than USD 1.40 for one euro during the last 15 days of September.

In the third quarter of 2007, because of the extreme weakness of the U.S. dollar, the price of Brent crude stated in euros was about the same as in the third quarter of 2006 (-0.1%), actually producing a trend reversal when tracked over the first nine months of the year (-7.2%).

2006 Full year	billions of m^3	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
65.1	Oil price USD/bbl (*)	67.1	67.0	0.3%	74.9	69.5	7.7%
1.26	USD/euro exchange rate	1.34	1.24	8.1%	1.37	1.27	7.9%
51.9	Oil price euro/bbl	49.9	53.8	(7.2%)	54.5	54.5	(0.1%)

(*) Brent Dated

REGULATORY FRAMEWORK

The main legislative measures and significant developments that occurred in the third quarter of 2007 are reviewed below.

Electric Power

A decision handed down by the Regional Administrative Court of Lombardy voided Resolution No. 249/06, which updated the rate component that covered avoided fuel costs, which is one of the components identified in Resolution CIP 6/92 for the purpose of determining the sales price of electric power. The Electric Power and Gas Authority has appealed this decision to the Council of State (the hearing for a temporary stay of the decision has been set for October 30, 2007).

Also with regard to the CIP 6/92 incentives, the Electric Power and Gas Authority has not yet published the average amount of the refunds due for reimbursement of the costs incurred by CIP 6/92 facilities to purchase green certificates, beginning with 2004. In recent months, Edison has repeatedly asked the Electric Power and Gas Authority that it be reimbursed for the costs incurred both during the period covered by the incentives provided by Resolution No. 113/06 and for the period without incentives.

Environment

Emissions Trading: The criteria that will be followed to distribute over the course of the National Allocation Plan for the 2008-2012 period the reduction of 13 million tons of CO_2 that the European Union has asked Italy to implement (decision of May 2007 by the European Commission) have not yet been made known. However, the data collection process that was launched by the relevant national authority to update the data relative to facilities covered by Resolution 2003/87/CE was completed at the end of September. This information is a key prerequisite for a correct allocation of the abovementioned reduction in emissions.

Renewable Sources: A redefinition of the system of incentives for renewable sources and the green certificate systems is still being debated in Parliament. A resolution of this issue, which is of fundamental importance for the growth of facilities that use renewable sources, is more urgent and important than ever, in light of the increased attention that environmental issues have received in Europe in recent months and the European objective of increasing production from renewable sources sufficiently to meet up to 20% of energy consumption needs by 2020.
In recent months, work carried out by the Electric Power and Gas Authority in the area of renewable sources has resulted in the publication of several consultation documents, including Consultation Document No. 26/07, which deals with the issue of revising the price charged for receiving electric power, in accordance with Article 13, Sections 3 and 4, of Legislative Decree No. 387/03 and Section 41 of Law No. 239 of 2004. This consultation document proposes that the price charged for receiving electric power defined by Resolution No. 34/05 be revised and made consistent with the changes that have occurred in the electric power market after July 1, 2007.

Hydrocarbons

Measures to Address Potential Natural Gas Emergencies During the 2007-2008 Winter

The Ministry of Economic Development approved two decrees that are part of a set of measures that are being implemented in anticipation of a potential natural gas emergency.
These decrees pursue the following objectives:

- maximization of natural gas imports;
- containment of natural gas consumption.

The first decree, which was published on August 31, 2007, sets forth the obligation to maximize imports at entry points on the national network that are connected with foreign gas pipelines during the period between November 5, 2007 and March 31, 2008. The decree further states that the total volume of natural gas that is not imported because of the failure to utilize the allocated capacity will be treated as virtual unauthorized withdrawals from strategic storage and, consequently, will require the

payment of a corresponding fee. Lastly, during the maximization phase, the obligation to pay fees for exceeding the allocated capacity to inject and store natural gas will be suspended.
The second decree, published on September 11, 2007, states that all end users must contribute monetarily to the effort of containing consumption in order to compensate for potential gas shortages in the system. The decree further states that, if a gas emergency is declared, action can be taken to reduce consumption by certain types of end users, employing lines of action that can vary depending on whether the system's shortage is limited or severe.
Lastly, the decree delegates to the Electric Power and Gas Authority the task of defining the incentives for complying with the containment obligation and the penalties for failing to comply with this obligation. The companies that sell natural gas are responsible for informing the end customers and to update by October 30, 2007 any relevant contracts that were executed prior to the publication of the decree.

Intra-annual Allocations at the Entry Points of the National Grid

By Resolution No. 163/07, published on July 4, 2007, the Electric Power and Gas Authority amended the access rules set forth in Resolution No. 137/02 and in the Network Codes applicable to transmission, introducing, limited to cross-border entry points transmission capacity allocations for periods shorter than one thermal year. By the same Resolution, the Electric Power and Gas Authority postponed a definition of the method that will be used to handle instances when transmission capacity at cross border entry points is relinquished and reallocated, such as those referred to in the consultation document published last year.

PERFORMANCE OF THE GROUP'S BUSINESSES

Electric Power Operations

Quantitative Data

Sources

2006 full year	GWh (*)	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
51,923	**Net production of the Edison Group:**	**39,382**	**38,502**	**2.3%**	**13,234**	**13,209**	**0.2%**
35,990	- Thermoelectric power plants	27,773	26,205	6.0%	9,106	9,116	(0.1%)
3,050	- Hydroelectric power plants	2,397	2,436	(1.6%)	978	1,077	(9.2%)
458	- Wind farms	388	353	10.1%	128	104	23.1%
12,425	Edipower	8,824	9,508	(7.2%)	3,022	2,912	3.8%
1,471	**Imports**	**982**	**1,123**	**(12.6%)**	**207**	**358**	**(42.3%)**
12,006	**Other domestic purchases and swaps(1)**	**6,588**	**7,986**	**(17.5%)**	**2,426**	**2,668**	**(9.1%)**
65,400	**Total sources**	**46,952**	**47,611**	**(1.4%)**	**15,867**	**16,235**	**(2.3%)**

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

Uses

2006 full year	GWh (*)	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
19,964	CIP 6/92 dedicated	13,699	15,128	(9.4%)	4,633	4,953	(6.5%)
4,948	Captive and other industrial customers	3,207	3,710	(13.5%)	966	1,107	(12.8%)
40,425	Deregulated market	30,015	28,711	4.5%	10,237	10,162	0.7%
63	Exports	31	62	(49.5%)	31	13	n.m.
65,400	**Total uses**	**46,952**	**47,611**	**(1.4%)**	**15,867**	**16,235**	**(2.3%)**

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

Financial Highlights

2006 full year	(in miliions of euros)	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
6,945	**Sales revenues**	**4,906**	**5,097**	**(3.7%)**	**1,662**	**1,737**	**(4.3%)**
1,162	EBITDA	934	892	4.7%	313	329	(4.9%)
16.7%	*as a % of sales revenues*	*19.0%*	*17.5%*		*18.8%*	*18.9%*	
347	Capital expenditures	169	262	(35.5%)	55	107	(48.6%)
1,962	Number of employees (1)	1,957	2,014	(0.3%)			
6	employees of discontinued operations	-	82				

(1) End-of-period amounts. The changes are computed against the data at December 31, 2006.

In the third quarter of 2007, the electric power operations reported sales revenues of 1,662 million euros, down (-4.3%) compared with the same period last year. The deconsolidation of Serene Spa accounts for most of this decrease.
EBITDA totaled 313 million euros, or 4.9% less than in the third quarter of 2006 (329 million euros). The main reason for this shortfall is the absence of the EBITDA contributed by Serene Spa in the past and of a non-recurring refund received in the third quarter of 2006 pursuant to Resolution No. 113/06 as reimbursement of green certificate costs incurred by CIP 6/92 power plants in 2003, 2004 and 2005, which amounted to about 20 million euros.

Cumulative revenues for the first nine months of 2007 amounted to 4,906 million euros, down slightly (-3.7%) compared with the same period of the last year.

On the other hand, EBITDA increased to 934 million euros, for a gain of 4.7% compared with the 892 million euros earned in the first nine months of 2006.
This improvement was made possible by optimizing the sources and uses mix in the deregulated market and by a higher production made possible by an increase in installed capacity, which more than offset a decrease in the margins earned by the CIP 6/92 facilities and the elimination of the margins contributed by divested companies.

Sales and Marketing

In the third quarter of 2007, sales of electric power totaled 15,867 GWh, or 2.3% less than in the same period last year. Lower CIP 6/92 sales, which decreased by about 320 GWh due to the deconsolidation of Serene Spa at the beginning of 2007, account for most of this reduction.
Market sales amounted to 10,237 GWh, substantially the same as in the third quarter of 2006 (10,162 GWh). Specifically, physical sales on the Italian Power Exchange rose by 62.9% to 3,081 GWh, while other market sales decreased by 13.5% to 7,156 GWh.

At 46,952 GWh, cumulative unit sales for the first nine months of 2007 were slightly less (-1.4%) than in the same period last year. In this case as well, sales would have been up had it not been for the deconsolidation of Serene Spa, whose sales (about 1.3 TWh) were included in the data for the first nine months of 2006.
Sales to customers in the deregulated market totaled 30,015 GWh, or 4.5% more than in the same period last year.

During the first nine months of 2007, ongoing trading activity on foreign power exchanges contributed to the profitability of the electric power operations. The volumes traded (about 2.2 TWh) are not included in the “Sources” and “Uses” tables shown above.

Production and Procurement

The Group’s net production totaled 13,234 GWh in the third quarter of 2007, in line with the same period a year ago. The output of the Edipower thermoelectric power plants amounted to 9,106 GWh, about the same as in the third quarter of 2006 (9,116 GWh), while the power generated by Edipower facilities increased slightly (+3.8%) compared with a year ago.
Edison’s hydroelectric production decreased by 9.2% in the third quarter of 2007, but the output of the Group’s wind farms increased by 23.1%, consistent with the national trend.
Purchases and imports of electric power totaled 2,633 GWh, or 13.0% less than in the third quarter of 2006.

Production for the first nine months of 2007 reached 39,382 GWh, for a gain of 2.3% compared with the same period in 2006. The commissioning of the Torviscosa power plant is the main reason for the increase in thermoelectric production (+6.0%).
On the other hand, Edipower’s output decreased by 7.2%, because it was no longer required to maximize production from power plants that use fuel oil to face the natural gas emergency, as had been the case early in 2006.
Compared with the first nine months of 2006, hydroelectric production was down 1.6%, but the wind power generation increased by 10.1%.
During the first nine months of 2007, the Group’s purchases and imports of electric power, which were carried out consistent with its portfolio optimization strategy, totaled 7,570 GWh (-16.9%).

Capital Investments

In the third quarter of 2007, capital expenditures totaled 55 million euros, or about 52 million euros less than in the same period last year.
For the first nine months of the year, capital expenditures amounted to 169 million euros (including about 38 million euros by Edipower). Most of this amount, which was 93 million euros less than in the same period last year, was used for the construction of the Simeri Crichi (CZ) power plant. Edipower’s capital expenditures, which the Group recognizes at 50%, were used mainly for the repowering of the Turbigo (MI) power plant.

Hydrocarbons Operations

Quantitative Data

Sources

2006 full year	millions of m³ of natural gas	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
1,068	**Total net production:**	**706**	**840**	**(15.9%)**	**234**	**259**	**(9.6%)**
712	- Production in Italy	513	547	(6.2%)	171	181	(5.8%)
356	- Production outside Italy	193	293	(34.0%)	63	78	(18.5%)
7,705	**Pipeline imports**	**4,063**	**5,849**	**(30.5%)**	**913**	**1,730**	**(47.2%)**
62	**LNG imports**	**-**	**62**	**n.m.**	**-**	**-**	**n.m.**
4,804	**Domestic and other purchases** (1)	**4,942**	**3,242**	**52.4%**	**1,755**	**807**	**117.3%**
13,639	**Total sources**	**9,711**	**9,993**	**(2.8%)**	**2,902**	**2,796**	**3.8%**

(1) Includes inventory changes and pipeline leaks.

Uses

2006 full year	millions of m³ of natural gas	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
3,306	Residential use	1,583	2,484	(36.3%)	162	259	(37.4%)
1,164	Industrial use	762	859	(11.3%)	211	263	(20.0%)
8,312	Thermoelectric fuel use	6,728	6,116	10.0%	2,250	2,121	6.1%
356	Exports	193	293	(34.0%)	63	78	(18.5%)
501	Other sales	445	241	84.4%	216	75	188.3%
13,639	**Total uses**	**9,711**	**9,993**	**(2.8%)**	**2,902**	**2,796**	**3.8%**

Financial Highlights

2006 full year	(in millions of euros)	**9 months 2007**	9 months 2006	% change	**3rd quarter 2007**	3rd quarter 2006	% change
4,171	**Sales revenues**	**2,744**	**2,955**	**(7.1%)**	**758**	**871**	**(13.0%)**
434	EBITDA	384	368	4.3%	69	128	(46.1%)
10.4%	as a % of sales revenues	14.0%	12.5%		9.1%	14.7%	
133	Capital expenditures	134	57	n.m.	43	27	59.3%
41	Investments in exploration	48	29	65.5%	31	6	n.m.
433	Number of employees(1)	453	438	4.6%			

(1) End-of-period amounts. The changes are computed against the data at December 31, 2006.

In the third quarter of 2007, sales revenues totaled 758 million euros, or 13.0% less than in the same period a year ago. A reduction in average sales prices caused by an adjustment made to the price charged to CIP 6/92 power plants to comply with the new guidelines of Resolution No. 249/06 concerning the avoided-fuel-cost component of the price paid by these facilities accounts for most of this decrease.

The impact of this shortfall in revenues, offset in part by the higher returns earned on market sales, produced a corresponding reduction in EBITDA, which decreased to 69 million euros, or 46.1% less than the 128 million euros earned in the third quarter of 2006.

Revenues for the first nine months of the year decreased by 7.1%, falling to 2,744 million euros. This decrease is the combined result of the negative impact of Resolution No. 249/06 and of a reduction in unit sales caused by unusually mild weather earlier in the year.
Nine-month EBITDA increased to 384 million euros, for a gain of 4.3% compared with the 368 million euros reported at September 30, 2006. This improvement reflects the beneficial impact of the higher return earned on sales thanks to the successful optimization of the source portfolio and of the reversal of about 56 million euros from a provision that was established to cover the cost of complying with

Resolution No. 248/04 (in the first nine months of 2006, a provision of about 53 million euros was established for this purpose).

Sales and Marketing

In the third quarter of 2007, unit sales of natural gas totaled 2,902 million cubic meters, up slightly from the same period last year (2,796 million cubic meters).
Specifically, sales to residential users were down 37.4% and those to industrial users decreased by 20.0%. On the other hand, deliveries to thermoelectric users grew by 6.1% reflecting an increase in thermoelectric production. Sales to wholesalers and at the virtual trading point (PSV) were also up (216 million cubic meters).

Unit sales for the first nine months of the year totaled 9,711 million cubic meters (9,993 million cubic meters in the same period in 2006). As was the case in the third quarter, sales to residential and industrial users decreased (down 36.3% and 11.3% respectively), while deliveries to the Group's thermoelectric power plants increased by 10.0% for the reasons explained earlier in this Report.

Production and Procurement

In the third quarter of 2007, net production of natural gas totaled 234 million cubic meters, down from 259 million cubic meters in the same period last year. On the procurement side, imports of natural gas decreased to 913 million cubic meters, compared with 1,730 million cubic meters in the third quarter of 2006. At the same time, domestic purchases increased from 807 million cubic meters to 1,755 million cubic meters.
As explained earlier in this Report, this shift in the procurement mix reflects the replacement of imported supply with spot purchases, which were more advantageous and, particularly in the third quarter, were made at significantly lower prices.

While somewhat less pronounced, the trend discussed above also applies to the cumulative data for the first nine months of 2007, with natural gas imports decreasing to 4,063 million cubic meters (5,911 million cubic meters in the same period last year) and domestic purchases increasing by 52.4%.
In the first nine months of 2007, net production of natural gas was 15.9% lower than in the same period in 2006 as production decreased both in Italy (-6.2% due to the natural depletion of gas fields) and in Egypt (-34.0% due to technical problems at the Rosetta fields).

Production of crude oil totaled 1,987,000 barrels, up from 1,603,000 barrels in the first nine months of 2006.

Capital Investments

Capital expenditures totaled 43 million euros in the third quarter of 2007, or about 16 million euros more than in the same period last year. The amount invested in the first nine months of 2007 was about 134 million euros, up from 57 million euros in the same period last year. The main projects carried out in Italy involved building the Cavarzere-Minerbio gas pipeline (53 million euros), expanding the Collalto (UD) storage facility (9 million euros) and drilling new production wells in the Emma field (about 15 million euros) and the Daria field (about 3 million euros) in the Adriatic. Outside Italy, about 20 million euros were invested in the additional work needed to continue the development of the Rosetta concession in Egypt and production tests continued at the Reggane-6 well in Algeria.

