# SEMIANNUAL REPORT
# AT JUNE 30, 2007

EDISON

# CONTENTS

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EDISON

# EDISON TODAY

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

## Electric Power

| Italian Market (in the 1st half of 2007) | | |
|---|---|---|
| Net Italian demand | 156.8 | TWh |
| - Deregulated market | 85.4 | TWh |
| Edison's net sales (*) | 31.1 | TWh |
| Breakdown: - Net sales to the deregulated market (*) | 13.2 | TWh |
| - Power Exchange sales | 6.6 | TWh |
| - CIP-6 sales | 9.1 | TWh |
| - Sales to captive customers | 2.2 | TWh |
| Edison Sales (*)/total market | 19.8 | % |
| Edison Sales (*)/deregulated market | 15.4 | % |

| Facilities and Production Capacity (in the 1st half of 2007) | | |
|---|---|---|
| Edison's installed capacity | 7,924 | MW |
| Edipower's installed capacity (50%) (**) | 3,514 | MW |
| Total Italian net production of electric power | 146.7 | TWh |
| Edison's net production of electric power *(incl. 50% of Edipower)* | 26.1 | TWh |
| Share of total production | 17.8 | % |

(*) Includes sales to Wholesalers.

(**) Share of Edipower's average installed capacity available to Edison under the current tolling contract.

*Sources: Edison data and 2007 preliminary year-end data by AU and Terna.*

## Hydrocarbons

| Italian Market (in the 1st half of 2007) | | |
|---|---|---|
| Italian total demand | 42.0 | Mld. mc |
| Edison's availability in Italy | 6.6 | Mld. mc |
| Edison's availability / Italian demand | 15.7 | % |
| Edison's sales outside Italy | 0.2 | Mld. mc |

| Facilities and Production Capacity (in the 1st half of 2007) | | |
|---|---|---|
| Total Italian production | 5.0 | Mld. mc |
| Edison's production in Italy | 0.3 | Mld. mc |
| Share of total production | 6.9 | % |
| Number of concessions and permits in Italy | 61 | n. |
| Number of concessions and permits outside Italy | 17 | n. |
| Storage centers in Italy | 2 | n. |
| Production outside Italy | 0.1 | Mld. mc |
| **Gas Network** (low- and medium-pressure pipelines) | 3.22 | '000/Km |

*Sources: Edison data, 2007 preliminary year-end data by the Ministry.*

# SIMPLIFIED STRUCTURE OF THE GROUP AT JUNE 30, 2007

EDISON

## Energy

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

## EDISON Spa (1)

| | | | |
|---|---|---|---|
| 🟩 **Edison Energie Speciali**<br>Production of Electric Power | ⬛ **Edison International**<br>Hydrocarbons Expl. & Prod. | 🟩⬛ **Edison Trading**<br>Energy management | 🟩⬛ **Edison Energia**<br>Sales of Energia & Gas |
| 🟩 **Edipower** (2)<br>Production of Electric Power | ⬛ **Edison Stoccaggio**<br>Natural Gas Storage | | |
| | ⬛ **Edison DG**<br>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.

# BOARD OF DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

## Board of Directors

| | | |
|---|---|---|
| **Chairman** | | Giuliano Zuccoli (1) |
| **Chief Executive Officer** | | Umberto Quadrino (1) |
| **Directors** | | Marc Boudier (1)(2) |
| | | Daniel Camus (3) |
| | Independent Director | Giovanni De Censi (2) |
| | | Pierre Gadonneix |
| | Independent Director | Gian Maria Gros-Pietro (2)(3) |
| | | Mario Mauri (1)(2) |
| | | Renato Ravanelli |
| | | Klaus Stocker (3) |
| | | Ivan Strozzi (3) |
| | | Gerard Wolf |

## Board of Statutory Auditors

| | |
|---|---|
| **Chairman** | Sergio Pivato |
| **Statutory Auditors** | Salvatore Spiniello |
| | Ferdinando Superti Furga |

## Independent Auditors

PricewaterhouseCoopers Spa

(1) Member of the Strategy Committee.
(2) Member of the Compensation Committee.
(3) Member of the Audit Committee.

# INFORMATION ABOUT THE COMPANY'S SECURITIES

## Number of shares at June 30, 2007

| | |
|---|---|
| Common shares | 4,682,205,342 |
| Savings shares | 110,592,420 |
| Warrants outstanding | 498,958,615 |

## Shareholders with Significant Holdings at June 30, 2007

| | **% of voting rights** | **% Interest held** |
|---|---|---|
| Transalpina di Energia Srl | 63.326% | 61.865% |
| EDF Eléctricité de France Sa (1) | 15.410% | 15.054% |
| Carlo Tassara Spa (2) | 11.093% | 10.837% |
| Deutsche Bank Ag (3) | 2.037% (4) | 1.990% |

(1) Interest held directly.
(2) Interest held directly and indirectly.
(3) Interest held directly and as nominee
(4) Interest held decreased under 2% on July 13, 2007

# REPORT
ON OPERATIONS

# KEY EVENTS

## Growing our business

### Edison and Depa: A Major Step Forward in the IGI Project to Build an Italy-Greece Natural Gas Pipeline

On January 31, 2007, at a meeting in Athens, Italy's Minister of Economic Development and Greece's Minister of Development signed a Protocol of Understanding whereby, acting in unison with each country's national energy authorities, they granted Edison and Depa the right to use 8 billion cubic meters a year for 25 years in transmission capacity provided by the IGI natural gas pipeline that will link Italy and Greece.

The IGI pipeline will enable Italy to import natural gas from the Caspian Sea basin and the Middle East, which between them have more than 20% of the world's reserves (30,000 billion cubic meters of natural gas). Under an agreement executed by the two companies, 80% of the transmission capacity will be reserved for Edison, with Depa utilizing the remaining 20%.

### Edison Is Awarded Five New Hydrocarbon Exploration Licenses in Norway

On February 12, 2007, Edison International, an Edison Group subsidiary, was awarded five new hydrocarbon exploration licenses in the Norwegian Continental Shelf, which had been put out for bids by the Norwegian Oil and Energy Ministry.

Specifically, the Company acquired three licenses in the North Sea and two in the Norwegian Sea. Edison's interest in these blocks, which it owns through joint ventures with major international operators, varies between 50% and 15%. The contracts call for an initial exploration period of five to six years that will be divided into three to four operating phases. If no commercial deposits are discovered at the end of each phase, the joint ventures will have the right to relinquish their licenses.