Exploration Activities

During the third quarter of 2007, the Group invested 31 million euros in hydrocarbon exploration, an increase of about 25 million euros compared with the same period a year ago (6 million euros). Cumulative investments for the first nine months of 2007 totaled about 48 million euros. Of this amount, about 46 million euros were used for projects outside Italy, the largest of which involved exploration activities in Algeria (drilling of two new wells in the Reggane and Akabli M'Sari blocks), in the Ivory Coast (drilling of a new well) and in Senegal (3-D seismic mapping project). In addition, the Group was awarded a new exploration block in Egypt (Sidi Abd el Rahaman, with Edison as operator) the contract for which was executed in September and, working through a joint venture, acquired five exploration permits in Norway.

Corporate Activities

Financial Highlights

2006 full year	(in millions of euros)	9 months 2007	9 months 06 2006	% change	3rd quarter 2007	3rd quarter 2006	% change
43	**Sales revenues**	**32**	**31**	**3.2%**	**10**	**9**	**11.1%**
(70)	EBITDA	(54)	(48)	(12.5%)	(18)	(13)	(38.5%)
n.m.	*as a % of sales revenues*	*n.m.*	*n.m.*		*n.m.*	*n.m.*	
1	Capital expenditures	1	1	n.m.	1	-	n.m.
525	Number of employees[1]	537	519	2.3%			

[1] End-of-period amounts. The changes are computed against the data at December 31, 2006.

Corporate Activities, which consist of those operations of Edison Spa, the Group's Parent Company, that engage in activities that are not industrial in nature and of certain holding companies and real estate companies, had revenues of 32 million euros, about the same as in the first nine months of 2006.

EBITDA were negative by 18 million euros, as the loss widened by about 5 million euros compared with the third quarter of 2006, when EBITDA benefited from the gains earned on real estate sales. EBITDA for the first nine months of 2007 were negative by 54 million euros, a loss that was 12.5% higher than in the same period in 2006.

Capital Increases

The capital increases carried out during the period (519,702,462 euros) reflect conversions of outstanding Edison warrants. These warrants can be exercised at any time until December 31, 2007 to buy Company shares at a price of 1 euro per share. At September 30, 2007, there were 498,914,462 warrants still outstanding.

Other Continuing Operations

Water Distribution and Treatment (IWH)

Financial Highlights

2006 full year	(in millions of euros)	9 months 07 2007	9 months 06 2006	% change	3rd quarter 07 2007	3rd quarter 06 2006	% change
34	**Sales revenues**	**22**	**27**	**(18.5%)**	**7**	**9**	**(22.2%)**
10	EBITDA	6	7	(14.3%)	2	1	n.m.
29.4%	*as a % of sales revenues*	*27.3%*	*25.9%*		*28.6%*	*11.1%*	
8	Capital expenditures	13	7	85.7%	6	2	n.m.
3	Number of employees[1]	3	3	-			

[1] End-of-period amounts. The changes are computed against the data at December 31, 2006.

Note: The data in the table above reflect the Group's interest in operations that are consolidated at 50% by the proportional method.

Revenues for the first nine months of 2007 totaled 22 million euros. They were generated by operations carried out in Guayaquil (Ecuador) under license.

EBITDA amounted to 6 million euros, down slightly compared with the first nine months of 2006.

OPERATING PERFORMANCE, FINANCIAL RESULTS AND FINANCIAL POSITION OF THE GROUP

at September 30, 2007

Consolidated Balance Sheet

09.30.2006	(in millions of euros)	See note	09.30.2007	12.31.2006
	ASSETS			
8,242	Property, plant and equipment	1	7,901	8,057
45	Investment property	2	34	40
3,505	Goodwill	3	3,518	3,518
319	Hydrocarbon concessions	4	305	323
64	Other intangible assets	5	35	44
66	Investments in associates	6	49	44
107	Available-for-sale investments	6	173	122
116	Other non-current financial assets	7	140	130
103	Deferred-tax assets	8	97	102
287	Other assets	9	62	85
12,854	**Total non-current assets**		**12,314**	**12,465**
477	Inventories		303	387
1,451	Trade receivables		1,253	1,943
18	Current-tax assets		9	15
297	Other receivables		385	276
58	Current financial assets		30	42
164	Cash and cash equivalents		75	298
2,465	**Total current assets**	10	**2,055**	**2,961**
209	**Assets held for sale**	11	**-**	**231**
15,528	**Total assets**		**14,369**	**15,657**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
4,273	Share capital		4,793	4,273
606	Equity reserves		633	606
1,110	Other reserves		1,111	1,116
(2)	Reserve for currency translations		(5)	(3)
97	Retained earnings (Loss carryforward)		465	97
531	Profit (Loss) for the period		321	654
6,615	**Total Group interest in shareholders' equity**		**7,318**	**6,743**
145	Minority interest in shareholders' equity		135	147
6,760	**Total shareholders' equity**	12	**7,453**	**6,890**
73	Provision for employee severance indemnities and provisions for pensions	13	73	72
763	Provision for deferred taxes	14	745	752
861	Provision for risks and charges	15	874	881
1,233	Bonds	16	1,201	1,207
1,467	Long-term borrowings and other financial liabilities	17	1,274	502
8	Other liabilities	18	13	2
4,405	**Total non-current liabilities**		**4,180**	**3,416**
1,435	Bonds payable		35	1,457
701	Short-term borrowings		867	1,461
1,356	Trade payables		1,107	1,576
38	Current taxes payable		34	26
796	Other liabilities		693	694
4,326	**Total current liabilities**	19	**2,736**	**5,214**
37	**Liabilities held for sale**	20	**-**	**137**
15,528	**Total liabilities and shareholders' equity**		**14,369**	**15,657**

An analysis of outstanding balances with related parties is provided in the section of this Report entitled "Transactions Among Group Companies and with Related Parties."

Consolidated Income Statement

2006 full year	(in millions of euros)	See note	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	3rd quarter 2007	3rd quarter 2006
8,523	Sales revenues	21	5,914	6,231	1,862	1,965
777	Other revenues and income	22	383	578	126	205
9,300	**Total net revenues**		**6,297**	**6,809**	**1,988**	**2,170**
(7,554)	Raw materials and services used (-)	23	(4,865)	(5,439)	(1,569)	(1,677)
(210)	Labor costs (-)	24	(162)	(151)	(53)	(48)
1,536	**EBITDA**	25	**1,270**	**1,219**	**366**	**445**
(784)	Depreciation, amortization and writedowns (-)	26	(524)	(525)	(192)	(166)
752	**EBIT**		**746**	**694**	**174**	**279**
(246)	Net financial income (expense)	27	(157)	(184)	(45)	(48)
16	Income from (Expense on) equity investments	28	(16)	4	(7)	-
37	Other income (expense), net	29	11	1	(4)	-
559	**Profit before taxes**		**584**	**515**	**118**	**231**
(9)	Income taxes	30	(255)	18	(51)	(99)
550	**Profit (Loss) from continuing operations**		**329**	**533**	**67**	**132**
112	Profit (Loss) from discontinued operations	31	-	3	-	3
662	**Profit (Loss) for the period**		**329**	**536**	**67**	**135**
8	Minority interest in profit (loss)		8	5	2	2
654	**Group interest in profit (loss)**		**321**	**531**	**65**	**133**
	Earnings per share (in euros)	32				
0.1522	basic		0.0671	0.1235		
0.1380	diluted		0.0630	0.1128		

Cash Flow Statement

The table below analyzes the cash flow as it applies to short-term liquid assets for the first nine months of 2007 and provides a comparison with the corresponding period in 2006.
In order to provide a better understanding of the Group's cash generation and utilization dynamics, the information provided below is supplemented by the data presented in a separate statement, included in the Report on Operations, which shows the changes in net financial position.

2006 full year	(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006
542	Group interest in profit (loss) from continuing operations	321	528
112	Group interest in profit (loss) from discontinued operations	-	3
654	**Total Group interest in profit (loss)**	**321**	**531**
8	Minority interest in profit (loss)	8	5
700	Amortization and depreciation	530	505
(2)	Interest in the result of companies valued by the equity method (-)	1	(3)
-	Dividends received from companies valued by the equity method	2	4
1	(Gains) Losses on the sale of non-current assets	(8)	-
84	(Revaluations) Writedowns of intangibles and property, plant and equipment	(6)	20
2	Change in the provision for employee severance indemnities	1	2
(413)	Change in other operating assets and liabilities	508	(189)
1,034	**A. Cash flow from operating activities of continuing operations**	**1,357**	**875**
(548)	Additions to intangibles and property, plant and equipment (-)	(367)	(389)
(85)	Additions to non-current financial assets (-)	(319)	(60)
28	Proceeds from the sale of intangibles and property, plant and equipment	38	15
345	Proceeds from the sale of non-current financial assets	98	-
-	Capital grants received during the year	-	-
29	Change in the scope of consolidation	-	-
34	Other current assets	12	18
(197)	**B. Cash used in investing activities**	**(538)**	**(416)**
1,203	Receipt of new medium-term and long-term loans	1.240	1,197
(1,712)	Redemption of new medium-term and long-term loans (-)	(2,759)	(3,157)
-	Capital contributions provided by controlling companies or other shareholders	520	-
(196)	Dividends paid to controlling companies or minority shareholders (-)	(248)	(196)
(181)	Change in short-term debt	205	1.479
(886)	**C. Cash used in financing activities**	**(1,042)**	**(677)**
4	**D. Cash and cash equivalents of discontinued operations**	**-**	**-**
-	**E. Net currency translation differences**	**-**	**-**
-	**F. Net cash flow from discontinued operations**	**-**	**21**
(45)	**G. Net cash flow for the period (A+B+C+D+E+F)**	**(223)**	**(197)**
361	**H. Cash and cash equivalents at beginning of period**	**298**	**361**
316	**I. Cash and cash equivalents at end of period (G+H)**	**75**	**164**
316	**L. Total cash and cash equivalents at end of period (I)**	**75**	**164**
(18)	**M. (-) Cash and cash equivalents of discontinued operations**	**-**	**-**
298	**N. Cash and cash equivalents of continuing operations (L+M)**	**75**	**164**

Changes in Consolidated Shareholders' Equity

(in millions of euros)	Share capital (a)	Reserves and ret. earnings (loss carryforward) (b)	Reserve for currency translations (c)	Profit for the period (d)	Group inter. in sharehold. equity (a+b+c+d)=(e)	Minority inter. in sharehold. equity (f)	Total shareholders' equity (e)+(f)
Balance at 12/31/05 restated as per IFRIC 4	**4.273**	**1.492**	**3**	**504**	**6.272**	**159**	**6.431**
Appropriation of the 2005 profit	-	504	-	(504)	-	-	-
Dividend distribution	-	(183)	-	-	(183)	(13)	(196)
Restatements for adoption of IAS 32 and IAS 39	-	1	-	-	1	-	1
Change in the scope of consolidation	-	-	-	-	-	(6)	(6)
Difference from translation of financial statements in foreign currencies and sundry items	-	(1)	(5)	-	(6)	-	(6)
Profit for the first nine months of 2006	-	-	-	531	531	5	536
Balance at September 30, 2006	**4.273**	**1.813**	**(2)**	**531**	**6.615**	**145**	**6.760**
Share capital increase for conversion of warrants	-	-	-	-	-	-	-
Restatements for adoption of IAS 32 and IAS 39	-	(11)	-	-	(11)	-	(11)
Difference from translation of financial statements in foreign currencies and sundry items	-	17	(1)	-	16	(1)	15
Profit for the fourth quarter of 2006	-	-	-	123	123	3	126
Balance at December 31, 2006	**4.273**	**1.819**	**(3)**	**654**	**6.743**	**147**	**6.890**
Share capital increase for conversion of warrants	520	-	-	-	520	-	520
Appropriation of the 2006 profit	-	654	-	(654)	-	-	-
Dividend distribution	-	(233)	-	-	(233)	(15)	(248)
Restatements for adoption of IAS 32 and IAS 39	-	(12)	-	-	(12)	-	(12)
Change in the scope of consolidation	-	(3)	-	-	(3)	3	-
Difference from translation of financial statements in foreign currencies and sundry items	-	(16)	(2)	-	(18)	(8)	(26)
Profit for the period	-	-	-	321	321	8	329
Balance at September 30, 2007	**4.793**	**2.209**	**(5)**	**321**	**7.318**	**135**	**7.453**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2007

The Edison Group's quarterly report at September 30, 2007 was prepared in accordance with Article 82 of Consob Regulation No. 11971 of May 14, 1999, as amended, complies with the requirements of the International Financial Reporting Standards (IAS/IFRS), as approved by the European Union, and is consistent with the provisions of IAS 34 "Interim Financial Reporting," which provides guidelines for the preparation of interim financial statements.
The principles of consolidation, the criteria used to translate financial statements denominated in foreign currencies, the accounting principles and the valuation criteria and estimates used to prepare this Quarterly Report at September 30, 2007 are consistent with those applied in the preparation of the Annual Report at December 31, 2006, which should be consulted for more detailed information.
Starting in 2007, the additional international accounting principles and interpretations published in the *Official Journal of the European Union* that are listed below are also being applied. Their adoption had no significant impact on the valuation of the Group's accounts, requiring only additional disclosures:

- IFRS 7 "*Financial Instruments: Disclosures,*" which requires additional disclosures concerning the nature and methods applied to manage credit, liquidity and market risks (i.e., interest rates, foreign exchange rates and commodity prices);
- IFRIC 8 "*Scope of IFRS 2*," which explains how IFRS 2 "*Share-based Payment*" applies to transactions in which an enterprise makes share-based payments for no consideration or an inadequate consideration;
- IFRIC 9 "*Reassessment of Embedded Derivatives*," which reviews certain aspects of the treatment of embedded derivatives in accordance with IAS 39 "*Financial Instruments: Recognition and Measurement*;"
- IFRIC 10 "*Interim Financial Reporting and Impairment*," which explains that impairment losses suffered by goodwill and certain financial assets (investments in equity investments classified as "held for sale" and equity instruments that are not carried at cost) recognized in interim financial statements may not be reversed in subsequent interim or annual financial statements.

The items published in the *Official Journal of the European Union* also included IFRIC 11 "Group and Treasury Share Transactions," which, however, will be applicable starting in 2008.
Unless otherwise stated, the amounts listed in this semiannual report are in millions of euros.

Presentation Formats of the Financial Statements Adopted by the Group

The presentation formats chosen by the Group have the following characteristics:

- **Balance Sheet:** Assets and liabilities are analyzed by maturity. Current and non-current items, which are due within or after 12 months from the balance sheet date, respectively, are shown separately.
- **Income Statement:** The Company has selected a step-by-step income statement, with the different components analyzed by type.
- **Cash Flow Statement:** The cash flow statement was prepared in accordance with the indirect method.

Changes in the Scope of Consolidation Compared with December 31, 2006

The main changes in the scope of consolidation that occurred in the first nine months of 2007 are reviewed below:

Electric Power Operations

- Thisvi Power Generation Plant Sa was consolidated line by line, following the Group's purchase of a 65% interest in its share capital.
- As a result of transactions that are being carried out to redefine the share ownership percentages, both Sarmato Energia and Consorzio di Sarmato are now consolidated at 55% (previously, the consolidation percentages were 61% for Sarmato Energia and 52.5% for Consorzio di Sarmato).
- In July 2007, Edison Spa exercised its call option for the Edipower shares, paying a first installment for 5% of 127 million euros. A second installment of 138 million euros is payable in January 2008. This transaction had no impact on the scope of consolidation since Edipower is already consolidated at 50%.

Corporate Activities

- In January 2007, upon the exercise of a put option held by the seller, Edison Spa purchased from EDF International the 20% of Finel Spa's share capital it did not own at a cost of about 137 million euros. Finel, a holding company, was already consolidated at 100%. Finel Spa was absorbed by Edison Spa effective July 1, 2007.
- ETS Srl was absorbed by Montedison Srl. The merger was effective vis-à-vis third parties as of August 1, 2007.
- Edison Nederland B.V., a company governed by Dutch law, was established in September 2007. Edison Nederland B.V. is a wholly owned subsidiary of Edison International Holding NV (formerly Montedison Finance Europe).

Assets Held for Sale

- On February 14, 2007, Edison Spa completed the sale of a 66.32% interest in Serene Spa to BG Italia Spa. This sale had no financial impact in the first half of 2007, since its effect had already been recognized in the previous fiscal year. However, the Group's net indebtedness decreased by 117 million euros.