### Edison Closes the Sale of Its Interest in Serene to BG Italia

On February 14, 2007, after the transaction was approved by the relevant antitrust authorities, Edison closed the sale of its 66.3% interest in Serene Spa to BG Italia, which already owned the remaining 33.7%. The price paid by BG Italia to Edison for the Serene shares, which amounted to 98 million euros, was substantially the same as the value at which Edison carried this investment. The price includes a component, which may not exceed 13 million euros, the payment of which is predicated on the enactment of certain changes to the CIP6/92 regulations that concern Kyoto emission rights. This transaction improved the consolidated net financial position of the Edison Group by about 117 million euros.

### Edison and Petrobras Form an Alliance for a Hydrocarbon Exploration Project in Senegal

On February 27, 2007, Edison International, an Edison Group subsidiary, and Petrobras, Brazil's national hydrocarbon company, signed an agreement according to which Petrobras will join Edison in a project to explore the Rufisque Offshore Profond block, off the Senegal coast, acquiring a 40% interest in the project. Following this transaction, the interest held by Edison, the project's operator, will decrease to 55%, while Petrosen, Senegal's national hydrocarbon company, will continue to own a 5% interest.

Under the agreement, Petrobras will help defray the exploration costs incurred until the end of 2006 and will bear 70% of the cost of acquiring and processing new seismic data for the permit.

### The Facility that Will Produce LNG for the Rovigo Terminal Is Inaugurated in Qatar

On March 20, 2007, a natural gas liquefaction train that will produce LNG for Edison's LNG Adriatic Terminal, a regasification facility with a capacity of 8 billion cubic meters per year that is being built offshore Porto Levante (RO), in the Adriatic, was inaugurated in Qatar.

Ras Laffan Liquefied Natural Gas Company II (RasGas II) - a joint venture of Qatar Petroleum and ExxonMobil, who are also Edison's partners in the development of the regasification terminal - will ope-

rate the newly commissioned facility, called Train 5, and will supply LNG to Edison. Train 5, one of the most technologically advanced systems of this kind in the world, has a capacity of 4.7 million tons of LNG per year, equal to about 6.4 billion cubic meters of natural gas per year.
Under existing agreements, Qatar will supply Edison with 6.4 billion cubic meters of natural gas per year for 25 years, thus significantly diversifying and increasing the reliability of Italy's natural gas sources.

### Construction of a Combined-Cycle Power Plant of About 400 Mw in Thisvi, in Greece

On May 9, 2007, Edison's Board of Directors approved an investment project of about 250 million euros for the construction of a combined-cycle power plant of about 400 MW in Thisvi, in central Greece. The Greek authorities have already issued an installation permit for this project, which will be built by Edison (65% interest) in partnership with Hellenic Energy & Development and Viohalco, two local energy development companies.

## Other Key Events

### Edison: the Corporate Capital Stock Grows by 520 Million Euros

During January 2007 n°. 519,554,810 "Warrants Edison Spa Common Shares 2007" were exercised at a subscription price of 1 Euro each. Therefore, Edison has increased its Capital Stock by 519,554,810 Euros.

### Standard & Poor's Upgrades the Outlook from "Stable" to "Positive" and Reaffirms the Company's BBB+ Credit Rating

On May 31, 2007, after completing its annual review, the rating agency Standard & Poor's upgraded from "Stable" to "Positive" Edison's outlook and reaffirmed its BBB+ long-term credit rating. These assessments reflect Edison's improved balance sheet and strong position in the Italian energy industry and take into account its favorable growth outlook and the support that the shareholders are providing to the Company's development.

### Edison: the Shareholders' Meeting Approves Amendments to the Bylaws

On June 26, 2007, following an earlier review by the Board of Directors, the Extraordinary Shareholders' Meeting agreed to amend the Bylaws in accordance with the requirements of the Investments Protection Act. The main amendments involve the introduction of slate voting to elect the Board of Directors in a manner that will enable minority shareholders to elect one Director, which would then require increasing to 13 the number of Directors.

# FINANCIAL HIGHLIGHTS – FOCUS ON RESULTS

## Edison Group

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 8,523 | Sales revenues | 4,052 | 4,266 | *(5.0%)* |
| 1,536 | EBITDA | 904 | 774 | *16.8%* |
| *18.0%* | *as a % of sales revenues* | *22.3%* | *18.1%* | |
| 752 | EBIT | 572 | 415 | *37.8%* |
| *8.8%* | *as a % of sales revenues* | *14.1%* | *9.7%* | |
| 559 | Profit before taxes | 466 | 284 | *64.1%* |
| 654 | Group interest in net profit | 256 | 398 | *(35.7%)* |
| 489 | Capital expenditures | 212 | 191 | *11.0%* |
| 41 | Investments in exploration | 17 | 23 | *(26.1%)* |
| 11,146 | Net invested capital (A + B) (1) | 10,463 | 11,346 | *(6.1%)* |
| 4,256 | Net borrowings (A) (1) | 3,057 | 4,705 | *(28.2%)* |
| 6,890 | Shareholders' equity before minority interest (B) (1) | 7,406 | 6,641 | *7.5%* |
| 6,743 | Group interest in shareholders' equity (1) | 7,273 | 6,491 | *7.9%* |
| 6,81% | ROI (3) | 10,77% | 7,44% | |
| 10,05% | ROE (4) | 7,31% | 12,47% | |
| 0,62 | Debt/Equity (A/B) | 0,41 | 0,71 | |
| 38% | Gearing (A/A+B) | 29% | 41% | |
| 2.923 | Number of employees (1) (2) | 2.934 | 2.950 | *0,4%* |
| | - including: | | | |
| 6 | Employees of discontinued operations | - | 82 | |
| | Stock market prices (in euros) (5) | | | |
| 1,9483 | - common shares | 2,2183 | 1,5386 | |
| 2,2385 | - savings shares | 2,2730 | 1,6667 | |
| 1,1132 | warrants | 1,2980 | 0,7462 | |
| | Profit (Loss) per share | | | |
| 0,1522 | - basic | 0,0537 | 0,0924 | |
| 0,1380 | - diluted | 0,0503 | 0,0844 | |

(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) 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.