RISK MANAGEMENT

As required by the provisions of the Code of Conduct for Listed Companies, Edison began to implement an integrated risk control model based on international enterprise risk management standards and on the definition of a global corporate risk management model and risk mapping and risk scoring methods. The purpose of this process is to indentify the Company's top risks, assess in advance their potential negative impact and take appropriate actions to minimize them.
The risk model adopted classifies risks in accordance with two fundamental criteria:

- The origin of the risk, which, consistent with the guidelines of the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) *Enterprise Risk Management* (ERM) - *Integrated Framework*, is used to classify risks as external risks, process risks and strategic and business objective risks;
- The method most frequently used to quantify risk, which divides risks into market risk, credit risk, operational risk and other risks, which consist primarily of strategic and reputational risks, in accordance with the guidelines of Basel II.

In 2007, the Company launched a Risk Self Assessment cycle that involves all of the Company's first-level resources in the process of identifying and assessing the abovementioned top risks. The results of this project are communicated on a regular basis on the occasion of Audit Committee meetings.

A comprehensive discussion of the Company's risk management system and a detailed analysis of the risks to which the Edison Group is exposed is provided in the disclosure published as part of the Semi-annual Report at June 30, 2007. The main categories of risk to which the Group is exposed, presented in accordance with the abovementioned risk model, are presented below, together with sensitivity analyses updated at September 30, 2007.

Market Risk

This category includes all of the risks that are linked directly or indirectly with price fluctuations in the markets for physical goods or in the financial markets in which the Group operates. These risks are:

1. Commodity price risk, which is caused by volatility in the prices of energy commodities and environmental securities (CO_2 emission certificates, green certificates, white certificates);
2. foreign exchange risk;
3. interest rate risk.

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

Consistent with the Group's *Energy Risk Policies*, this risk is managed by controlling the total level of financial risk assumed inherent in the Group's portfolio of assets and contracts (*Profit at Risk - PaR*) and measuring it against a predetermined ceiling approved by the Board of Directors concurrently with the annual budget.
Based on this method and assuming a confidence interval of 97.5%, the expected maximum loss over the length of the current reporting year on outstanding financial derivatives is 37.4 million euros (in line with the loss of 33.1 million euros expected at September 30, 2006).

Profit at Risk (PaR)	09.30.2007		09.30.2006	
(in millions of euros)	Level of probability	Amount at risk	Level of probability	Amount at risk
Edison Group	97.5%	37.4	97.5%	33.1

The *PaR* computation does not take into account trading transactions, which are segregated in special portfolios, because these transactions carry a predetermined stop loss.

2. Foreign Exchange Risk Not Related to Commodity Risk

With the exception of the issues reviewed above in the paragraph that discusses commodity risk, the Group does not have a significant exposure to currency risks. Whatever remaining exposure there is, it is concentrated in the translation of the financial statements of certain foreign subsidiaries. As a rule, these companies use the same currency for invoices issued and invoices received.

3. Interest Rate Risk

The Edison Group is exposed to fluctuations in interest rates because they affect the fair value of financial assets and liabilities and the amount of its net financial expense. At September 30, 2007, the Group's exposure to the risk of changes in interest rates was roughly equivalent to about 48% of its total exposure (33% at December 31, 2006). The ratio of fixed- to variable-interest positions rose compared with the previous year due mainly to the repayment of two bond issues and the concurrent closing out of the corresponding hedges.
The table below provides a sensitivity analysis that shows the impact that a hypothetical shift of the forward curve of plus or minus 50 basis points would have on the Group's gross indebtedness, including interest rate derivatives, outstanding on the date of the financial statements

Sensitivity analysis	09.30.2007		12.31.2006	
(in millions of euros)	+50 bps	-50 bps	+50 bps	-50 bps
Edison Group	7	-9	6	-5

Credit Risk

The credit risk represents Edison's exposure to potential losses that could be incurred if a commercial or financial counterpart fails to meet its obligations. Trade receivables are shown in the financial statements net of any writedowns. It is assumed that the resulting amount provides an accurate representation of the fair value of trade receivables. The table below shows an analysis of gross trade receivables and the applicable allowance for doubtful accounts. The change compared with the balance at December 31, 2006 is due mainly to seasonal factors.

(in millions of euros)	09.30.2007	12.31.2006
Gross trade receivables	1,333	2,001
Allowance for doubtful accounts (-)	(80)	(58)
Trade receivables	**1,253**	**1,943**

Trade receivables due in more than one year totaled 40 million euros, an amount abundantly covered by the allowance for doubtful accounts.

Operational Risks

Operational risks are the risks that the Company or third parties could incur due to the inadequacy or dysfunction of procedures, human resources and systems. They include legal risks and risks posed by external events. Additional information about this type of risk is provided in the disclosure published as part of the Semiannual Report at June 30, 2007.

Other Risks

Liquidity Risk

The liquidity risk represents the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities.
The table below provides a breakdown by maturity of the Group's financial and commercial obligations outstanding at September 30, 2007:

(in millions of euros)	09.30.2008	09.30.2009	09.30.2010	09.30.2011	09.30.2012	After 5 years	Total
Bonds	35	-	1	700	500	-	1,236
Borrowings and other financial liabilities:							
- Bank debt	828	257	130	179	651	27	2,072
- Due to other lenders	39	11	3	-	-	16	69
Gross indebtedness	**902**	**268**	**134**	**879**	**1,151**	**43**	**3,377**
Trade payables	1,107	-	-	-	-	-	1,107
Total obligations	**2,009**	**268**	**134**	**879**	**1,151**	**43**	**4,484**

The cash flows, financing needs and liquidity of Group companies are managed centrally in order to optimize the use of financial resources. The objective is to ensure that the Group has access at all times to sufficient committed facilities to repay indebtedness maturing over the ensuing 12 months. At September 30, 2007, the Group was abundantly in compliance with this objective, considering that it had unused committed lines of credit amounting to 1,469 million euros with an average residual life of more than five years. The largest of these facilities is a syndicated standby credit line of 1,500 million euros that expires in 2013, partially used at the end of september.
As for the balancing of working capital requirements and the coverage of trade payables in particular, coverage is provided by the size of trade receivables and the terms that govern them. At September 30, 2007, trade receivables amounted to 1,253 million euros, net of the allowance for doubtful accounts.

Default Risk and Debt Covenants

This type of risk arises from the possibility that loan agreements or bond indentures to which Group companies are parties 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).

The Group has two debt issues (Euro Medium term Notes) outstanding totaling 1,200 million euros (see table below):

Description	Issuer	Market where traded	ISIN code	Term (years)	Maturity	Face value (millions of euros)	Coupon	Current rate
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0181582056	7	12/10/2010	700	Fixed, annual	5,125%
EMTN 12/2003	Edison Spa	Luxembourg Stock Exch.	XS0196762263	7	07/19/2011	500	Variable, quarterly	4,815%

Moreover, the Group has access to non-syndicated financing facilities with a total face value of 368 million euros and syndicated financing with a total face value of 3,652 million euros.

Additional disclosures about default risks and debt covenants of loan agreement and bond indentures are provided in the Semiannual Report at June 30, 2007.

Analysis of Forward Transactions and Derivatives

When disclosing hedging transactions in the financial statements, care is used to ensure compliance with the requirements of IAS 39 for hedge accounting purposes. More specifically:

1) **Transactions that qualify as hedges in accordance with IAS 39.** They can be cash flow hedges or fair value hedges. In the case of cash flow hedges, which are the only ones used by the Group, results are included in EBITDA when realized. Their projected value is reflected in shareholders' equity.
2) **Transactions that do not qualify as hedges in accordance with IAS 39.** They can be:
   a. Margin hedges. For all hedging transactions that comply with internal risk policies and procedures, realized results and expected value are included in EBITDA.
   b. Trading transactions. For all remaining transactions, realized results and expected value are recognized as financial income or expense.

Instruments Outstanding at September 30, 2007

The data shown in the tables below provide the following information:

- Derivatives that were outstanding at September 30, 2007, classified by maturity;
- The value at which these contracts are reflected on the balance sheet, which is their fair value on the date of the financial statements.
- The pro rata share of the fair value referred to above that was recognized on the income statement from the date of execution to the reporting date.

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 Rates and Foreign Exchange Rates

(in millions of euros)	Notional amount (*)	Notional amount (*)	Notional amount (*)	Balance Sheet amount (**)	Cumulative impact on the income statement at 9.30.07 (***)
	due within 1 year	due betw. 2 and 5 years	due after 5 years		
Interest rate risk management					
- cash flow hedges in accordance with IAS 39	2	784	4	4	-
- contracts that do not qualify as hedges in accordance with IAS 39	2,321	1,693	82	(5)	(5)
Total interest rate derivatives	**2,323**	**2,477**	**86**	**(1)**	**(5)**

	due within 1 year receivable	due within 1 year payable	due betw. 2 and 5 years receivable	Balance Sheet amount (**)	Cumulative impact on the income statement at 9.30.07 (***)
Foreign exchange rate risk management					
- contracts that qualify as hedges in accordance with IAS 39					
• On commercial transactions	638	272	32	(40)	(8)
• On financial transactions	-	12		-	-
- contracts that do not qualify as hedges in accordance with IAS 39					
• On commercial transactions	11	-	1	-	-
• On financial transactions	-	-		-	-
Total foreign exchange rate derivatives	**649**	**284**	**33**	**(40)**	**(8)**

(*) Represents the sum of the notional amounts of the basic contracts that would result from an unbundling of complex contracts.
(**) Represents the net credit (+) or debit (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value recognized on the income statement from the inception of the contract until the date of the financial statements.

B) Commodities

	Unit of measure of notional amount	Notional amount due within one year (*)	Notional amount due within two years (*)	Notional amount after two years (*)	Balance sheet value (**) (millions of euros)	Cumulative impact on the income statement at 9/30/07 (***) (millions of euros)
Price risk management for energy products						
A. Cash flow hedges pursuant to IAS 39, broken down as follows:					**-**	**-**
- Electric power	TWh	1.7			1	-
- LNG, oil	Barrels	(593,725)			(1)	-
- Other commodities	-	-			-	-
B. Contracts that qualify as fair value hedges pursuant to IAS 39					**-**	**-**
C. Contracts that do not qualify as fair value hedges pursuant to IAS 39, broken down as follows:					**8**	**8**
C.1 Margin hedges					**8**	**8**
- Electric power	TWh	0.5			4	4
- LNG and oil	Barrels	-		-		
- Coal	Millions of tons	-	-	-		-
- CO_2	Millions of tons	0.7	1.2	1.8	4	4
C.2 Trading contracts					**-**	**-**
- Electric power	TWh	0.1			-	-
- LNG and oil	Barrels	-			-	-
- CO_2	Millions of tons	-			-	-
Total					**8**	**8**

(*) + for net purchases, - for net sales.
(**) Represents the net credit (+) or debit (-) recognized on the balance sheet following the measurement of derivatives at fair value.
(***) Represents the cumulative adjustment to fair value recognized on the income statement from the inception of the contract until the date of the financial statements.

Operating and Financial Results Generated by Derivative Transactions in the First Nine Months of 2007

The table below provides an analysis of the financial results generated by derivative transactions in the first nine months of 2007. The income statement line "Materials and services used" includes a direct adjustment to the purchases account amounting to 21 million euros for the impact of the effective portion of commodity related foreign exchange hedges.

(in millions of euros)	Realized in 2007 (A)	Fair Value recognized for contracts outstanding at 12/31/06 (B)	Portion of (B) contracts realized in 2007 (B1)	Fair value recognized for contracts outstanding at 9/30/07 (C)	Change in fair value in 2007 (D=C-B)	Amounts recognized in earnings (A+D)
Other revenues and income						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	59	-	-	-	-	59
- not definable as hedges pursuant to IAS 39	39	5	5	11	6	45
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	-	-	-	1	1	1
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Total (A)	**98**	**5**	**5**	**12**	**7**	**105**
Raw materials and services used						
Price risk hedges for energy products						
- definable as hedges pursuant to IAS 39 (CFH)	(24)	-	-	-	-	(24)
- not definable as hedges pursuant to IAS 39	(12)	(3)	(2)	(3)	-	(12)
Exchange risk hedges for commodities						
- definable as hedges pursuant to IAS 39 (CFH)	(12)	-	-	(9)	(9)	(21)
- not definable as hedges pursuant to IAS 39	-	-	-		-	-
Total (B)	**(48)**	**(3)**	**(2)**	**(12)**	**(9)**	**(57)**
TOTAL INCLUDED IN EBITDA (A+B)	**50**	**2**	**3**	**-**	**(2)**	**48**
Net financial income (expense)						
Price risk hedges for energy products						
- Gains on trading transactions	2	1	1	28	27	29
- Losses on trading transactions	(3)	(1)	(1)	(28)	(27)	(30)
Margin on commodity trading transactions (C)	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Interest rates hedges, broken down as follows:						
Financial income						
- definable as hedges pursuant to IAS 39	22	7	7	-	(7)	15
- not definable as hedges pursuant to IAS 39	87	42	41	12	(30)	57
Total financial income (D)	**109**	**49**	**48**	**12**	**(37)**	**72**
Financial expense						
- definable as hedges pursuant to IAS 39	(24)	(8)	(8)	-	8	(16)
- not definable as hedges pursuant to IAS 39	(106)	(63)	(42)	(16)	47	(59)
Total financial expense (E)	**(130)**	**(71)**	**(50)**	**(16)**	**55**	**(75)**
Margin on interest rate hedging transactions (D+E)=(F)	**(21)**	**(22)**	**(2)**	**(4)**	**18**	**(3)**
Foreign exchange rates hedges, broken down as follows:						
Foreign exchange gains						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Total foreign exchange gains (G)	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange losses						
- definable as hedges pursuant to IAS 39	-	-	-	-	-	-
- not definable as hedges pursuant to IAS 39	-	-	-	-	-	-
Total foreign exchange losses (H)	**-**	**-**	**-**	**-**	**-**	**-**
Margin on foreign exchange hedging transactions (G+H) = (I)	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL INCLUDED IN NET FINANCIAL INCOME (EXPENSE) (C+F+I)	**(22)**	**(22)**	**(2)**	**(4)**	**18**	**(4)**

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

(in millions of euros)	09.30.2007		12.31.2006	
	Receivables	Payables	Receivables	Payables
Foreign exchange transactions	1	(41)	8	(10)
Interest rate transactions	16	(17)	4	(27)
Commodity transactions	48	(40)	31	(35)
Fair value recognized as current asset or current liability	**65**	**(98)**	**43**	**(72)**
Broken down as follows:				
- recognized as "Other receivables and payables"	49	(81)	39	(45)
- recognized as "Current financial assets" and "Short-term borrowings"	16	(17)	4	(27)

The receivables and payable listed above are offset in shareholders' equity by a cash-flow hedge equity reserve with a negative balance of 28 million euros, net of the corresponding deferred-tax assets.

Segment Information

The table below provides information broken down by type of business operation. Detailed information about the performance of the different business operations is provided in a separate section of the Report on Operations.