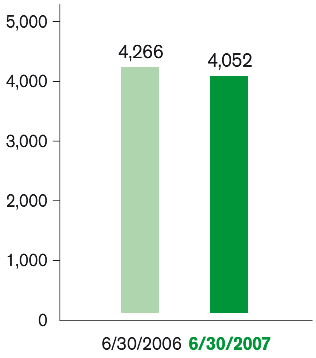
## Edison Spa

| 2006 IAS/IFRS | (in millions of euros) | First half 2007 IAS/IFRS | First half 2006 IAS/IFRS | % change |
|---|---|---|---|---|
| 4,855 | Sales revenues | 2,423 | 2,470 | *(1.9%)* |
| 783 | EBITDA | 535 | 368 | *45.4%* |
| *16.1%* | *as a % of sales revenues* | *22.1%* | *15.0%* | |
| 321 | EBIT | 336 | 169 | *98.8%* |
| *6.6%* | *as a % of sales revenues* | *13.9%* | *6.8%* | |
| 632 | Net profit (loss) for the period | 391 | 442 | *(11.5%)* |
| 301 | Capital expenditures | 109 | 125 | (12.8%) |
| 9,021 | Net invested capital | 8,828 | 9,292 | (2.1%) |
| 3,412 | Net borrowings | 2,540 | 3,868 | (25.6%) |
| 5,609 | Shareholders' equity | 6,288 | 5,424 | 12.1% |
| 0.61 | Debt/equity ratio | 0,40 | 0,71 | (33.6%) |
| 1,801 | Number of emplyees | 1,831 | 1,778 | 1.7% |

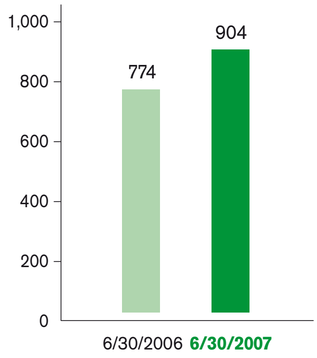
# Key Group Data

(in millions of euros)

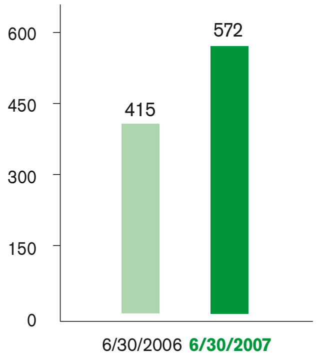
**Sales revenues**



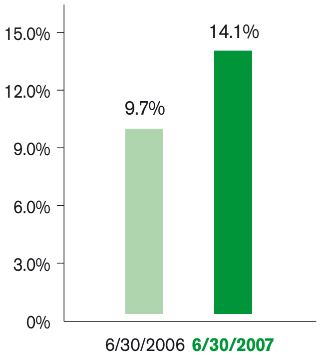
**EBITDA**



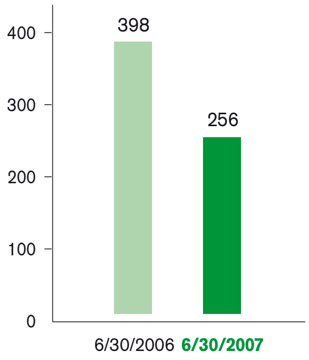
**EBIT**



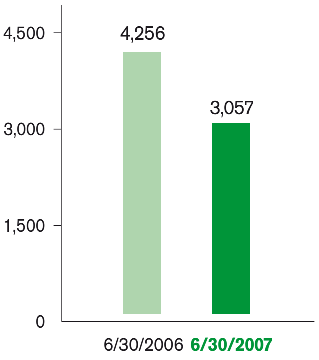
**EBIT/sales revenues**



**Group interest in net profit**



**Net borrowings**



## Sales Revenues and EBITDA by Type of Business

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | *% change* |
|---|---|---|---|---|
| | Core business | | | |
| | **Electric Power Operations** (1) | | | |
| 6,945 | Sales revenues | 3,244 | 3,360 | *(3.5%)* |
| 1,162 | EBITDA | 621 | 563 | *10.3%* |
| *16.7%* | *as a % of sales revenues* | *19.1%* | *16.8%* | |
| | **Hydrocarbons Operations** (2) | | | |
| 4,171 | Sales revenues | 1,986 | 2,084 | *(4.7%)* |
| 434 | EBITDA | 315 | 240 | *31.3%* |
| *10.4%* | *as a % of sales revenues* | *15.9%* | *11.5%* | |
| | **Corporate Activities** | | | |
| 43 | Sales revenues | 22 | 22 | - |
| (70) | EBITDA | (36) | (35) | *(2.9%)* |
| *n.s.* | *as a % of sales revenues* | *n.s.* | *n.s.* | |
| | **Eliminations** | | | |
| (2,670) | Sales revenues | (1,215) | (1,218) | *(0.2%)* |
| - | *as a % of sales revenues* | - | - | |
| | **Total core business** | | | |
| **8,489** | **Sales revenues** | **4,037** | **4,248** | **(5.0%)** |
| **1,526** | **EBITDA** | **900** | **768** | **17.2%** |
| ***18.0%*** | ***as a % of sales revenues*** | ***22.3%*** | ***18.1%*** | |
| | Other Operations | | | |
| | **Continuing Operations** | | | |
| | **Water** | | | |
| 34 | Sales revenues | 15 | 18 | *(16.7%)* |
| 10 | EBITDA | 4 | 6 | *(33.3%)* |
| *29.4%* | *as a % of sales revenues* | *26.7%* | *33.3%* | |
| | **Eliminations** | | | |
| - | Sales revenues | - | - | |
| - | EBITDA | - | - | |
| | **Total other operations** | | | |
| **34** | **Sales revenues** | **15** | **18** | **(16.7%)** |
| **10** | **EBITDA** | **4** | **6** | **(33.3%)** |
| ***29.4%*** | ***as a % of sales revenues*** | ***26.7%*** | ***33.3%*** | |
| | Edison Group | | | |
| **8,523** | **Sales revenues** | **4,052** | **4,266** | ***(5.0%)*** |
| **1,536** | **EBITDA** | **904** | **774** | ***16.8%*** |
| ***18.0%*** | ***as a % of sales revenues*** | ***22.3%*** | ***18.1%*** | |

(1) Activities carried out by the following Business Units: Electric Power Operations, Electrical Energy Management and Electrical 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

## Operating Performance

Consistent with the trend recorded in the first quarter of 2007, sales revenues were down slightly in the first half of the year (-5.0%) due mainly to two factors: a decline in raw material prices in the international markets, which caused a reduction in unit energy revenues, and a decrease in unit sales of natural gas. The electric power operations reported a 3.5% decrease in sales revenues, even though unit sales were about the same as in the first six months of 2006, while the hydrocarbons operations experienced a reduction both in revenues (-4.7%) and unit sales (-5.4%).

Despite this decrease in revenues, EBITDA grew by 130 million euros (+16.8%), rising from 774 million euros in the first half of 2006 to 904 million euros this year. For the electric power operations, this improvement reflects mainly an increased supply made possible by an expansion of the installed capacity, gains in efficiency and the positive impact of a prudent policy of optimizing the Group's "sources and uses" portfolio on the deregulated markets, which more than offset a reduction in the profitability of the CIP6/92 business and the absence of the EBITDA contribution provided by Serene and Edison Rete prior to their sale.
For the hydrocarbons operations, the increase in profitability reflects the positive impact of the reversal of about 56 million euros in reserves set aside to comply with Resolution No. 248/04. In 2006, the Company had recognized a charge of about 50 million euros to comply with this Resolution. For additional information about this issue, please see the section of this Report entitled "Regulatory Framework."