INCOME STATEMENT	Electric Power			Hydrocarbons		Corporate Activities		Adjustments		Core Business	
	1/1/07 - 9/30/07	1/1/06 - 9/30/06	of which Edison Rete and Serene	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06
Sales revenues	**4,906**	**5,097**	**153**	**2,744**	**2,955**	**32**	**31**	**(1,790)**	**(1,879)**	**5,892**	**6,204**
- intra-Group Revenues	3	4	1	1,760	1,847	27	28	(1,790)	(1,879)	-	-
EBITDA	**934**	**892**	**29**	**384**	**368**	**(54)**	**(48)**	**-**	**-**	**1,264**	**1,212**
as a % of revenues	19.0%	17.5%	19.0%	14.0%	12.5%	n.m.	n.m.	-	-	21.5%	19.5%
Depreciation, amortization and writedowns	(414)	(433)	(18)	(108)	(84)	(1)	(7)	-	-	(523)	(524)
EBIT	**520**	**459**	**11**	**276**	**284**	**(55)**	**(55)**	**-**	**-**	**741**	**688**
as a % of revenues	10.6%	9.0%	7.2%	10.1%	9.6%	n.m.	n.m.	-	-	12.6%	11.1%
Net financial income (expense)										(157)	(185)
Interest result of companies valued by equity method										1	4
Imposte sul reddito										(255)	19
Profit from continuing operations										**331**	**526**
Profit (loss) from discontinued operations										**-**	**-**
Minority interest in profit (loss) for the period										**9**	**5**
Group interest in pfrofit (loss) for the period										**322**	**521**

BALANCE SHEET	Electric Power		Hydrocarbons		Corporate Activities		Adjustments		Core Business	
	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06
Total assets	**11,738**	**12,521**	**2,419**	**2,434**	**2,808**	**2,988**	**(2,643)**	**(2,466)**	**14,322**	**15,477**
Total liabilities	**3,597**	**4,189**	**1,188**	**1,09 0**	**3,164**	**4,248**	**(1,080)**	**(918)**	**6,869**	**8,609**
Net borrowings									**3,192**	**4,220**

OTHER INFORMATION	Electric Power			Hydrocarbons		Corporate Activities		Adjustments		Core Business	
	1/1/07 - 9/30/07	1/1/06 - 9/30/06	of which Edison Rete and Serene	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06
Capital expenditures	169	262	1	134	57	1	1	-	-	304	320
Investments in intangibles	1	29	1	-	-	1	4	-	-	2	33
Investments in exploration	-	-	-	48	29	-	-	-	-	48	29
Total capital investments	**170**	**291**	**2**	**182**	**86**	**2**	**5**	**-**	**-**	**354**	**382**

	Electric Power		Hydrocarbons		Corporate Activities		Adjustments		Core Business	
	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06
Number of employees	1,957	1,956	453	433	537	525	-	-	**2,947**	**2,914**

	Water		Adjustments		Discontinued operations		Edison Group	
	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06
	22	**27**	**-**	**-**	**-**	**-**	**5,914**	**6,231**
	-	-	-	-	-	-	-	-
	6	**7**	**-**	**-**	**-**	**-**	**1,270**	**1,219**
	27.3%	25.9%	-	-	-	-	21.5%	19.6%
	(1)	(1)	-	-	-	-	(524)	(525)
	5	**6**	**-**	**-**	**-**	**-**	**746**	**694**
	22.7%	22.2%	-	-	-	-	12.6%	11.1%
	-	1	-	-	-	-	(157)	(184)
	-	-	-	-	-	-	1	4
	-	(1)	-	-	-	-	(255)	18
	(7)	**7**	**5**	**-**	**-**	**-**	**329**	**533**
	-	**-**	**-**	**-**	**-**	**3**	**-**	**3**
	(1)	**-**	**-**	**-**	**-**	**-**	**8**	**5**
	(6)	**7**	**5**	**-**	**-**	**3**	**321**	**531**

	Water		Adjustments		Discontinued operations		Edison Group	
	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06
	55	**44**	**(8)**	**(95)**	**-**	**231**	**14,369**	**15,657**
	47	**31**	**-**	**(10)**	**-**	**137**	**6,916**	**8,767**
	-	**(10)**	**-**	**-**	**-**	**46**	**3,192**	**4,256**

	Water		Adjustments		Discontinued operations		Edison Group	
	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06	1/1/07 - 9/30/07	1/1/06 - 9/30/06
	13	7	-	-	-	-	317	327
	-	-	-	-	-	-	2	33
	-	-	-	-	-	-	48	29
	13	**7**	**-**	**-**	**-**	**-**	**367**	**389**

	Water		Adjustments		Discontinued operations		Edison Group	
	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06	9/30/07	12/31/06
	3	3	-	-	-	6	**2,950**	**2,923**

NOTES TO THE BALANCE SHEET

Assets

Non-current Assets

1. Property, Plant and Equipment

Property, plant and equipment, which comprise the Group's production assets, totaled 7,901 million euros, or 156 million euros less than at December 31, 2006. The amount by which depreciation for the period exceeded additions accounts for most of this decrease.

(in millions of euros)	Land and buildings	Plant and machinery	Manufact. and distrib. equipment	Other assets	Constr. in progress and advances	Total
Balance at 12/31/06 (A)	**937**	**6,431**	**24**	**11**	**654**	**8,057**
Changes at September 30, 2007:						
- Additions	6	25	2	1	283	317
- Disposals (-)	(10)	(8)	-	-	-	(18)
- Depreciation (-)	(36)	(415)	(3)	(2)	-	(456)
- Other changes	5	65	-	1	(70)	1
Total changes (B)	**(35)**	**(333)**	**(1)**	**-**	**213**	**(156)**
Balance at 9/30/07 (A+B)	**902**	**6,098**	**23**	**11**	**867**	**7,901**

The total value of the assets, virtually all of which are located in Italy, includes construction in progress and advances totaling 867 million euros, which are attributable primarily to the electric power operations (604 million euros) and the hydrocarbons operations (250 million euros).

Additions amounted to 317 million euros. The main capital expenditures included the following:

- The investments of the **electric power operations**, which totaled 169 million euros, were primarily used for thermoelectric power plants under construction in Simeri Crichi (CZ) (75 million euros) and Torviscosa (5 million euros), for Edipower's projects (37 million euros as Edison's share), the largest of which was the repowering of the Turbigo (MI) power plant and for hydroelectric power plants (13 million euros). In the area of wind power, the Group invested a total of 13 million euros.
- The **hydrocarbons operations** invested 134 million euros. Projects pursued in Italy included building the Cavarzere-Minerbio gas pipeline (53 million euros), developing hydrocarbon deposits in the Adriatic (24 million euros) and expanding the Collalto storage facility (9 million euros). Outside Italy, the Group invested 33 million euros mainly for projects in Egypt.
- Investments by the **diversified operations** (IWH Group) account for the remaining 14 million euros.

Disposals, which totaled 18 million euros, refer primarily to the sale of land and buildings appurtenant to the power lines sold to Terna. These transactions generated a gain of 9 million euros.
Depreciation of property, plant and equipment amounted to 456 million euros. It included 411 million euros for the electric power operations (410 million euros at September 30, 2006) and 41 million euros for the hydrocarbons operations (35 million euros at September 30, 2006). Corporate activities and the water operations account for the balance.
Please note that, starting in 2006, the Group changed the method it uses to depreciate thermoelectric power plants and wind farms that sell energy to GSE Spa (the operator of the national transmission grid) under contracts the terms of which are set forth in the CIP 6/92 resolution.
In addition:

- The net carrying amount of property, plant and equipment included **assets transferable at no cost** with an aggregate value of 592 million euros (641 million euros at December 31, 2006). The assets transferable at no cost are held by the Group's hydroelectric operations, which hold 69 concessions. The decrease reflects primarily the depreciation taken in the first nine months of 2007.
- Property, plant and equipment includes **assets acquired under finance leases** totaling 120 million

euros (127 million euros at December 31, 2006), which are recognized in accordance with the IAS 17 (revised) method. The balance outstanding on finance leases, which is shown under "Long-term borrowings and other financial liabilities" (12 million euros) and "Short-term borrowings" (11 million euros), amounts to 23 million euros.

Lastly, Law No. 266 of December 23, 2005 (2006 Budget Bill) provided an automatic ten-year extension of concessions for large-scale diversion of public water for hydroelectric power plants, as long as the concession holder can provide evidence of significant investments made in plant modernization to energy efficiency and environmental performance. Such evidence must be provided during the six months that precede the expiration of the concession and is subject to verification by local government entities. The useful lives of the Group's hydroelectric power plants is changed when warranted by an objective determination. Moreover, Law No. 17 of February 26, 2007 makes the ten-year extension provided by the abovementioned Law No. 266 not applicable to the autonomous provinces of Trento and Bolzano.

2. Investment Property

The Group's investment property, which consists of land and buildings that are not used for production purposes, totaled 34 million euros. The decrease compared with December 31, 2006 is the net result of the sale of a residential building with a net value of 12 million euros, which generated a gain of 4 million euros, the reversal of a 6-million-euro writedown on a building booked in previous years and depreciation for the period of 1 million euros.

3. Goodwill

Goodwill totaled 3,518 million euros, unchanged since December 31, 2006. The remaining balance is an intangible asset with an indefinite useful life. As such, it cannot be amortized in regular installments but should be tested for impairment at least once a year.
A breakdown of goodwill by type of business is as follows:

Allocation of godwill (in millions of euros)	**09.30.2007**	12.31.2006
- Electric power operations	2,836	2,836
- Hydrocarbons operations	682	682
Total	**3,518**	**3,518**

No impairment indicators were detected in the first nine months of 2007.

4. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which consist of 83 mineral leases in Italy and abroad (including two storage concessions), were valued at 305 million euros. The amortization for the period accounts for the decrease of 18 million euros compared with December 31, 2006.

Information About the Group's Concessions

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

		Remaining life	
	Number	from	to
Storage concessions	2	8	18
Hydroelectric concessions	69	2	25
Distribution concessions	62	1	13
Hydrocarbon concessions	81	(*) "unit of production"	

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

During the first nine months of 2007, the Group acquired five new hydrocarbon exploration licenses in Norway, four in Egypt and one in Qatar, but disposed of a distribution concession in Italy.

5. Other Intangible Assets

The balance of 35 million euros refers to patents, licenses and similar rights (34 million euros) and work in progress (1 million euros). Hydrocarbon research and exploration costs, which are charged in full to expense in the period they are incurred, totaled 48 million euros.

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

The total includes 49 million euros in investments in companies valued by the equity method and 173 million euros in equity investments valued at fair value. These investments include an investment in RCS Mediagroup (about 30 million euros) and an investment in Terminale GNL Adriatico (133 million euros). The table below shows the main changes that occurred in the first nine months of 2007:

(in millions of euros)	Investments in associates	Available-for-sale investments	Total
Balance at 12/31/06 (A)	**44**	**122**	**166**
Changes in the first nine months of 2007:			
- additions	-	1	1
- changes in share capital	5	49	54
- revaluations and valuations at equity	1	2	3
- derecogniton of dividends (-)	(2)	-	(2)
- reclassifications and other changes	1	(1)	-
Total changes (B)	**5**	**51**	**56**
Balance at 9.30.2007	**49**	**173**	**222**

An analysis of the changes is as follows:

- **Changes in share capital** of 54 million euros consist of capital contributions provided to the investee companies Terminale GNL Adriatico (49 million euros) and Galsi (5 million euros);
- **Revaluations and valuations at equity** of 3 million euros include 2 million euros for the revaluation at market value of the investment in RCS, which is offset by an equity reserve, and 1 million euros for equity investments valued by the equity method;
- The **derecognition of dividends** refers to companies that are valued by the equity method in the consolidated financial statements.

7. Other Non-current Financial Assets

Other non-current financial assets of 140 million euros include the following loans receivable due in more than one year and long-term equity investments:

- 80 million euros for a loan receivable from Ibiritermo valued in accordance with IFRIC 4;
- 39 million euros for a restricted deposit earmarked for IPSE 2000, which is offset by a provision for risks of the same amount due to uncertainty about its recovery;
- 13 million euros for an interest-bearing restricted deposit posted in connection with the sale of Serene Spa, the collection of which is predicated on changes in CIP 6/92 rules;
- 8 million euros in sundry long-term loans receivable, which include 4 million euros in bank deposits posted in connection with project financing facilities.

8. Deferred-tax Assets

Deferred-tax assets of 97 million euros reflect a tax-loss carryforward (42 million euros), differences in the valuation of property, plant and equipment (29 million euros) and taxed provisions for risks (24 million euros). Differences arising from the adoption of IAS 39 account for the balance.
With regard to the recognition of these assets, their valuation was made based on expectations of actual utilization over the limited time horizon of the industrial plans approved by the Company. Consequently, the theoretical deferred-tax assets computed on provisions for risks were partially written down.

9. Other Assets

Other assets totaled 62 million euros, or 23 million euros less than at December 31, 2006. They consisted mainly of income tax refunds receivable and accrued interest. Security deposits account for the balance.
Tax refunds received during the first nine months of 2007 account for most of the decrease.

10. Current Assets

(in millions of euros)	09.30.2007	12.31.2006	Change
Inventories	303	387	(84)
Trade receivables	1,253	1,943	(690)
Current-tax assets	9	15	(6)
Other receivables	385	276	109
Current financial assets	30	42	(12)
Cash and cash equivalents	75	298	(223)
Total current assets	**2,055**	**2,961**	**(906)**

A review of the individual components is provided below:

Inventories

Inventories totaled 303 million euros and a breakdown by type of business is as follows:

(in millions of euros)	Engineering consumables	Stored natural gas	Fuel oil	Other materials	Total at 09/30/07	Total 12/31/06	Change
Electric power operations	40	-	30	2	72	151	(79)
Hydrocarbons operations	6	206	14	-	226	233	(7)
Corporate activities	-	-	-	-	-	-	-
Total core businesses	**46**	**206**	**44**	**2**	**298**	**384**	**(86)**
Diversified operations	-	-	-	5	5	3	2
Total for the Group	**46**	**206**	**44**	**7**	**303**	**387**	**(84)**

The decrease of 84 million euros compared with December 31, 2006 includes 7 million euros attributable to the hydrocarbons operations, for use of stored natural gas, and 79 million euros attributable to the electric power operations, mainly for the use of green certificates by Group companies.
Inventories also include 9 million euros in strategic reserves of natural gas, the use of which is restricted.

Trade Receivables

Trade receivables totaled 1,253 million euros. A breakdown by type of business is as follows:

(in millions of euros)	09.30.2007	12.31.2006	Change
Electric power operations	1,057	1,649	(592)
Hydrocarbons operations	220	325	(105)
Corporate activities	(34)	(41)	7
Total core businesses	**1,243**	**1,933**	**(690)**
Diversified operations	10	10	-
Total trade receivables	**1.253**	**1.943**	**(690)**
of which allowance for doubtful accounts	(80)	(58)	(22)

Trade receivables stem from contracts to supply energy and steam, contracts to supply natural gas, contracts to sell natural gas and Power Exchange transactions. The decrease in trade receivables reflects the collection in June from GSE of an adjustment on the amount invoiced the previous year by facilities that operate under CIP 6/92 contracts.

Current-tax Assets

The balance of 9 million euros includes amounts owed by the tax authorities for overpayments of corporate income taxes (IRES) and local taxes (IRAP) owed to Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia).

Other Receivables

The main components of other receivables, which totaled 385 million euros, are amounts owed by partners and associates in hydrocarbon exploration projects (46 million euros), advances paid to suppliers (31 million euros), receivables from public institutions and local entities (55 million euros, including 14 million euros for hydroelectric concession fees), credits arising from the valuation of commodity and foreign exchange derivatives (49 million euros), receivables from the tax administration (56 million euros, including 34 million euros for excise taxes), advances paid to bid at green-certificate and CIP6 rights auctions (36 million euros) and amounts owed by the controlling company (Transalpina di Energia) in connection with the filing of a consolidated tax return (16 million euros).
The above amounts are net of an allowance for doubtful accounts totaling 28 million euros.

Current Financial Assets

A breakdown of current financial assets, which totaled 30 million euros, is as follows:

(in millions of euros)	09.30.2007	12.31.2006	Change
Equity investments held for trading	11	11	-
Loans receivable	3	27	(24)
Derivatives	16	4	12
Total current financial assets	**30**	**42**	**(12)**

A review of these financial assets, which are included in the computation of the Group's net borrowings, is provided below.

Equity Investments Held for Trading

The balance of 11 million euros consists of investments in publicly traded companies. They include the following: ACEGAS Spa (6 million euros), ACSM Spa (3 million euros) and American Superconductor Corporation (2 million euros). The measurement of these investments at fair value had no impact on the income statement.

Loans Receivable

Loans receivable of 3 million euros includes 1 million euros representing the short-term portion of a finance lease provided to build the Ibiritermo power plant. Sundry loans to Group companies account for the balance.

Derivatives

The entire amount listed above refers to the measurement at fair value of derivatives hedging interest risks that were outstanding at September 30, 2007. A complete discussion of the impact of financial derivatives is provided in a separate section of this Report.

Cash and Cash Equivalents

The balance of 75 million euros consists of amounts deposited in bank and postal accounts and other readily available funds.

11. Discontinued Operations

The change compared with December 31, 2006 reflects the sale of Serene Spa in February 2007..

Liabilities and Shareholders' Equity

12. Shareholders' Equity

The Group's interest in shareholders' equity increased to 7,318 million euros, or 575 million euros more than at December 31, 2006, due mainly to the exercise of about 520 million warrants in the first nine months of 2007 and the profit of 321 million euros earned during the period, net of a dividend distribution of 233 million euros (equal to a dividend of 0.048 euros per common share and 0.078 euros per savings share).

Minority interest in shareholders' equity was 135 million euros. The decrease of 12 million euros compared with December 31, 2006 reflects the distribution of dividends by Group companies with minority shareholders.

At September 30, 2007, the subscribed and paid-in share capital of Edison Spa totaled 4,793 million euros. It consisted of shares with a par value of 1 euro each, all with regular ranking for dividends, and was broken down as follows:

Share class	Number of shares	Millions of euros
Common shares	4,682,249,495	4,682
Savings shares	110,592,420	111
Total	**4,792,841,915**	**4,793**

Overall, the Company's share capital increased by 520 million euros due to the exercise of 519,702,462 warrants. A total of 498,914,462 warrants was outstanding at September 30, 2007. Each warrant can be exercised until December 2007 to subscribe one new share at a price of 1 euro per share. No change affected the savings shares.

In keeping with the goal to provide full disclosure, the table below shows a breakdown of the reserve for cash flow hedges established in accordance with the provisions of IAS 32 and IAS 39 on derivatives, which is included in shareholders' equity. The reserve shows a negative change of 13 million euros compared with 2006.

Reserve for cash flow hedge transactions

(in millions of euros)	Gross reserve	Deferred taxes	Net reserve
- Reserve at January 1, 2007	(8)	3	(5)
- Changes in the first nine months of 2007	(20)	7	(13)
- Reserve at September 30, 2007	**(28)**	**10**	**(18)**

The changes that affected the value of shareholders' equity also include the impact of the valuation of available-for-sale investments, which produced a net increase of 1 million euros.

Non-current Liabilities

13. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 73 million euros, reflect the accrued severance indemnities and other benefits owed to employees at September 30, 2007, computed in accordance with actuarial criteria. The actual impact of the implementation of Law No. 296/06 regarding the allocation of accrued severance indemnities is currently being computed.
The table below shows the changes that occurred in the first nine months of 2007:

(in millions of euros)	Provision for sever. indemn.	Provision for pensions	Total
Balance at 12/31/06 (A)	**63**	**9**	**72**
Changes in the first nine months of 2007:			
- Additions	4	-	4
- Financial expense (+)	2	-	2
- Discounting gains (losses) (+/-)	-	-	-
- Utilizations (-)	(5)	-	(5)
Total changes (B)	**1**	**-**	**1**
Total at 9.30.2007 (A+B)	**64**	**9**	**73**

At September 30, 2007, the Group companies that are consolidated line by line or by the proportional method had 2,950 employees, about the same as at the end of 2006. The average payroll for the first nine months of 2007 consisted of 2,934 employees (2,961 in the same period last year).

14. Provision for Deferred Taxes

The balance of 745 million euros reflects mainly the deferred tax liability from the use during the IFRS transition of fair value as deemed cost to value property, plant and equipment.
The following table shows a breakdown of this reserve by type of underlying temporary difference, keeping in mind that certain Group companies that met the requirements of IAS 12 offset their deferred-tax liability against prepaid taxes:

(in millions of euros)	09.30.07	12.31.06	Change
Deferred-tax liabilities:			
- Differences in the valuation of property, plant and equipment	781	791	(10)
- Adoption of the standard on finance leases (IAS 17)	44	43	1
- Adoption of the standard on financial instruments (IAS 39) with impact on:			
- the income statement	1	2	(1)
- shareholders' equity	3	2	1
- Other deferred taxes	16	12	4
Total deferred-tax liabilities (A)	**845**	**850**	**(5)**
Deferred-tax assets usable for offset purposes:			
- Taxed provisions for risks	77	83	(6)
- Tax loss carryforward	-	-	-
- Adoption of the standard on financial instruments (IAS 39)	19	10	9
- Valuation differences on property, plant and equipment	4	5	(1)
- Other prepaid taxes	-	-	-
Total deferred-tax assets (B)	**100**	**98**	**2**
Total provision for deferred taxes (A-B)	**745**	**752**	**(7)**

15. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 874 million euros at September 30, 2007, or 7 million euros less than at the end of 2006.

The table below shows the changes that occurred in the first nine months of 2007:

(in millions of euros)	12.31.2006	Additions	Utiliz.	Other changes and reclassif.	09.30.2007
- Disputed tax items	23	-	-	1	24
- Risks for disputes, litigation and contracts	170	6	(8)	-	168
- Charges for contractual guarantees on the sale of equity investments	151	-	(27)	-	124
- Provisions for decommissioning and remediation of industrial sites	261	9	(3)	1	268
- Environmental risks	69	-	(1)	-	68
- Risks on the sale of equity investments	16	16	-	-	32
- Other risks and charges	191	17	(15)	(3)	190
Total for the Group	**881**	**48**	**(54)**	**(1)**	**874**

The following changes occurred in the first nine months of 2007:
- **Additions** of 48 million euros, which include 18 million euros for legal and contractual risks, 9 million euros for interest expense on decommissioning provisions, 16 million euros for a charge related to uncertainties as to the value of certain assets and 5 million euros for accrued statutory interest on existing provisions;
- **Utilizations** of 54 million euros, which reflect the cancellation of guarantees on divested equity investments (27 million euros), settlements of pending disputes (18 million euros), amounts drawn from provisions established in connection with asset sales (5 million euros) and environmental charges (4 million euros).

More detailed information about the items that produced the current composition of the provisions for risks and charges is provided in the section of this Report entitled "Update of the Main Pending Legal and Tax Disputes Compared with the 2007 Semiannual Report."

16. Bonds

The balance of 1,201 million euros represents the non-current portion of the bond issues floated by Edison Spa, valued at amortized cost. A breakdown is as follows:

(in millions of euros)	Market where traded	Currency	Par value outstanding	Coupon	Rate	Maturity	Amortized cost	Fair value
Euro Medium Term Notes:								
Edison Spa	Luxembourg Securities Exchange	EUR	700	Annual in arrears	5.125%	12/10/10	697	738
Edison Spa	Luxembourg Securities Exchange	EUR	500	Quarterly in arrears	4.815%	7/19/11	504	508
Total for the Group			**1,200**				**1,201**	**1,246**

17. Long-term Borrowings and Other Financial Liabilities

The main component of this item, which totaled 1,274 million euros (502 million euros at December 31, 2006), is bank debt of 1,244 million euros, which includes new borrowings by Edipower amounting to about 900 million euros (Edison's share).
A breakdown is as follows:

(in millions of euros)	09.30.2007	12.31.2006	Change
Due to banks	1,244	440	804
Due to leasing companies	12	19	(7)
Due to subsidiaries in liquidation	-	28	(28)
Due to other lenders	18	15	3
Total for the Group	**1,274**	**502**	**772**

The amount due to other lenders includes 7 million euros payable to shareholders of companies that are not wholly owned subsidiaries.

18. Other Liabilities

Other liabilities of 13 million euros consist of security deposits and amounts owed to employees.

19. Current Liabilities

(in millions of euros)	09.30.2007	12.31.2006	Change
Bonds	35	1,457	(1,422)
Short-term borrowings	867	1,461	(594)
Trade payables	1,107	1,576	(469)
Current taxes payable	34	26	8
Other liabilities	693	694	(1)
Total current liabilities	**2,736**	**5,214**	**(2,478)**

The main current liability accounts are reviewed below:

- **Bonds:** The significant decrease compared with December 31, 2006 (1,430 million euros in face value) is due to the repayment of outstanding bonds in July and August. The remaining balance of 35 million euros reflects interest accrued at September 30, 2007 on bond issues that mature after one year.

- **Short-term borrowings** of 867 million euros consists of 828 million euros in bank debt (including 17 million euros generated by measuring at fair value interest rate derivatives), 11 million euros owed to leasing companies and 28 million euros payable to unconsolidated subsidiaries in liquidation. The reduction compared with December 31, 2006 is related to new bank financing obtained by Edipower, which is a long-term facility and, consequently, is included among long-term borrowings and other financial liabilities.

- **Trade payables** totaled 1,107 million euros. A breakdown by type of business is provided below:

(in millions of euros)	09.30.2007	12.31.2006	Change
Electric power operations	736	1,157	(421)
Hydrocarbons operations	386	466	(80)
Corporate activities and eliminations	(21)	(50)	29
Total core businesses	**1,101**	**1,573**	**(472)**
Diversified operations	6	3	3
Total trade payables	**1,107**	**1,576**	**(469)**

Trade payables reflect mainly purchases of electric power, natural gas and other utilities, as well as services related to scheduled and extraordinary plant maintenance. The electric power operations account for most of the decrease of 469 million euros compared with December 31, 2006.

- **Current taxes payable** of 34 million euros represent the liability for income taxes of Group companies that are not included in the consolidated tax return filed by the controlling company (Transalpina di Energia).

- The main components of **other liabilities** of 693 million euros include the following: the remaining liability arising from the Edipower put-and-call options (132 million euros), the amount owed to the controlling company (Transalpina di Energia) in connection with the filing of a consolidated tax return (152 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (50 million euros), payables owed for miscellaneous consulting and other services (70 million euros), liabilities generated by the valuation of commodity and foreign exchange derivatives (81 million euros), amounts owed to shareholders of companies that are not wholly owned subsidiaries (31 million euros), amounts owed to employees and social security institutions (44 million euros) and sundry payables owed to the tax administration for taxes withheld and excise taxes (52 million euros).

20. Liabilities Held for Sale

The change compared with December 31, 2006 is due to the sale of Serene Spa in February 2007.

Net Borrowings

(Pursuant to Consob Resolution No. DEM/6064293 of July 28, 2006)

At September 30, 2007, net borrowings totaled 3,192 million euros, a significant reduction compared with the 4,256 million euros owed at December 31, 2006. Proceeds of 520 million euros generated by the exercise of warrants and a positive operating cash flow, which more than offset outlays for capital investments (367 million euros), net borrowing costs (157 million euros), a cash disbursement to purchase a 5% interest in Edipower due to the exercise of a put-and-call option (127 million euros) and dividends (248 million euros), are the main reasons for this improvement. In addition, the sale of Serene Spa in February 2007 had a positive impact of 117 million euros.
A breakdown of indebtedness by maturity shows that the medium- and long-term component has increased, due to new financing facilities received by Edipower during the first nine months of 2007.

(in millions of euros)	09.30.2007	12.31.2006	Change
Long-term debt			
Bonds - non-current portion	1,201	1,207	(6)
Non-current bank loans	1,244	440	804
Amounts due to other lenders - non-current portion	30	62	(32)
Other non-current financial assets (*)	(80)	(77)	(3)
Total long-term debt	**2,395**	**1,632**	**763**
Short-term debt			
Bonds - current portion	35	1,457	(1,422)
Current loans payable	867	1,461	(594)
Current financial assets	(30)	(42)	12
Cash and cash equivalents (**)	(75)	(298)	223
Loans payable of divested operations	-	64	(64)
Loans receivable of divested operations	-	(18)	18
Total short-term debt	**797**	**2,624**	**(1,827)**
Net borrowings	**3,192**	**4,256**	**(1,064)**

(*) Includes financial receivables applicable to the long-term portion upon the adoption of IFRIC 4.

(**) Cash and cash equivalents

(in millions of euros)	09.30.2007	12.31.2006	Change
Bank and postal accounts and other available funds	(75)	(298)	223
Cash and cash equivalents	**(75)**	**(298)**	**223**

Net borrowings include 239 million euros stemming from transactions with related parties (215 million euros owed to Mediobanca and 24 million euros owed to Banca Popolare di Milano). In the balance sheet these items are classified as "Long-term borrowings and other financial liabilities" (232 million euros) and as "Short-term borrowings" (7 million euros).
In addition, "Short-term borrowings" includes 28 million euros owed to unconsolidated subsidiaries and affiliated companies.

NOTES TO THE INCOME STATEMENT

For the first nine months of 2007, the Group reported a significant increase in EBITDA, which grew to 1,270 million euros at September 30, 2007, up from 1,219 million euros in the same period last year (+4.2%). Both of the Group's businesses contributed to this improvement:

- the electric power operations benefited from an increased availability of highly efficient production facilities and from an effective policy of optimizing the sources and uses mix in the deregulated market, where Edison has been increasing unit sales;
- in the case of the hydrocarbons operations, which reported lower unit sales due to unfavorable weather conditions, the improved results reflect the impact of a higher return on market sales and the reversal of about 56 million euros from a provision that was established to cover the cost of complying with Resolution No. 248/04, with which the Electric Power and Gas Authority updated the rates at which gas could be sold. In the same period last year, a provision of about 53 million euros was established for this purpose.

The Group's net profit, which totaled 321 million euros at September 30, 2007 compared with 531 million euros a year earlier, despite a reduction of net financial expense, was adversely affected by an increase in the Group's tax rate. Specifically, during the first nine months of 2006, the Group recorded a net tax benefit of 202 million euros generated by the realignment of the taxable base of a significant portion of Edison's production assets to the amounts used for reporting purposes, as allowed by Law No. 266 of December 23, 2005.
The table below, which shows a breakdown by quarter and a comparison with corresponding data the previous year, provides a clearer understanding of cumulative sales revenues and EBITDA at September 30, 2007:

	First quarter			Second quarter			Third quarter			Total		
(in millions of euros)	**2007**	2006	% change	**2007**	2006	% change	**2007**	2006	% change	**2007**	2006	% change
Sales revenues	2,231	2,435	(8.4%)	1,821	1,831	(0.5%)	1,862	1,965	(5.2%)	5,914	6,231	(5.1%)
EBITDA	397	334	18.9%	507	440	15.2%	366	445	(17.8%)	1,270	1,219	4.2%
as a % of sales revenues	17.8%	13.7%	29.7%	27.8%	24.0%	15.9%	19.7%	22.6%	(13.2%)	21.5%	19.6%	9.8%

21. Sales Revenues

Sales revenues totaled 5,914 million euros, for an overall decrease of 317 million euros (-5.1%) compared with the first nine months of 2006. The absence of the revenues contributed in the past by companies sold last year accounts for 102 million euros of this shortfall. On a comparable consolidation basis, sales revenues show a decrease of 3.5%. The table below provides a breakdown of sales revenues, which were booked for the most part in Italy:

(in millions of euros)	**01.01.2007/ 09.30.2007**	01.01.2006/ 09.30.2006	Change	% change
Revenues from the sales of:				
- Electric power	4,233	4,475	(242)	(5.4%)
- Natural gas	950	1,045	(95)	(9.1%)
- Steam	115	125	(10)	(8.0%)
- Oil	79	69	10	14.5%
- Green certificates	15	45	(30)	(66.7%)
- Water and other utilities	24	29	(5)	(17.2%)
- Other revenues	15	35	(20)	(57.1%)
Total sales revenues	**5,431**	**5,823**	**(392)**	**(6.7%)**
Revenues from managing the electrical network	-	18	(18)	(100.0%)
Revenues from services provided	12	10	2	20.0%
Storage services	13	8	5	62.5%
Transmission revenues	458	372	86	23.1%
Total for the Group	**5,914**	**6,231**	**(317)**	**(5.1%)**

Sales Revenues by Type of Business

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Electric power operations	4,906	5,097	(191)	(3.7%)
Hydrocarbons operations	2,744	2,955	(211)	(7.1%)
Corporate activities	32	31	1	3.2%
Eliminations	(1,790)	(1,879)	89	n.m.
Core businesses	**5,892**	**6,204**	**(312)**	**(5.0%)**
Diversified operations	22	27	(5)	(18.5%)
Total for the Group	**5,914**	**6,231**	**(317)**	**(5.1%)**

The revenues generated by the Group's core businesses were 312 million euros less (-5.0%) than in the first nine months of 2006, with both businesses reporting a decrease:

- the revenues generated by the **electric power operations** were down 3.7% compared with the first nine months of 2006, due to a reduction in sales prices that reflected a reduction in raw material prices and to the change in scope of consolidation caused by the sale of Serene and Edison Rete, which accounted for 152 million euros;
- as for the **hydrocarbons operations**, revenues decreased by 7.1% year over year, as milder weather than in the first nine months of 2006 caused a reduction in unit sales by 2.8%, particularly to industrial and residential users.

22. Other Revenues and Income

Other revenues and income totaled 383 million euros. A breakdown is as follows:

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Commodity derivatives	105	232	(127)	(54.7%)
Recovery of costs from Edipower's Tollers	112	123	(11)	(8.9%)
Recovery of costs from partners in hydrocarbon exploration projects	37	18	19	105.6%
Utilizations of provisions for risks	14	12	2	16.7%
Swaps and exchanges of oil and natural gas	15	23	(8)	(34.8%)
Out of period income	42	117	(75)	(64.1%)
Sundry items	58	53	5	9.4%
Total for the Group	**383**	**578**	**(195)**	**(33.7%)**

Income from commodity derivatives was down sharply both for transactions that qualify as hedges in accordance with IAS 39 and for transactions executed as margin hedges. A comprehensive view of the impact of commodity derivatives is disclosed in a separate section provided earlier in this Report.

Out of period income includes the recovery of costs (about 16 million euros) made possible by the voiding of Resolution No. 48/04 by the Council of State. In the first nine months of 2006, out of period income included a gain on the renegotiation of the price paid for natural gas under certain long-term contracts, a reduction in the penalties owed for using the strategic natural gas reserve during the first quarter of 2005 and a recovery of green certificate costs in accordance with a resolution issued by the Electric Power and Gas Authority. These items account for the decrease from the amount reported at September 30, 2006.
Sundry items refers to gains earned on the sale of property, plant and equipment totaling about 17 million euros, which included about 9 million euros generated by the disposal of buildings appurtenant to the electrical transmission network.