As a result of the factors discussed above, EBIT were also up significantly (about 37.8%), rising from 415 million euros in the first six months of 2006 to 572 million euros in the first half of 2007.

The profit before taxes rose to 466 million euros, or 182 million euros more than in the first six months of 2006 (284 million euros), owing in part to the reversal of provisions set aside in previous years in connection with disputes related to former non-core operations of the Group, which contributed about 15 million euros on balance.
At 256 million euros, the net profit was 35.7% less than the 398 million euros earned in the first half of 2006. This unfavorable comparison is due to the fact that in 2006 the Group recorded a net gain of 202 million euros on the realignment of the taxable base of a significant portion of Edison Spa's power plants to the higher amount at which they are carried in the statutory financial statements (Law No. 266 of December 23, 2005). As a result of this process, provisions totaling 298 million euros, which were recognized at the 37.25% tax rate in connection with the higher value of the realigned assets, were reversed upon the payment of a substitute tax (computed at a 12% rate and amounting to 96 million euros) on the increase in the assets' tax base.

At June 30, 2007, net borrowings totaled 3,057 million euros (4,705 million euros at June 30, 2006), down from the 4,256 million euros owed at December 31, 2006.

The table below provides an analysis of changes in net borrowings:

(in millions of euros)

| 2006 | | 1/1/2007-<br>6/30/2007 | 1/1/2006-<br>6/30/2006 |
|---|---|---|---|
| **(4.820)** | **A. Net borrowings at beginning of period** | **(4,256)** | **(4,820)** |
| 1.536 | EBITDA | 904 | 774 |
| (121) | Change in operating working capital | 487 | 112 |
| (93) | Income taxes paid (-) | (131) | (37) |
| (30) | Change in other assets (liabilities) | 60 | (157) |
| **1.292** | **B. Cash flow from operating activities** | **1,320** | **692** |
| (633) | Investments in property, plant and equipment, intangibles and non-current financial assets (-) | (403) | (268) |
| 373 | Proceeds from the sale of property, plant and equipment, intangibles and non-current financial assets | 120 | 11 |
| - | Dividends received | 2 | 5 |
| **1.032** | **C. Free cash flow** | **1,039** | **440** |
| (246) | Financial income (expense), net | (112) | (136) |
| - | Contributions of share capital and reserves | 520 | - |
| (196) | Dividends declared (-) | (248) | (189) |
| **590** | **D. Net cash flow from financial activities** | **1,199** | **115** |
| (26) | Change in the scope of consolidation | - | - |
| **564** | **E. Net cash flow for the period** | **1,199** | **115** |
| **(4.256)** | **F. Net borrowings at end of period** | **(3,057)** | **(4,705)** |

The section of the consolidated financial statements entitled “Types of Financial Risks and Hedging Strategies” includes a special section that discusses the covenants of loan agreements.

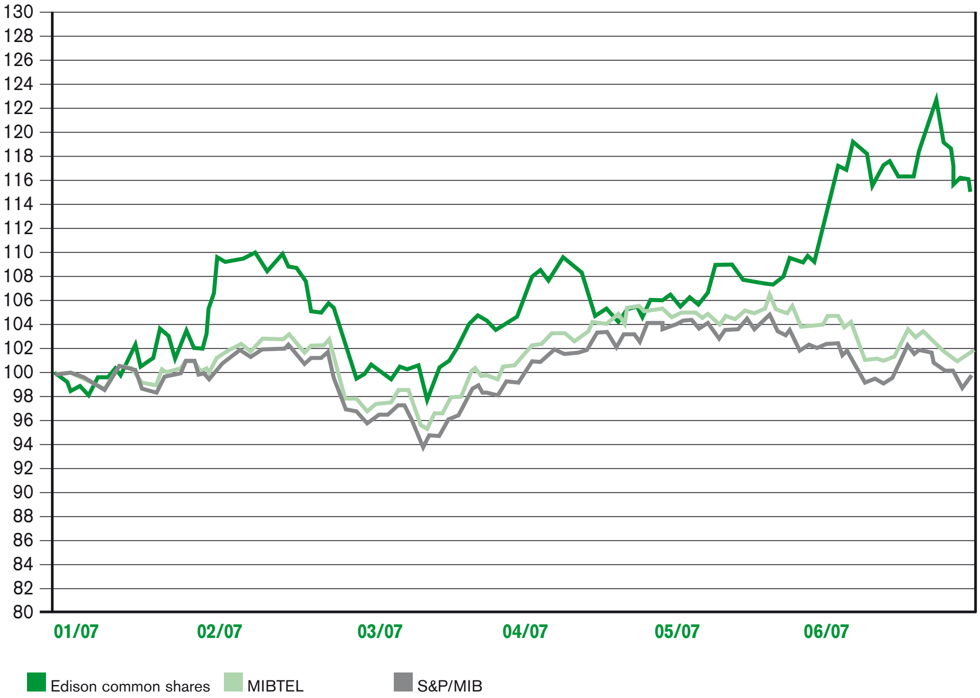
## Business Outlook for the Balance of 2007

The start of production by the Simeri Crichi and Turbigo power plants due in the second half of 2007 and the positive impact of a policy designed to optimize the Group’s energy portfolio, would seem to support expectations of industrial results that are in line with and possibly better than those reported in 2006, even if the regulatory framework is still not completely certain.

# EDISON AND THE FINANCIAL MARKETS

Chart of the stock market prices of the Edison shares between January 2 and June 30, 2007

**Stock Market Price of the Edison Common Share**



## Stock Market Price and Other Per Share Data

| (in euros) | June 30, 2007 | December 31, 2006 |
|---|---|---|
| **Edison Spa** | | |
| Stock Market Price (1) | | |
| - common shares | 2.2183 | 1.9483 |
| - savings shares | 2.2730 | 2.2385 |
| - warrants | 1.2980 | 1.1132 |
| | | |
| **Number of shares** (at end of period) | | |
| - common shares | 4,682,205,342 | 4,162,547,033 |
| - savings shares | 110,592,420 | 110,592,420 |
| **Total shares** | **4,792,797,762** | **4,273,139,453** |
| Warrants | 498,958,615 | 1,018,616,924 |
| | | |
| **Edison Group** | | |
| Basic earnings (loss) per share (2) | 0.0537 | 0.1522 |
| Diluted earnings (loss) per share (2) | 0.0503 | 0.1380 |
| Group interest in shareholders' equity per share | 1.517 | 1.578 |
| Price/Earning ratio (P/E) (3) | 44.38 | 13.62 |

(1) Simple arithmetic mean of the prices for the last calendar month of the period or fiscal year.

(2) Computed in accordance with IAS 33.

(3) Ratio of price per common share at the end of the period and basic earnings (loss) per share.

## Other Financial Indicators

### Rating

| | Current | December 31, 2006 |
|---|---|---|
| Standard & Poor's | | |
| Medium/long term rating | BBB+ | BBB+ |
| Medium/long term outlook | Stable | Stable |
| Short term rating | A-2 | A-2 |
| | | |
| Moody's | | |
| Rating | Baa2 | Baa2 |
| Medium/long term outlook | Stable | Stable |

# ECONOMIC FRAMEWORK

In the foreign exchange markets, the exchange rate for the U.S. dollar, which averaged USD 1.26 for one euro in 2006, has stayed steadily above USD 1.30 for one euro since the beginning of 2007, peaking at USD 1.36 for one euro at the end of April. The average exchange rate for the first half of 2007 was USD 1.33 for one euro, a level 8.1% higher than in the same period last year.

**Key Economic Data**

| 2006 | | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 65,1 | Oil price USD/bbl (*) | 63.3 | 65.7 | (3.7%) |
| 1,26 | USD/euro exchange rate | 1.33 | 1.23 | 8.1% |
| 51,9 | Oil price euro/bbl | 47.6 | 53.4 | (11.0%) |

(*) Brent Dated / IPE

At the beginning of 2007, crude oil prices decreased significantly, but never fell below USD 50/bbl. Subsequently, a sharp drop in crude oil and gasoline inventory (which occurred in the spring, mainly in the United States), steadily rising demand (especially in China and North America) and new flare-ups of international tensions (particularly in Nigeria and Iran) drove crude oil prices above USD 70/bbl.

# THE ITALIAN ENERGY MARKET

**Demand for Electric Power in Italy**

| 2006 | TWh | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 301.7 | Net production | 146.7 | 151.6 | (3.2%) |
| 44.7 | Imports | 25.2 | 20.6 | 22.5% |
| (8.6) | Surges | (3.8) | (4.4) | (12.5%) |
| **337.8** | **Total demand** | **168.1** | **167.8** | **0.1%** |

Sources: Official 2006 data and 2007 preliminary year-end data by AU and Terna, before line losses.

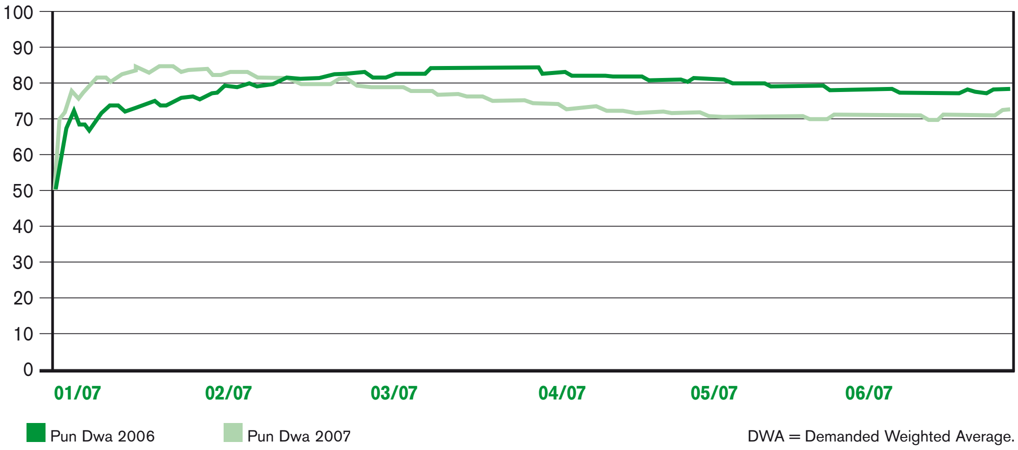
In the first half of 2007, gross total demand for electric power from the Italian grid totaled 168.1 TWh (1 TWh = one billion kWh), about the same as in the first six months of 2006 (+0.1%) both in absolute terms and on a seasonally adjusted basis (i.e., eliminating the impact of changes in average temperature and the number of business days).

Domestic production, net of surges, was sufficient to meet 85% of demand, compared with 87.7% in the first half of 2006. Net imports grew from 12.3% to 15%. This increase is the net result of two contrasting trends: on the one hand, imports returned to their historical level (in the first six months of 2006, the large price differentials that usually exist between Italy and continental Europe had been reversed, causing a temporary but significant reduction in net imports); on the other hand, exports were up sharply (+47.9%), due mainly to a rise in exports to Greece, which have stabilized at about 100 GWh per month. In the first half of 2006, Italy had been a net importer of electric power from Greece. With overall demand holding relatively steady, the increase of about 5 TWh in net imports exerted significant pressure on thermoelectric production, which fell by about 3.5 TWh, before deducting consumption for ancillary services.
In the area of renewable resources, the overall output decreased by about 2 TWh, due mainly to a large shortfall in hydroelectric production (-10.5%, equal to 2.3 TWh), offset in part by a sharp gain in the output of wind power facilities (+24.1%) and a modest increase in geothermal production (+2.4%) compared with the first six months of 2006.

Demand from captive customers continued its steady decline decreasing to 66.0 TWh (78.4 TWh in the first half of 2006), accounting for 39.2% of domestic demand. As a result, the deregulated market posted further significant gains (+16.1% in the first six months of 2007), to a level equal to 54.4% of total demand. Internal consumption accounts for the remaining 6.3% of total domestic consumption. In this area, it is worth noting that, starting on July 1, 2007, it will no longer be justified to make reference to a captive market (rather, to a non-switched deregulated market, if any remain) due to the total deregulation of the electric power market, in accordance with Directive No. 2003/54/CE.

As for prices, at June 30, 2007, the demand-weighted average Single National Price (abbreviated PUN in Italian) decreased to 70.70 euros per MWh, or about 9.7% less than in the first six months of 2006 (78.40 euros per MWh). The chart below shows a comparison of the PUN trend in the first half of 2006 and 2007:

### Domestic Demand Weighted Cumulative Moving Average



DWA = Demanded Weighted Average.