23. Raw Materials and Services Used

The cost of raw materials and services used, which decreased by 10.6% compared with the same period last year, totaled 4,865 million euros. The companies sold last year account for a significant portion of this reduction (75 million euros). On a comparable scope of consolidation basis, the cost of raw materials and services used would have been 9.3% lower than a year ago, due mainly to a reduction in raw material prices. A breakdown is as follows:

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Purchases of:				
- Natural gas	2,168	2,612	(444)	(17.0%)
- Electric power	655	771	(116)	(15.0%)
- Dispatching and balancing market	90	108	(18)	(16.7%)
- Blast furnace, recycled and coke furnace gas	252	293	(41)	(14.0%)
- Fuel oil	238	283	(45)	(15.9%)
- Demineralized industrial water	28	24	4	16.7%
- Green certificates	79	69	10	14.5%
- CO_2 emissions rights	4	-	4	n.m.
- Other materials and utilities	129	117	12	10.3%
Total purchases	**3,643**	**4,277**	**(634)**	**(14.8%)**
- Facilities maintenance	174	159	15	9.4%
- Transmission of electric power and natural gas	730	682	48	7.0%
- Professional services	55	58	(3)	(5.2%)
- Insurance services	21	22	(1)	(4.5%)
- Commodity derivatives	36	175	(139)	(79.4%)
- Additions to the provisions for CO_2 risks	-	31	(31)	n.m.
- Additions to other provisions for risks	13	15	(2)	(13.3%)
- Writedowns of trade receivables	26	16	10	62.5%
- Change in inventory of work in progress, semifinished goods and finished goods	9	(154)	163	n.m.
- Sundry charges	158	158	-	0.0%
Total for the Group	**4,865**	**5,439**	**(574)**	**(10.6%)**

Breakdown by Type of Business

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Electric Power operations	4,123	4,558	(435)	(9.5%)
Hydrocarbons operations	2,463	2,703	(240)	(8.9%)
Corporate activities	60	58	2	3.4%
Eliminations	(1,793)	(1,894)	101	(5.3%)
Core businesses	**4,853**	**5,425**	**(572)**	**(10.5%)**
Diversified operations	12	14	(2)	(14.3%)
Total for the Group	**4,865**	**5,439**	**(574)**	**(10.6%)**

The main component of other costs is 730 million euros in electric power and natural gas transmission costs (567 million euros and 163 million euros, respectively). The increase of 7.0% compared with the first nine months of 2006 is due for the most part to higher unit sales of electric power to end customers.

The overall decrease in the cost of raw materials and services used is also due to a reduction of about 27 million euros in charges related to CO_2 risks, which in the first nine months of 2006 were recognized by means of an addition to the provisions for risks.

The decrease in charges for commodity derivatives refers both to transactions that qualify as hedges in accordance with IAS 39 and to transactions executed as margin hedges. A comprehensive view of the impact of commodity derivatives is disclosed in a special section provided earlier in this Report.

24. Labor Costs

Labor costs of 162 million euros refer to the average payroll for the period. The increase of 11 million euros compared with the same period last year reflects normal wage increases and extraordinary charges related to the elimination of an older employee benefit fund.

25. EBITDA

At September 30, 2007, EBITDA amounted to 1,270 million euros, or 4.2% more than in the same period last year.
A breakdown by type of business is as follows:

(in millions of euros)	01.01.07/ 09.30.07	as a % of sales revenues	01.01.06/ 09.30.06	as a % of sales revenues	EBITDA % change
Electric power operations	934	19.0%	892	17.5%	4.7%
Hydrocarbons operations	384	14.0%	368	12.6%	4.3%
Corporate activities	(54)	n.m.	(48)	n.m.	12.5%
Core businesses	**1,264**	**21.5%**	**1,212**	**19.5%**	**4.3%**
Diversified operations	6	27.3%	7	25.9%	(14.3%)
Total for the Group	**1,270**	**21.5%**	**1,219**	**19.6%**	**4.2%**

EBITDA were up both in the electric power and hydrocarbons operations:

- the EBITDA increase reported by the **electric power operations** (+4.7%) was made possible by higher unit sales in the deregulated markets (+4.5%). This improvement, which reflects a rise in production made possible by the full availability of the Altomonte and Torviscosa power plants, more than offset the impact of lower profitability in the CIP 6/92 segment and the absence of the contribution provided in 2006 by the divested companies (29 million euros);
- the improvement in EBITDA reported by the **hydrocarbons operations** (+4.3%) is mainly the result of the reversal of a provision set aside to cover the potential impact of Resolution 248/04 (or 79/07), which added about 56 million euros to EBITDA (negative impact of about 53 million euros in the first nine months of 2006). However, EBITDA for the first nine months of 2006 were boosted by the renegotiation of the price paid for natural gas under some long-term contracts.

26. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 524 million euros, is provided below:

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Depreciation of property, plant and equipment	456	449	7	1.6%
Depreciation of investment property	1	1	-	-
Amortization of hydrocarbon concessions	18	20	(2)	(10.0%)
Amortization of other intangible assets	55	35	20	57.1%
Writedowns of property, plant and equipment	-	20	(20)	n.m.
Reversals of writedowns of investment property	(6)	-	(6)	n.m.
Total for the Group	**524**	**525**	**(1)**	**(0.2%)**

Breakdown by Type of Business

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change	% change
Electric Power operations	414	433	(19)	(4.4%)
Hydrocarbons operations	108	84	24	28.6%
Corporate activities	1	7	(6)	(85.7%)
Core businesses	**523**	**524**	**(1)**	**(0.2%)**
Diversified operations	1	1	-	n.m.
Total for the Group	**524**	**525**	**(1)**	**(0.2%)**

The main reason for the decrease in depreciation compared with the first nine months of 2006 reported by the e**lectric power operations** is the absence of nonrecurring writedowns of property, plant and equipment recognized in the first nine months of 2006. The increase in depreciation due to the full availability of new power plants in Piacenza and Altomonte (in the first quarter of 2006) and Torviscosa (in the third quarter of 2006) more than offset the impact of a change in the scope of consolidation caused by the sale of Serene and Edison Rete (18 million euros).
During the period, a hydroelectric concession was extended, but the impact of this event on reported amortization was only marginal.
The increase in amortization of other intangible assets reported by the **hydrocarbons operations** is due mainly to a rise in exploration costs (48 million euros, compared with 29 million euros in the first nine months of 2006), the full amount of which is amortized in the period they are incurred.

27. Net Financial Income (Expense)

Net financial expense declined to 157 million euros, or 27 million euros less than in the first nine months of 2006, reflecting a decrease in interest paid to banks made possible by a reduction in the Group's average indebtedness.
A breakdown of net financial expense is as follows:

(in millions of euros)	01.01.07/ 09.30.07	01.01.06/ 09.30.06	Change
Financial income			
Financial income from commodity derivatives	29	-	29
Financial income from financial derivatives	72	59	13
Interest earned on finance leases	14	12	2
Interest earned on bank and postal accounts	6	4	2
Interest earned on amounts due from the tax administration	1	4	(3)
Other financial income	20	20	-
Total financial incom	**142**	**99**	**43**
Financial expense			
Interest paid on bond issues	(100)	(107)	7
Financial expense from commodity derivatives	(30)	(2)	(28)
Financial expense from financial derivatives	(75)	(64)	(11)
Interest paid to banks	(57)	(74)	17
Bank fees	(3)	(13)	10
Interest paid on decommissioning projects	(9)	(6)	(3)
Interest paid on finance leases	(1)	(1)	-
Interest paid in connection with employee severance benefits	(2)	(2)	-
Interest paid to other lenders	(2)	(2)	-
Other financial expense	(20)	(14)	(6)
Total financial expense	**(299)**	**(285)**	**(14)**
Foreign exchange translation gains (losses)			
Foreign exchange translation gains	10	6	4
Foreign exchange translation losses	(10)	(4)	(6)
Net foreign exchange translation gain (loss)	**-**	**2**	**(2)**
Net financial income (expense) for the Group	**(157)**	**(184)**	**27**

Specifically:
- **Interest earned on finance leases** of 14 million euros reflects the adoption of IFRIC 4;
- **Other financial income** of 20 million euros includes 8 million euros in income from reverse repurchase agreement transactions and 7 million euros in interest earned on trade receivables.
- **Interest paid on decomissioning projects**, which amounted to 9 million euros, is offset by a provision for decommissioning and remediation of industrial sites attributable mainly to the hydrocarbons operations.
- **Other financial expense** of 20 million euros includes 10 million euros related to Edipower put and call transactions.

Additional disclosures about other transactions involving financial and commodity derivatives are provided in a special section of this Report.

28. Income from (Expense on) Equity Investments

A breakdown of the net negative balance of 16 million euros is as follows:

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change
Income from equity investments			
Dividends	1	3	(2)
Revaluations and valuations by the equity method of investments	3	3	-
Gains on the sale of equity investments	-	2	(2)
Total income from equity investments	**4**	**8**	**(4)**
Expenses on equity investments			
Writedowns and valuations by the equity method of investments	(17)	(4)	(13)
Losses on the sale of equity investents	(3)	-	(3)
Total expenses on equity investments	**(20)**	**(4)**	**(16)**
Total income from (expenses on) equity investments	**(16)**	**4**	**(20)**

The main components of this item are reviewed below:

Income:
- 1 million euros in dividend income;
- 3 million euros from the valuation of equity investments, including 2 million euros from the valuation of trading securities;

Expense:
- 17 million euros, related to investments in some Group companies;
- 3 million euros, for losses on the sales of equity investments.

29. Other Income (Expense), Net

Net other income of 11 million euros (net other income of 1 million euros in the first nine months of 2006) is the result of certain nonrecurring items that are not related directly to the Group's industrial operations. The main items included in this account are:

- **Income** of 33 million euros mainly from the recognition in earnings of existing provisions, made possible by the cancellation of guarantees provided and the settlement of certain disputes related to the sale of equity investments;

- **Expense** of 22 million euros, including 11 million euros added to other provisions for risks and 11 million euros in other extraordinary charges.

30. Income Taxes

The income tax liability recognized in the first nine months of 2007 was 255 million euros, compared with a tax benefit of 18 million euros in the same period last year, when the Group recorded a net extraordinary positive effect of 202 million euros (a substitute tax payment amounting to 96 million euros enabled to utilize provisions for deferred tax totaling 298 million euros) generated by the realignment of the tax base of some of its non-current assets to the corresponding values used for reporting purposes. Additional negative factors in 2007 were the inability to deduct the depreciation of land and certain other charges.

A breakdown of income taxes is as follows:

(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006	Change
Current taxes	252	321	(69)
Net deferred-tax liabilities (assets)	3	(339)	342
Total for the Group	**255**	**(18)**	**273**

Current taxes include 218 million euros for corporate income taxes (IRES), 44 million euros for local taxes (IRAP) and 4 million euros for foreign taxes. The benefit of using a national consolidated return, which starting in 2006 is being filed by Transalpina di Energia, the Group's controlling company, amounts to 14 million euros.

Net deferred-tax liabilities amounted to 3 million euros, compared with net deferred-tax assets of 339 million euros in 2006, when the balance reflected the extraordinary positive effect of the realignment of the tax base of some non-current assets. The abovementioned balance reflects the fact that the booking of deferred tax-assets is higher than the utilizations of deferred-tax liabilities, due mainly to the impact of depreciation of property, plant and equipment generated by the adoption of fair value measurement upon transition, which is not deductible for tax purposes.

31. Profit (Loss) from Discontinued Operations

No entries were posted to this account during the first nine months of 2007.

32. Profit (Loss) per Share

Earnings per share were computed in accordance with IAS 33.

Earnings per share have been computed taking into account the potential common shares represented by the outstanding portion of the warrants issued in 2003 and the shares reserved for the exercise of stock options.

2006 full year	(in millions of euros)	01.01.2007/ 09.30.2007	01.01.2006/ 09.30.2006
654	Group interest in profit (loss)	321	531
(3)	Profit (loss) attributable to convertible and nonconvertible savings shares [1]	(3)	(3)
651	Group interest in profit (loss) attributable to the common shares (A)	318	528
	Weighted average number of shares outstanding (common and savings) determined for the purpose of computing profit (loss) per share:		
4,273,118,191	- basic (B)	4,733,746,344	4,273,115,904
4,711,479,810	- diluted (C)[2]	5,041,749,735	4,677,000,353
	Profit (Loss) per share (in euros)		
0.1522	- basic (A/B)	0.0671	0.1235
0.1380	- diluted (A/C)[2]	0.0630	0.1128

(1) 3% of par value for the higher dividend paid to the savings shares compared with the common shares. Savings shares are treated as common shares, since the portion of net income attributable to the savings shares has been deducted from Group interest in net income.

(2) When the Group reports a loss, the potential shares are deemed to have no dilutive effect.

OTHER INFORMATION

Contingent Commitments and Risks

(in millions of euros)	09.30.2007	12.31.2006	Change
Guarantees provided	1,236	2,300	(1,064)
Collateral provided	1,812	2,054	(242)
Other commitments and risks	731	634	97
Total for the Group	**3,779**	**4,988**	**(1,209)**

Guarantees Provided

Guarantees provided totaled 1,236 million euros. This figure is equal to the undiscounted amount of potential commitments on the balance sheet date.

The main guarantees provided include the following:
- 539 million euros in guarantees provided by Edison Spa to the Milan tax office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits.
- Guarantees provided by the Group's Parent Company to secure the performance of contractual obligations by its subsidiaries account for most of the balance.

The following items account for most of the large decrease that occurred compared with December 31, 2006:
- 425 million euros for the cancellation of guarantees upon the early repayment, on February 2, 2007, of a loan received by Edipower and guaranteed in part by Edison. On January 29, 2007, Edipower signed a new loan agreement to replace the old facility. Under the new agreement, Edison is no longer required to guarantee the provision of resources to this Group company.
- 368 million euros for the cancellation of Parent Company Guarantees issued by Edison on behalf of Tecnimont when it was a Group company. These commitments were offset by the obligation undertaken by the buyer of Tecnimont to take over these commitments (with the approval of the third-party beneficiaries), providing the required sureties (secured in part by bank guarantees) and promising to hold Edison harmless if these guarantees were enforced.
- 241 million euros for the cancellation of a portion of the guarantees on behalf of subsidiaries for VAT credits.

Collateral Provided

Collateral provided, which amounted to 1,812 million euros, reflects the carrying amounts of the assets or rights pledged as collateral on the balance sheet date. This account includes collateral provided for liabilities listed on the balance sheet, including the value of Edipower shares (916 million euros) pledged to a pool of banks to secure financing facilities.
Collateral provided also includes additional collateral for liabilities listed on the balance sheet (896 million euros), which generally consist of mortgages and encumbrances granted on electric power facilities to secure financing. A total of 285 million euros refers to repaid mortgages that are in the process of being cancelled of which those concerning Parco Eolico San Giorgio and Parco Eolico Foiano, now merged into Edison Energie Speciali Spa, will cease to be enforceable on June 30, 2008.
A mortgage that encumbered an Edison Spa thermoelectric power plant has been cancelled.

Other Commitments and Risks

Other commitments and risks of 731 million euros reflect commitments undertaken to complete investment projects that are being carried out by Edison Spa in the wind power area and for natural gas storage facilities and pipelines (185 million euros) and Edipower's commitments toward suppliers for purchase and construction contracts (Edison's pro rata share was 304 million euros). This item also includes the contractual value of cross-border electric power transmission capacity that was awarded to Edison Trading for 2007.

In addition, the Group is exposed to the following commitments and risks that were not included in the amounts discussed above:

1) The Group's **hydrocarbons** operations have entered into contracts for the importation of natural gas. As is usually the case, contracts of this magnitude and of these durations contain take-or-pay clauses that obligate the buyer to pay for any shortage between the stipulated maximum quantities and the quantity actually used (unless the shortage is due to causes not provided for in the contract), with the option for the buyer to make up, at certain conditions, the paid but unused volume over the life of the contract. The import contracts with Russia, Libya and Norway, which are already operational, provide total supplies of 7.4 billion cubic meters of natural gas a year.

   In addition, the Group signed three new contracts to import additional quantities of natural gas in future years:
   - The first of these supply contracts is with RasGas (Qatar). It calls for deliveries to begin upon completion by Terminale GNL Adriatico Srl of the Isola di Porto Viro LNG terminal, which is currently being built and is expected to go on stream in 2008. When this agreement is fully operational, RasGas will supply a total of 6.4 billion cubic meters of natural gas per year.
   - The second contract, which was signed with Sonatrach, involves importing 2 billion cubic meters of natural gas a year from Algeria. Deliveries are scheduled to start in 2008, once the first phase of the expansion of the pipeline linking Algeria and Italy through Tunisia (TTPC: Trans Tunisian Pipeline Company) is completed.
   - The third contract (*Protocole d'accord*), which was signed with Sonatrach in November 2006, calls for the supply of 2 billion cubic meters of natural gas a year through the new pipeline linking Algeria with Sardinia and Tuscany that will be built by Galsi. The implementation of this agreement is subject to the construction of the pipeline, which is currently in the project development phase.

   Take-or-pay payments are made at a price based on the supply contract price, indexed to current market conditions. These contracts have terms ranging between 10 and 25 years and, when all of them are fully implemented, will supply the Group with 18 billion cubic meters of natural gas per year.

   The contract concerning Terminale GNL Adriatico Srl includes the following conditions:
   - For all shareholders, the obligation not to transfer their equity interest until 36 months have passed from the startup of the terminal, but, in any case, not later than July 1, 2011 (lockup clause).
   - For Edison, the right to buy the 90% it does not own or sell its 10% upon the occurrence of certain events, for which Edison would not be responsible, that would prevent the construction of the terminal (put-and-call clause).
   - For the two majority shareholders, the right to buy the 10% interest held by Edison if the supply contract with RasGas should be cancelled for reasons for which Edison is responsible (call clause).
   - A price for the sale of shares if the put or call options are exercised, which will be determined based on the sum of the capital contributions provided until the options are exercised.
   - A commitment by the shareholders, each for its pro rata share, to provide the company with sufficient financial resources to build the terminal. Lastly, once the terminal that is being built in the Northern Adriatic has been completed, Edison, while owning just 10% of the infrastructure, will become its main user and will have access to about 80% of the terminal's gasification capacity for 25 years.

2) Insofar as the **electric power** operations are concerned:
   - Edison has agreed to sell to Cartiere Burgo Spa a call option to purchase a 51% interest in Gever. This option is exercisable when the contract under which Gever supplies Cartiere Burgo with electric power and steam expires (in 2017) at a price equal to the corresponding pro rata interest in the company's shareholders' equity.
   - On June 22, 2007, Edison Spa signed two ERPAs (Emission Reductions Purchase Agreements) for the purchase of CERs (Certified Emission Reductions), which are CO_2 emission reduction certificates. These certificates are generated in connection with two hydroelectric power plants in China with an installed capacity of 69 MW and 6.4 MW, for a total of 1.38 million CERs during the 2007-2012 period. Under the agreements, payment will be due upon the delivery of the CERs on March 1 of each year. The CERs must still be validated and registered in accordance with the UNFCC (United Nations Framework Convention on Climate Change), which is expected to occur before the end of 2007.

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

Lastly, Edison Spa entered into a management agreement with EDF Trading (EDF Carbon Fund) involving the purchase for a fixed price of Certified Emission Reduction/Emission Reduction Units (CER/ERU - CO_2 emission certificate). The terms of the agreement are consistent with the Investment Guidelines. Edison's interest in the fund amounts to 30 million euros. At September 30, 2007, credits totaling 11.5 million euros were attributable to Edison Spa.

Update of the Main Pending Legal and Tax Disputes Compared with the 2007 Semiannual Report

A review, based on information currently available, of developments that occurred since the publication of the 2007 Semiannual Report involving the main legal and tax disputes currently outstanding is provided below, listing separately actions involving Edison Spa and actions involving other Group companies. Legal disputes were subdivided further between probable liabilities, for which it was possible to develop a reliable estimate of the underlying obligation and recognize a corresponding provision for risks in the balance sheet, and contingent liabilities, for which a reliable estimate could not be developed. With regard to the latter, only a disclosure is provided in the Notes to the financial statements.

Legal disputes involving a probable liability for which a provision for risks was recognized in the balance sheet are reviewed below.

A) Edison Spa

Verbania Industrial Facilities/2 - Criminal Proceedings for Injuries Caused by Exposure to Asbestos Dust

The Public Prosecutor at the Court of Verbania launched an investigation concerning some Directors and managers of Montefibre Spa in connection with the death or illness of employees allegedly caused by exposure to different types of asbestos fibers at the Verbania plant formerly owned by Montedison (now Edison). This new investigation comes on the heels of a decision handed down by the Court of Verbania that found the former Montefibre Directors and managers guilty of involuntary manslaughter. The Company has filed an appeal against this decision with the Turin Court of Appeals.

B) Other Group Companies

Multiutility/Edison Energia

Multiutility Spa is suing Edison Energia Spa alleging numerous instances of failure to comply with obligations arising from contracts executed by the two companies between 2004 and 2006 and involving the wholesale supply of electric power. Specifically, the disputed items include a claim that a transaction executed by Multiutility and Edison Energia pursuant to the abovementioned contracts is void and involve the manner in which the sales prices of electric power were determined in accordance with or disregarding certain resolutions issued by the Electric Power and Gas Authority that were later challenged before the Regional Administrative Court of Lombardy. The Company is currently reviewing the complaint before responding in the most effective manner.

The current status of the principal legal disputes that have arisen from past events 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:

A) Edison Spa

Pagnan/Edison

By means of a third-party summons, Pagnan S.p.A., a defendant in an action filed by the Ministry of the Environment and for the Protection of Land and 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, sued Edison before the Court of Venice. The Company is currently reviewing the complaint, also in light of the settlement reached by the Office of the Prime Minister and Edison concerning issues related to the Porto Marghera Industrial Park.

B) Other Group Companies

Montedison Srl - Property in Bussi sul Tirino (Pe)

The Public Prosecutor of Pescara is continuing an investigation in connection with the alleged poisoning of the aquifer and environmental disaster in the Aterno River basin, near Bussi sul Tirino, where for over a century a factory has been in operation, most recently by Ausimont Spa, which was sold to Solvay Solexis Spa (a subsidiary of Solvay Sa) in 2002. As a result of these proceedings, the Court order the seizure of a parcel of land adjoining the abovementioned factory. A large quantity of industrial waste was found on this parcel of land, which is owned by Montedison Srl. Specifically with regard to the contamination of this property, the Prime Minister, by an order dated October 4, 2007, appointed a Commissioner empowered to carry out on an urgent basis characterization, safety and remediation projects.

The developments that affected the status of the main **tax disputes** in the first nine months of 2007 are reviewed below:

Old Edison Spa - Income Taxes for the 1994 to 1999 Fiscal Years

In March 2007, the Regional Tax Commission upheld the decision of the Provincial Tax Commission, voiding the corporate income tax (IRPEG) and local income tax (ILOR) assessments for the 1995 and 1996 fiscal years. A hearing has not yet been held in the appeal filed by the Revenue Office against the favorable decision handed down by the Provincial Tax Commission in connection with the IRPEG and ILOR assessment for the 1997 fiscal year.

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

The appeal filed against the assessments issued following a tax audit for the 2002 fiscal year, which was discussed in November 2006 before the Milan Provincial Tax Commission, was substantively upheld and the full amount of the assessment was voided, except for an addition of 26,000 euros to taxable income.

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

The Company filed a motion before the Milan Provincial Tax Commission contesting a notice of assessment it received this past December for customs VAT due for 2001, 2002 and 2003, asking that the entire amount of the assessment be voided. The Tax Commission held a hearing on this matter in October and we are still awaiting for the results.

A similar motion has been filed against a notice of penalty assessment received in May 2007 in connection with the same issue. In any case, any charges that may be incurred as a result of the abovementioned audits are covered by special guarantees provided by the seller (EDF International Sa) in connection with the sale of its interest in EDF Energia Italia for the purpose of holding the Company totally harmless in such cases.

Transactions Among Group Companies and with Related Parties

(in millions of euros)			Other related parties								
	With unconsolidated Group companies	With the controlling company	EdF Group	AEM Group	ENIA Group	SEL Group	Banca Popolare Milano	Mediobanca	Total related parties	Total for each account	% of the total
Balance sheet transactions											
Trade receivables	16	-	3	23	36	-	-	-	78	1,253	6.2%
Other receivables	-	16	9	-	-	-	-	-	25	385	6.5%
Trade payables	-	-	6	28	1	-	-	-	35	1,107	3.2%
Other payables	-	152	-	-	-	-	-	-	152	693	21.9%
Short-term borrowings	28	-	-	-	-	-	1	6	35	902	3.9%
Long-term borrowings and other financial liabilities	-	-	-	-	-	-	23	209	232	2,488	9.3%
Income statement transactions											
Sales revenues	106	-	31	57	283	3	-	-	480	5,914	8.1%
Other revenues and income	-	-	-	42	-	-	-	-	42	383	11.0%
Raw materials and services used	5	-	74	64	18		-	-	161	4,865	3.3%
Financial income	-	-	-	-	-	-	-	-	-	142	0.0%
Financial expense	-	-	-	-	-	-	1	7	8	299	2.7%
Commitments and contingent risks											
Guarantees provided	-	-	-	-	-	-	11	-	11	1,236	0.9%
Collateral provided	-	-	-	-	-	-	-	76	76	1,812	4.2%

Transactions Among Group Companies

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.
- Transactions involving the provision of services (technical, organizational and general) by headquarters staff.
- Financial transactions involving lending and current account facilities established within the framework of the Group's centralized cash management system.
- Transactions required to file a consolidated VAT return for the Group (so-called VAT Pool).

All of the transactions listed above are governed by contracts with conditions that are consistent with market terms, with the exception of those related to the VAT Pool and to the consolidated Corporate Income tax , which are executed pursuant to law.

Consolidated VAT Return - Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72. The Group VAT return for September 2007 shows that the Group had a tax credit of 6 million euros.

Consolidated Corporate Income Tax (IRES) Return - In 2006, Edison Spa and its wholly-owned subsidiaries agreed to be included in a consolidated income tax return filed by Transalpina di Energia, their controlling company, as allowed by Article 117 and following of Presidential Decree No. 917/86 (Uniform Income Tax Code, abbreviated as TUIR in Italian), for three years, from 2006 to 2008.

Transactions with Other Related Parties Within the Edison Group

In the first nine months of 2007, Edison Spa and its subsidiaries 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 that are consistent with market practice, is provided below.

Commercial Transactions

Electric Power Operations

The following transactions were executed with the *EDF Group*:

- There are some contracts for the supply of electric power which resulted in the purchase of electric power worth about 46 million euros, mainly from ENBW and from EDF Trading, and the sale of electric power valued at about 14 million euros.
- EDF Group provides technical, engineering and management services at power plants in Taranto and Piombino, and at the Milan headquarters.

The following transactions were executed with the *AEM Group*:

- During the period, Edison Spa supplied AEM Spa with steam valued at about 2 million euros from its Sesto San Giovanni power plant.
- Acting within the framework of the Tolling Agreement with Edipower Spa, Edison Trading Spa agreed to work on behalf of other Tollers in supplying fuel to certain production facilities. As a result, the Group received revenues of 42 million euros from Aem Trading Srl.
- Edipower booked revenues of 52 million euros (Edison's pro rata share) from Aem Trading, including 46 million euros for tolling fees and 6 million euros related to the dispatching services market, and costs totaling 28 million euros, mainly for purchases in the dispatching services market.
- the purchase of electric power worth about 10 million euros, green certificates 9 million euros and other services 9 million euros;

The following transactions were executed with the *ENIA Group*:

- the sale of electric power valued at about 55 million euros and Edison Trading made purchases of electric power amounting to less than 1 million from Enìa Spa.

The following transactions were executed with the *SEL Group*:

- Sel Edison sold electric power amounting to 3 million euros to Sel Trade (SEL Group).

Hydrocarbons Operations

The following transactions were executed with the *EDF Group*:

- the hydrocarbons operations purchased natural gas at a cost of 21 million euros, of which 11 million euros from ENBW and 10 million euros from EDF Trading. It sold natural gas valued at 9 million euros.

The following transactions were executed with the *AEM Group*:

- the hydrocarbons operations purchased natural gas at a cost of 5 million euros.

The following transactions were executed with the *ENIA Group*:

- Transactions generated revenues from natural gas sales totaling 223 million euros and receivables amounting to 36 million euros. Natural gas was also purchased at a cost of 12 million euros and transmission costs were charged for 5 million euros.

Corporate Activities

The following transactions were executed with the *EDF Group*:

- Edison Spa received revenues totaling 7 million euros from Fenice Spa (EDF Group) for recovery of maintenance-service costs.

Financial Transactions

The main financial transactions executed by Edison Spa in which its shareholder banks played a significant role are reviewed below:

- Banca Popolare di Milano provided Edison with a 50-million-euro revocable line of credit that accrues interest at market rates. Unsecured drawdowns against this line of credit totaled 11 million euros at September 30, 2007.
- In 2004, Mediobanca provided Edison Spa with 120 million euros in financing against EIB funds.

Mediobanca was also one of the banks that provided Edipower with a 2-billion-euro syndicated loan. Mediobanca's share of the loan was 168 million euros (84 million euros attributable to Edison). Since this credit line was used only in part at September 30, 2007 based on a total available amount of 200 million euros, Edipower's exposure toward Mediobanca was 152 million euros (76 million euros attributable to Edison). Other Edison Group companies (Gever and Termica Celano) currently hold lines of credit totaling 19 million euros of which used for 17 million euros. In addition, Mediobanca provided other Edison Group companies with derivatives hedging interest risks.

Other Transactions

At the end of July, following the expiration of the "Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa" on June 15, 2007, the contracting parties - Edison Spa, Enìa Spa and SAT Finanziaria Spa - executed a new contract called "Addendum Amending and Replacing the Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa" by which they agreed to extend the original deadline for reaching an agreement to renew long-term stipulations concerning the governance of the equity interests held by the parties in Blumet Spa, later Enìa Energia Spa, and the supply by Edison Spa of the natural gas and electric power that Enìa Energia Spa needs for its distribution and sales operations.

With the Addendum and through a spin off of all of the assets of Blumet Spa, which was completed effective October 2007, the parties agreed to transfer to Enìa Energia Spa any and all interests, rights and obligations pertaining to Blumet Spa under the Agreement and the Addendum and transfer to Enìa Spa the equity interest held by Edison in the share capital of SAT Finanziaria, effective as of the same date.

In October 2007, by a further exchange of correspondence, the parties agreed to postpone from November 30, 2007 to June 30, 2008 the deadline set forth in the Addendum by which Edison Spa was required to sell to Enìa Spa its interest in the share capital of Enìa Energia Spa, with the parties further agreeing to review by June 30, 2008 the deadline by which they are required to negotiate and execute a new long-term agreement concerning the equity investments that both parties hold in the share capital of Enìa Energia Spa.

Consob Communication No. DEM/6064293 of July 28, 2006

Significant Nonrecurring Events and Transactions

No significant transactions that would require disclosure in the financial statements occurred in the first nine months of 2007, except for the sale of Serene Spa, which had no impact on the income statement. However, it helped reduce net borrowings by 117 million euros.

Positions and Entries Arising from Atypical and/or Unusual Transactions

No atypical transactions requiring disclosure occurred in the first nine months of 2007.

STATEMENT OF THE MANAGER IN CHARGE OF PREPARING ACCOUNTING DOCUMENTS PURSUANT ART. 154-BIS, 2 OF D. LGS. 58/1998

As required by Article 154-bis, Section 2, of the Uniform Finance Law (Legislative Decree No 58/1998), Renato Ravanelli, in his capacity as "Dirigente preposto alla redazione dei documenti contabili societari" of Edison Spa, attests that that the information disclosed in this consolidated quarterly report agrees with the supporting documentation, books of account and accounting entries.

SIGNIFICANT EVENTS OCCURRING SINCE SEPTEMBER 30, 2007

There no significant events to be disclosed.