### Demand of Natural Gas in Italy

| 2006 | billions of m³ | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 29,8 | Services and residential customers | 14.9 | 19.0 | (21.9%) |
| 20,7 | Industrial users | 10.3 | 10.8 | (3.9%) |
| 32,5 | Thermoelectric power plants | 16.5 | 15.6 | 5.8% |
| 0,5 | Transportation | 0.3 | 0.3 | 2.6% |
| **83,5** | **Total demand** | **42.0** | **45.7** | **(8.0%)** |

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

In the first half of 2007, Italian demand for natural gas decreased by about 8% (3.7 billion cubic meters in absolute terms) compared with the same period last year, falling to about 42 billion cubic meters (net of system usage and leaks).

This shortfall is attributable primarily to the unusually mild weather that occurred during the first three months of 2007, which had a strong negative impact on consumption by residential users (decrease of more than 20% in the first quarter compared with 2006).

As for conditions in the other segments of the market in the first half of 2007, demand from thermoelectric power plants was up sharply (+5.8%) due mainly to the use of natural gas as a replacement for non-gaseous fuels by power plants that had been forced to use the latter during the same period last year in response to the “natural gas emergency.” At the same time, consumption by industrial users continued to decline (-3.9%), showing that the steady decline of the last few years is continuing.

With regard to supply sources, the following developments characterized the first six months of 2007:
- a steady reduction in domestic production (-10% compared with the first half of 2006), consistent with the downward trend of recent years, which is expected to continue in the future;
- a temporary decrease in imports (-9.6% compared with the first six months of 2006), made possible in part by the suspension of the Ministry imposed requirement to maximize imports as of February 2007 (in 2006, this requirement had been in effect for the entire first half);
- a significant change in storage handling patterns caused by the factors outlined above (less withdrawals during the winter months and, consequently, less additions during the April to June period).

# REGULATORY FRAMEWORK

## Electric Power

The main legislative measures and significant developments that affected the regulatory framework of the electric power industry in the first half of 2007 are reviewed below:

### Production

With regard to issues related to CIP 6/92 power plants, the Regional Administrative Court ruled in Edison's favor in the complaint filed against Resolution No. 249/06, which introduced a new criteria to compute and update the avoided-fuel-cost (AFC) component of the price paid for energy produced by these facilities. The full text of the court decision has been published only recently. In any case, the AEEG has the option of appealing to the Council of State.

Also in this area, a final court decision has not yet been handed down with regard to refunds for Green Certificates and CO2 charges. Specifically, with regard to Green Certificate refunds, consultations are currently going on based on Resolution No. 113/06 of February 2007, which focuses on updating the method used to quantify the average value of the green certificates awarded to CIP 6/92 production. Likewise, the issue of refunds for CO2 charges is awaiting a decision after the consultations carried out at the end of 2006 concerning the refunds owed for charges incurred to implement the Emissions Trading Directive.

**Renewable Sources:** The regulatory framework needed to implement Legislative Decree No. 387/03 is still incomplete. The missing legislation includes a decree setting forth additional increases (for the three-year period from 2007 to 2009) in the minimum quantity of electric power generated by facilities that use renewable sources that must be fed into the national grid. The definition of this obligation is essential to evaluating the size of the Green Certificates market in the coming years. The issue raised by this shortcoming in the regulatory framework should be viewed as part of a broader discussion about the need to revise the incentive system for renewable sources currently provided by the Bersani Bill, which has not yet been completed. In the meantime, a decree concerning energy from photovoltaic systems that was issued on February 19, 2007 provides a feed-in tariff type of incentive system for photovoltaic facilities.

### Energy Market

In the electric power wholesale market, the process of changing the Dispatching Services Market (DSM), which the AEEG began last year after consumers complained about the excessive volatility of the cost of dispatching services, made steady progress during the first half of 2006. With Resolution No. 130/07, the AEEG approved an initial proposal put forth by Terna concerning the "forward" purchasing of dispatching resources. Due to the complexity of the product and implementation technicalities involved, this proposal is currently being discussed with the operators and competitive bidding for this product has been scheduled for September.

The enactment of the 2006 European Community Law on March 5, 2007 introduced a major exception to the exclusivity originally granted by the Uniform Financial Code to "eligible intermediaries" (investment companies such as securities brokers and banks) with regard to dealing in financial derivatives on energy products. This exception allows energy companies to offer derivatives on energy indices in regulated markets. The introduction of a regulated market for standardized forward products, which will complete the structural design of the Italian electric power market, is the subject of specific studies by the Operator of the Electric Power Market and Borsa Italiana, which are currently at an advanced stage.

### Retail Market

Insofar as retail sales are concerned, the first half of 2007 was characterized by an intense parliamentary activity concerning Bill No. AS 691, which incorporates into the Italian legal system the provisions of Directive No. 2003/54/CE on the deregulation of the electric power market. The significant delays that occurred in the discussion of this bill, coupled with the issues raised by the European Commission with regard to inconsistencies between the Italian legal system and EC regulations, required the government to approve on an urgent basis Decree Law No. 73 of June 18, 2007, which introduced minimum requirements for compliance with EU regulations.

Specifically, effective as of July 1, 2007, concurrently with the full deregulation of the electric power industry, the abovementioned decree introduces the service required by Article 3 of the Directive, which ensures that residential customers and small business are supplied with electric power of a predetermined quality at reasonable prices that are easily comparable and transparent. This service has been entrusted to distributors, who, for the most part, operate through sales companies that are part of the same corporate group (complying with the obligation to unbundle distribution and sales that exists for companies with more than 100,000 customers) and will continue to be supplied by the Single Buyer and charge rates administered by the Energy Authority. Provisionally, the sales companies will also provide the protection service required by Article 5 of the Directive, which requires that the supply of electric power be guaranteed to customers who are no longer protected but are still supplied by the incumbent provider and to customers who are temporarily without a supplier for reasons outside their control. Once it has become fully operational, this protection service will be awarded on the basis of local competitive bidding processes and at prices that create an incentive to switch to the deregulated market.

The AEEG also adopted a package of regulations designed to protect consumers and enable customers who decide to switch to the deregulated market to make an informed choice. Specifically, it regulates the manner in which sales offers may be presented, relying in part on presentation formats that allow a comparison of the prices provided under the different offers, and has agreed to publish on its website a list of retail sellers of electric power that meet specific reliability requirements.

## Environment

**Emissions Trading:** On December 15, 2006, Italy communicated to the European Commission its National Allocation Plan for the 2008-2012 period, which sets forth the criteria for allocating and issuing CO2 quotas for the 2008-2012 period, in accordance with the provisions of Article 11, Section 1, of Directive No. 2003/87/CE of the European Parliament and Council. This document allocates to facilities that fall within the Directive's scope of implementation CO2 quotas that can be used to participate in the Emissions Trading system for the second period. With a decision issued on May 15, 2007, the European Commission provisionally approved the Plan, requesting certain changes and a cut of 13 million tons of CO2 per year from the allocation cap of 209 million tons of CO2 per year proposed by Italy. The total number of quotas available for allocation thus decreases to 195 million tons of CO2 per year. Over the coming months, Italy will decide how it will allocate among industries and production facilities the cut of 13 million tons of CO2 per year requested by the EU.

The system for the first period (2005-2007) is fully operational. In accordance with the provisions of European and Italian regulations, the quotas allocated to production facilities are issued on February 28 of each year to ownership accounts established by the operators in the National Emissions Register. By March 31 of each year, the operators are required to submit to the relevant national authorities a statement listing the emissions released during the previous calendar year. This statement must be certified by an accredited certification entity. By April 30 of each year, operators must comply with the obligation of relinquishing a sufficient number of quotas to cover the emissions they released.

## Hydrocarbons

### Access to Infrastructural Facilities

In the area of the rules governing access to infrastructural facilities and storage activities in particular, the AEEG issued Resolution No. 55/07 reaffirming the existing criteria for the allocation of modulation storage capacity for the current thermal year and began to study what new mechanisms could be applied in subsequent thermal years. This process is being carried out in a manner that will ensure maximum participation by industry operators. The abovementioned resolution also ordered that shared procedures be used to allocate any residual capacity beyond storage needs for strategic, mining and residential market uses.

In May, also with regard to storage, the AEEG approved Edison Stoccaggio's code. Operators can now use access codes for all of Italy's storage infrastructures, as the approval of Edison Stoccaggio's code follows the approval of Stogit's code at the end of 2006. In addition, a recent decision by the Regional Court of Lombardy voided the part of Resolution No. 37/06 that imposed a penalty for improper use of modulation storage capacity during the 2005/2006 thermal year, which Edison challenged last year. Edison had settled the penalty for the 2004/2005 thermal year through the voluntary payment of an agreed upon amount.

In the area of natural gas transmission, the Ministry of Economic Development issued a decree dated March 14, 2007 exempting the Poseidon natural gas pipeline from the obligations to provide access to third parties. This pipeline, which is part of the IGI Project, links the Italian and Greek national transmission networks. The exemption is for 100% of capacity (about 8 billion cubic meters per year) for 25 years from the date the pipeline is operational.

In May 2007, then European Commission issued a final approval of the pipeline's exemption from the obligation to provide access to third parties, subject to two conditions: more information about the sources of the natural gas that will flow through the pipeline (specifically, if it is being provided by established or new suppliers) and a commitment to increase the pipeline capacity up to its maximum rated flow.

Lastly, with regard to the regasification operations, the AEEG issued Resolution No. 115/07 approving the regasification code developed by Gnl Italia Spa, which is the company that operates in Panigaglia the only regasification terminal that currently exists in Italy.

### Rates

The main development concerning the retail market that occurred during the first half of 2007 was the conclusion of a long-running dispute about the mechanism that should be used to update the terms under which natural gas is supplied to protected customers, as set forth in Resolution No. 248 issued by the AEEG at the end of 2004. With this resolution, the AEEG had cut the rates that retailers could charge to end users, ordering a "corresponding" renegotiation of the supply contracts executed upstream in the wholesale market. This decision gave rise to a complex dispute in the courts, which reached a key juncture in January 2007, when the Council of State permanently voided Resolution No. 248/04. In order to settle the dispute related to the abovementioned resolution, the AEEG issued Resolution No. 79/07, which reset natural gas rates for the period from January 1, 2005 to March 30, 2007, canceled the rate cut for 2005, set gas rates for end users for the first half of 2006, required that upstream wholesale contracts be renegotiated and provided economic incentives for this purpose. The renegotiation process has been completed with Edison achieving a drastic reduction of the damage caused by Resolution No. 284/04.

Also in the area of rates, in June, the AEEG issued Resolution No. 124/07 by which it began an inquiry into how companies involved in the sale, transmission and distribution of natural gas are applying the rate adjustment and volume correction coefficients established with Resolutions No. 237/00 and No. 138/04, respectively.

The very recent full deregulation of the electric power market for end users required that the main provisions governing sales in both areas be made consistent with an approach that promotes competition and protects the interests of and the relationship with consumers. Specifically, new rules have been enacted governing the right to cancel existing natural gas and electric power supply contracts. The new rules shorten the time needed for consumers to switch from the incumbent provider to the deregulated market and establish mandatory quality standards for call centers (average waiting time and service level and accessibility).

## Unbundling

Upon the conclusion of a consultation process that started in March 2006, the AEEG issued Resolution No. 11/07 approving the Integrated Regulation on Operational and Accounting Unbundling. The specific purpose of the operational unbundling is to set forth the minimum requirements that must be met by a vertically integrated company that engages in activities that are essential for the development of competition when it defines a corporate governance profile capable of ensuring that such activities are carried out independently and as if they were operated by a third party. Specifically, a vertically integrated energy company must entrust to an "independent operator" the activities that must be operationally unbundled. The operator's independence is achieved primarily by providing it with significant autonomy in how its governance bodies operate and capital investment programs are defined.

In its interpretation, the AEEG classified as essential not only the activities involved in the transmission and distribution of electric power and natural gas, but also those that handle storage and regasification. The main industry operators (Enel, Eni and Edison) have challenged this resolution since they believe that it significantly restricts the autonomy of integrated companies that engage in this type of activity and that the AEEG has exceeded the jurisdictional authority it was granted by the law that established it. On July 10, 2007, further to specific motions filed by some industry operators, a hearing was set discuss this complaint before the Regional Administrative Court.

# PERFORMANCE OF THE GROUP'S BUSINESSES

## Electric Power Operations

### Quantitative Data

**Sources**

| 2006 | GWh (*) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 51,923 | Net production of the Edison Group: | 26,148 | 25,293 | 3.4% |
| 35,990 | - Thermoelectric power plants | 18,667 | 17,089 | 9.2% |
| 3,050 | - Hydroelectric power plants | 1,419 | 1,359 | 4.4% |
| 458 | - Wind farms | 260 | 249 | 4.6% |
| 12,425 | - Edipower | 5,802 | 6,596 | (12.0%) |
| **1,471** | **Imports** | **775** | **765** | **1.3%** |
| **12,006** | **Other domestic purchases and swaps** (1) | **4,162** | **5,318** | **(21.7%)** |
| **65,400** | **Total sources** | **31,085** | **31,376** | **(0.9%)** |