Milan, November 8, 2007

by Giuliano Zuccoli
Chairman

SCOPE OF CONSOLIDATION

at September 30, 2007

SCOPE OF CONSOLIDATION AT SEPTEMBER 30, 2007

List of Equity Investments (including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 09.30.2007	12.31.2006
A) Investments in Companies Included in the Scope of Consolidation					
A.1) Companies Consolidated Line by Line					
Parent Company					
Edison Spa	Milan (IT)	EUR	4,792,841,915		
Core Business - Electric Power Operations					
Electric Power Business Unit					
Consorzio di Sarmato Soc. Cons. P.A.	Milan (IT)	EUR	200,000	55.000	52.500
Ecofuture Srl (Single Shareholder)	Milan (IT)	EUR	10,200	100.000	100.000
Gever Spa	Milan (IT)	EUR	10,500,000	51.000	51.000
Hydro Power Energy Srl - Hpe Srl (Single Shareholder)	Bolzano (IT)	EUR	50,000	100.000	100.000
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.000	70.000
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	55.000	61.000
Sondel Dakar Bv	Rotterdam (NL)	EUR	18,200	100.000	100.000
Termica Boffalora Srl	Milan (IT)	EUR	14,220,000	70.000	70.000
Termica Celano Srl	Milan (IT)	EUR	259,000	70.000	70.000
Termica Cologno Srl	Milan (IT)	EUR	9,296,220	65.000	65.000
Termica Milazzo Srl	Milan (IT)	EUR	23,241,000	60.000	60.000
Thisvi Power Generation Plant Sa	Athens (GR)	EUR	948,000	65.000	-
Renewable Sources					
Edison Energie Speciali Spa (Single Shareholder)	Milan (IT)	EUR	4,200,000	100.000	100.000
Monsei Esco Srl (Single Shareholder)	Milan (IT)	EUR	100,000	100.000	100.000
Core Business - Hydrocarbons Operations					
Hydrocarbons Business Unit					
Edison D.G. Spa (Single Shareholder)	Selvazzano Dentro (PD) (IT)	EUR	460,000	100.000	100.000
Edison International Spa	Milan (IT)	EUR	17,850,000	100.000	100.000
Edison Stoccaggio Spa (Single Shareholder)	Milan (IT)	EUR	81,497,301	100.000	100.000
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.000	100.000
Core Business - Energy Management					
Energy Management Business Unit					
Edison Trading Spa (Single Shareholder)	Milan (IT)	EUR	30,000,000	100.000	100.000
Volta Spa	Milan (IT)	EUR	130,000	51.000	51.000

Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
55.000	Edison Spa	-	-	SUB
100.000	Edison Spa	-	(g)	SUB
51.000	Edison Spa	-	-	SUB
100.000	Edison Spa	-	(g)	SUB
70.000	Edison Spa	-	-	SUB
55.000	Edison Spa	-	-	SUB
100.000	Edison International Holding Nv	-	-	SUB
70.000	Edison Spa	-	(g)	SUB
70.000	Edison Spa	-	(g)	SUB
65.000	Edison Spa	-	(g)	SUB
60.000	Edison Spa	-	(g)	SUB
65.000	Edison Spa	-		SUB
100.000	Edison Spa	-	(g)	SUB
100.000	Edison Spa	-	(g)	SUB
100.000	Edison Spa	-	(g)	SUB
70.000	Edison Spa	-	(g)	SUB
30.000	Selm Holding International Sa			
100.000	Edison Spa	-	(g)	SUB
0.000	Edison Spa	-	-	SUB
100.000	Selm Holding International Sa			
100.000	Edison Spa	-	(g)	SUB
51.000	Edison Spa	-	-	SUB

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 09.30.2007	12.31.2006
Core Business - Marketing and Sales					
Marketing and Sales Business Unit					
Edison Energia Spa (Single Shareholder)	Milan (IT)	EUR	22,000,000	100.000	100.000
Eneco Energia Spa	Bolzano (IT)	EUR	222,000	100.000	100.000
Core Business - Corporate Activities					
Italian and Foreign Holding Companies					
Atema Limited	Dublino 2 (IE)	EUR	1,500,000	100.000	100.000
Edison Hellas Spa	Athens (GR)	EUR	263,700	100.000	100.000
Edison International Holding Nv (ex Montedison Finance Europe Nv)	Amsterdam (NL)	EUR	4,537,803	100.000	100.000
Edison Nederland Bv	Amsterdam (NL)	EUR	18,000	100.000	-
Selm Holding International Sa	Luxembourg (LU)	EUR	24,000,000	100.000	100.000
Real Estate					
Montedison Srl (Single Shareholder)	Milan (IT)	EUR	2,583,000	100.000	100.000
Nuova Alba Srl (Single Shareholder)	Milan (IT)	EUR	2,016,457	100.000	100.000

A.2) Companies Consolidated by the Proportional Method

Name	Head office	Currency	Share capital	09.30.2007	12.31.2006
Core Business - Electric Power Operations					
Electric Power Business Unit					
Bluefare Ltd	London (GB)	GBP	1,000	50.000	50.000
Ibiritermo Sa	Ibirité - Estado de Minas Gerais (BR)	BRL	7,651,814	50.000	50.000
Sel Edison Spa	Castelbello (BZ) (IT)	EUR	84,798,000	42.000	42.000
Seledison Net Srl (Single Shareholder)	Castelbello Ciardes (BZ) (IT)	EUR	200,000	42.000	42.000
Renewable Sources					
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (SA) (IT)	EUR	10,200	50.000	50.000
Other Electric Power Assets					
Edipower Spa	Milan (IT)	EUR	1,441,300,000	50.000	50.000
Core Business - Hydrocarbons Operations					
Hydrocarbons Business Unit					
Ed-Ina D.o.o.	Zagreb (HR)	HRK	20,000	50.000	50.000

Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
100.000	Edison Spa	-	(g)	SUB
90.000	Edison Spa	-	(g)	SUB
100.000	Edison Spa	-	-	SUB
100.000	Edison Spa	-	-	SUB
100.000	Edison Spa	-	-	SUB
100.000	Edison International Holding Nv	-	-	SUB
99.950 0.050	Edison Spa Montedison Srl (Single Shareholder)	-	-	SUB
100.000	Edison Spa	-	(g)	SUB
100.000	Edison Spa	-	(g)	SUB
50.000	Edison Spa	-	-	JV
50.000	Edison Spa	-	-	JV
42.000	Edison Spa	-	-	JV
100.000	Sel Edison Spa	-	(h)	JV
50.000	Edison Energie Speciali Spa (Single Shareholder)	-	-	JV
45.000	Edison Spa	-	-	JV
50.000	Edison International Spa	-	-	JV

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 09.30.2007	12.31.2006
Core Business - Marketing and Distribution					
Marketing and Distribution Business Unit					
Ascot Srl	Bressanone (BZ) (IT)	EUR	10,330	50.000	50.000
Other Operations					
Water					
Internat. Water Serv. (Guayaquil) Interagua C. Ltda	Guayaquil (EC)	USD	32,180,000	45.000	45.000
International Water (Uk) Limited	London (GB)	GBP	1,001	50.000	50.000
International Water Holdings Bv	Amsterdam (NL)	EUR	40,000	50.000	50.000
International Water Services (Guayaquil) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water Services Ltd	Zug (CH)	CHF	100,000	50.000	50.000

Interest held in share capital % (b)	By	Voting securities held % (c)	Exercisable voting rights % (d)	Type of investment relationship (e)
50.000	Eneco Energia Spa	-	-	JV
90.000	International Water Services (Guayaquil) Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV
50.000	Edison Spa	-	-	JV
59.000	International Water Holdings Bv	-	-	JV
100.000	International Water Holdings Bv	-	-	JV

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % 12.31.2006 (a)
B) Investments in Companies Valued by the Equity Method				
Core Business - Electric Power Operations				
Electric Power Business Unit				
Consorzio Barchetta	Jesi (AN) (IT)	EUR	2,000	
Consorzio Montoro	Narni (IT)	EUR	4,000	
Consorzio Vicenne	Celano (IT)	EUR	1,000	
GTI Dakar Ltd	George Town Gran Caiman (GBC)	EUR	14,686,479	
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000	
Roma Energia Srl	Rome (IT)	EUR	50,000	
Renewable Sources				
Sistemi di Energia Spa	Milan (IT)	EUR	10,475,000	
Core Business - Hydrocarbons Operations				
Hydrocarbons Business Unit				
Soc. Svil. Rea. Gest. Gasdot. Alg-Ita.V. Sardeg. Galsi Spa	Milan (IT)	EUR	25,838,000	
Core Business - Marketing and Distribution				
Marketing and Distribution Business Unit				
Blumet Spa	Reggio Emilia (IT)	EUR	7,600,000	
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000	
Gasco Spa	Bressanone (BZ) (IT)	EUR	350,000	
Prometeo Spa	Osimo (AN) (IT)	EUR	1,938,743	
S.A.T. Finanziaria Spa	Sassuolo (MO) (IT)	EUR	1,000,000	
Utilità Spa	Milan (IT)	EUR	2,307,692	
Core Business - Corporate Activities				
Real Estate Companies				
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000	
Total Equity Investments Valued with the Equity Method				

Interest held in share capital % (b)	By	Voting security held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
50.000	Jesi Energia Spa	-	-		ASS
25.000	Edison Spa	-	-		ASS
50.000	Termica Celano Srl	-	-		ASS
30.000	Sondel Dakar Bv	-	-	5,1	ASS
20.000	Edison Spa	-	-	14,9	ASS
35.000	Edison Spa	-	-	0,4	ASS
40.570	Edison Spa	-	-	6,4	ASS
18.000	Edison Spa			4,2	ASS
28.320	Edison Spa	-	-	2,7	ASS
33.010	Edison Spa	-	-	1,1	ASS
40.000	Edison Spa	-	-	0,2	ASS
21.000	Edison Spa	-	-	1,0	ASS
40.000	Edison Spa	-	-	0,5	ASS
35.000	Edison Spa	-	-	0,9	ASS
32.260	Montedison Srl (Single Shareholder)	-	(i)	4,7	ASS
				42,1	

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2006
C) Investments in Companies in Liquidation or Subject to Long-Term Restrictions				
Core Business - Hydrocarbons Operations				
Hydrocarbons Business Unit				
Auto Gas Company S.A.E. (In liq.)	Cairo (EG)	EGP	1,700,000	
Core Business - Corporate Activities				
Dormant Companies and other Companies				
Codest Srl	Pavia di Udine (UD) (IT)	EUR	15,600	
Finsavi Srl	Palermo (IT)	EUR	18,698	
Poggio Mondello Srl (Single Shareh.)	Palermo (IT)	EUR	364,000	
In Liquidation and Subject to Restrictions				
C.F.C. Consorzio Friulano Costruttori (In liquid.)	Udine (IT)	LIT	100,000,000	
Calbiotech Srl (In bankruptcy)	Ravenna (IT)	LIT	90,000,000	
Cempes Scrl (In liquid.)	Roma (IT)	EUR	15,492	
CI.FAR. Scarl (In bankruptcy)	Udine (IT)	LIT	20,000,000	
Compo Chemical Company (In liquid.)	Wilmington - Delaware (US)	USD	1,000	
Coniel Spa (In liq.)	Rome (IT)	EUR	1,020	
Consorzio Carnia Scrl (In liquid.)	Rome (IT)	EUR	45,900	
Consorzio Friulano per il Tagliamento (In liquid.)	Udine (IT)	EUR	10,330	
Convolci Scnc (In liquid.)	Sesto San Giovanni (MI) (IT)	EUR	5,165	
Ferruzzi Trading France Sa (In liquid.)	Paris (FR)	EUR	7,622,451	
Finimeg Spa (Single Shareholder) (In liquid.)	Milan (IT)	EUR	2,425,200	
Frigotecnica Srl (Single Shareh.) (In liquid.)	Palermo (IT)	EUR	76,500	
Groupement Gambogi-Cisa (In liquid.)	Dakar (SN)	XAF	1,000,000	
Inica Sarl (In liquid.)	Lisbon (PT)	PTE	1,000,000	
Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	Milan (IT)	EUR	1,549,350	
Nuova I.S.I. Impianti Selez. Inerti Srl (In fall.)	Vazia (RI) (IT)	LIT	150,000,000	
Sistema Permanente di Servizi Spa (In bankruptcy)	Rome (IT)	EUR	154,950	
Soc. Gen. per Progr. Cons. e Part. Spa (Under Extraordinary Administration)	Rome (IT)	LIT	300,000,000	
Sorrentina Scarl (In liquid.)	Rome (IT)	EUR	46,480	
Trieste Tre Srl (In liquid.)	Ravenna (IT)	EUR	10,400	
Other Operations				
Water				
Iwl Corporate Limited (In liq.)	Southampton (GB)	GBP	1	
Iwl Services Holdings (Uk) Limited (In liquid.)	Southampton (GB)	GBP	2	
Total Equity Investments in Liquidation or Under Permanent Restrictions				

Interest held in share capital % (b)	By	Voting security held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
30,000	Edison International Spa	-	-	0,1	ASS
33.330	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
50.000	Edison Spa	-	-		ASS
100.000	Finimeg Spa (Single Shareholder) (In liquid.)	-	-		SUB
20.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
55.000	Edison Spa	-	(l)		SUB
33.330	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
60.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	(m)		SUB
100.000	Nuova Alba Srl (Single Shareholder)	-	-		SUB
35.250	Edison Spa	-	-		ASS
17.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		OC
16.300	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		OC
27.370	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
100.000	Edison Spa	-	-	5,9	SUB
100.000	Edison Spa	-	(g)	2,0	SUB
100.000	Edison Spa	-	-		SUB
50.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
20.000	Edison Spa	-	-		ASS
100.000	Edison Spa	-	(g)	0,4	SUB
33.330	Montedison Srl (Single Shareholder)	-	-		ASS
12.600	Edison Spa	-	-		OC
59.330	Edison Spa	-	-		SUB
25.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
50.000	Nuova C.I.S.A. Spa (In liquid.) (Single Shareholder)	-	-		ASS
100.000	Iwl Services Holdins (UK) Limited (In liquid.)	-	-		JV
100.000	International Water Holdings Bv	-	-		JV
				8,4	

List of Equity Investments (continued)

(including disclosure required by Article 126 of Consob Resolution No. 11971 of 5/14/99)

Name	Head office	Currency	Share capital	Consolidated Group interest % (a) 12.31.2006
D) Investments in Other Companies Valued at Fair Value				
D.1) Trading Investments				
Core Business - Corporate Activities				
Publicly Traded Securities				
Acegas-Aps Spa	Trieste (IT)	EUR	282,983,213	
Acsm Spa	Como (IT)	EUR	46,870,625	
Amsc-American Superconductor	N/A (US)	USD	19,128,000	
D.2) Available-for-sale Investments				
Core Business - Hydrocarbons Operations				
Hydrocarbons Business Unit				
Terminale GNL Adriatico Srl	Milan (IT)	EUR	200,000,000	
Core Business - Marketing and Distribution				
Marketing and Distribution Business Unit				
Global Power Spa	Verona (IT)	EUR	500,000	
Core Business - Corporate Activities				
Publicly Traded Securities				
RCS Mediagroup Spa	Milan (IT)	EUR	762,019,050	
Investments in Companies that are not Publicly Traded				
Emittenti Titoli Spa	Milan (IT)	EUR	4,264,000	
European Energy Exchange-Eex	Leipzig (DE)	EUR	40,050,000	
Istituto Europeo di Oncologia Srl	Milan (IT)	EUR	79,071,770	
MB Venture Capital Fund I Partecipating Comp. e Nv	Amsterdam (NL)	EUR	50,000	
Syremont Spa	Messina (IT)	EUR	750,000	
Total Investments in Other Companies Valued at Fair Value				
Total				

Interest held in share capital % (b)	By	Voting security held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Type of investment relationship (e)
1.300	Edison Spa	-	-	5,4	OC
3.170	Edison Spa	-	-	3,2	OC
0.840	Edison Spa	-	-	2,3	OC
10.000	Edison Spa	-	-	133,2	OC
12.250	Eneco Energia Spa	-	-	0,1	OC
0.990	Edison Spa	1.030	1.030	30,4	OC
3.890	Edison Spa	-	-	0,1	OC
0.750	Edison Spa	-	-	0,7	OC
4.370	Edison Spa	-	-	3,5	OC
7.000	Edison International Holding Nv	-	-	3,7	OC
40.000	Edison Spa	-	(n)		ASS
				182,6	
				233,1	

Notes

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

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

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

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

(e) SUB = subsidiary JV = joint venture ASS = associate OC = other company.

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

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

(h) Company subject to the oversight and coordination of Sel - Edison Spa.

(i) This investment is encumbered by an attachment. The voting rights are held by the trustee of the attached assets. On May 5, 2006, the Court of Milan upheld a challenge to the attachment filed by Montedison Srl. The court's decision has been appealed, as per a notice served on the Company on November 17, 2006.

(l) On July 12, 2007, the Court of Ravenna closed the bankruptcy proceedings with a final distribution of assets. On July 17, 2007, this document was erroneously recorded in the Ravenna Company Register, as if the company had emerged from bankruptcy.
Company in the process of being deleted.

(m) On April 20, 2007, the Court of Udine closed the bankruptcy proceedings with a final distribution of assets. On May 2, 2007, this document was erroneously recorded in the Udine Company Register, as if the company had emerged from bankruptcy.
Company in the process of being deleted.

(n) On January 30, 2007, Edison exercised its put option but the counterpart is currently in default.

The currency codes used in the preceding schedules are those of the ISO 4217 Standard.

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

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