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

**Uses**

| 2006 | GWh (*) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 19,964 | CIP 6/92 dedicated | 9,065 | 10,175 | (10.9%) |
| 4,948 | Captive and other industrial customers | 2,242 | 2,602 | (13.9%) |
| 40,425 | Deregulated market | 19,778 | 18,550 | 6.6% |
| 63 | Exports | - | 49 | n.s. |
| **65,400** | **Total uses** | **31,085** | **31,376** | **(0.9%)** |

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

### Financial Highlights

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| **6,945** | **Sales revenues** | **3,244** | **3,360** | **(3.5%)** |
| 1,162 | EBITDA | 621 | 563 | 10.3% |
| *16.7%* | *as a % of sales revenues* | *19.1%* | *16.8%* | |
| 347 | Capital expenditures | 114 | 155 | (26.5%) |
| 1,962 | Number of employees (1) | 1,944 | 1,902 | (0.9%) |
| 6 | employees of discontinued operations | - | - | |

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

Sales revenues totaled 3,244 million euros in the first half of 2007, down slightly (-3.5%) compared with the same period last year. A decrease in sales prices and the absence of the contribution provided by Edison Rete Spa and Serene Spa following their disposal account for this decrease. Despite this, EBITDA increased to 621 million euros, or 10.3% more than the 563 million euros earned in the first six months of 2006.

This improvement was achieved optimizing the sales channels in the deregulated markets and the increased supply made possible by an expansion of the installed capacity. As mentioned earlier in this Report, gains in this area more than offset the loss of incentives for some CIP 6/92 power plants and the absence of the EBITDA contribution provided in the past by the divested companies.

## Sales and Marketing

In the first half of 2007, sales of electric power totaled 31,085 GWh, about the same as in the corresponding period last year (31,376 GWh).

Sales in the deregulated markets grew to 19,778 GWh, or 6.6% more than in the first six months of 2006.

CIP 6/92 sales decreased by 10.9%, due mainly to the divestiture of Serene Spa. Sales in the captive market were also down, falling from 2,602 GWh in the first half of 2006 to 2,242 GWh in the same period this year.

During the first six months of 2007, ongoing trading activity on foreign power exchanges was profitable on balance. The volumes traded (about 1.3 TWh) are not included in the "Sources" and "Uses" tables shown above.

## Production and Procurement

The Group's net production totaled 26,148 GWh in the first half of 2007, or 3.4% more than in the same period a year ago. The increase of 9.2% in thermoelectric production reflects primarily the commissioning of the Torviscosa power plant.

On the other hand, the output of the Edipower power plants decreased by 12.0% compared with the first six months of 2006, when facilities that burn fuel oil were required to operate at full capacity to help address the natural gas emergency.

The power generated by the Group's hydroelectric power plants and wind farms increased by 4.4% and 4.6%, respectively.

During the first half of 2007, purchases and imports of electric power carried out as part of a portfolio optimization strategy totaled 4,937 GWh (-18.8%).

## Capital Investments

Capital expenditures totaled about 114 million euros (including about 24 million euros by Edipower) at June 30, 2007. Most of this amount, which was 41 million euros lower than in the first six months of 2006, 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 power plant, near Milan.

# Hydrocarbons Operations

## Quantitative Data

### Sources

| 2006 | (millions of m³ of natural gas) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| **1,068** | **Total net production:** | **473** | **581** | **(18.6%)** |
| 712 | - production in Italy | 343 | 366 | (6.4%) |
| 356 | - production outside Italy | 130 | 215 | (39.4%) |
| **7,705** | **Pipeline imports** | **3,150** | **4,119** | **(23.5%)** |
| **62** | **LNG Imports** | **-** | **62** | **n.s.** |
| **4,804** | **Domestic and other purchases** (1) | **3,187** | **2,435** | **30.9%** |
| **13,639** | **Total sources** | **6,810** | **7,197** | **(5.4%)** |

(1) Includes inventory changes and pipeline leaks.

### Uses

| 2006 | (millions of m³ of natural gas) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 3,306 | Residential use | 1,421 | 2,225 | (36.2%) |
| 1,164 | Industrial use | 552 | 596 | (7.4%) |
| 8,312 | Thermoelectric fuel use | 4,478 | 3,995 | 12.1% |
| 356 | Exports | 130 | 215 | (39.4%) |
| 501 | Other sales | 229 | 166 | 38.0% |
| **13,639** | **Total uses** | **6,810** | **7,197** | **(5.4%)** |

## Financial Highlights

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| **4,171** | **Sales revenues** | **1,986** | **2,084** | **(4.7%)** |
| 434 | EBITDA | 315 | 240 | 31.3% |
| *10.4%* | *as a % of sales revenues* | *15.9%* | *11.5%* | |
| 133 | Capital expenditures | 91 | 30 | n.s. |
| 41 | Investments in exploration | 17 | 23 | (26.1%) |
| 433 | Number of employees (1) | 454 | 438 | 4.8% |

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

In the first half of 2007, sales revenues totaled 1,986 million euros, or 4.7% less than in the same period last year. This decrease reflects primarily a reduction in unit sales caused by mild weather earlier in the year.

EBITDA grew to 315 million euros, for a 31.3% gain compared with the 240 million euros earned in the first six months of 2006. As mentioned earlier in this Report, this increase is the result of better margins and reflects the positive impact of the reversal of provisions totaling about 56 million euros set aside to cover the potential effect of Resolution No. 248/04. In the first half of 2006, a charge of 50 million euros had been recognized in connection with this issue.

# Sales and Marketing

In the first six months of 2007, unit sales of natural gas totaled 6,810 million cubic meters, or 5.4% less than in the same period last year.

Specifically, sales to residential users were down 36.2% and those to industrial users decreased by 7.4%. On the other hand, deliveries to thermoelectric users continued to increase (+12.1%) reflecting a rise in thermoelectric output.

Wholesalers bought 229 million cubic meters of natural gas, compared with 166 million cubic meters in the first half of 2006.

## Production and Procurement

In the first six months of 2007, net production of natural gas totaled 473 million cubic meters, down from 581 million cubic meters in the same period last year, reflecting a decrease of 6.4% in Italy, caused by the natural depletion of natural gas deposits, and a 39.4% shortfall abroad that was due to technical problems at the Rosetta fields in Egypt. On the procurement side, natural gas imports decreased to 3,150 million cubic meters, compared with 4,181 million cubic meters in the first half of 2006, but domestic purchases increased by 30.9%.

Production of crude oil totaled 1,373,000 barrels, up from 1,067,000 barrels in the first six months of 2006.

## Capital Investments

Capital investments totaled 91 million euros in the first half of 2007. The main projects carried out in Italy involved building the Cavarzere-Minerbio gas pipeline (41 million euros), expanding the Collalto storage facility (8 million euros) and drilling new production wells in the Emma field (about 11 million euros) and the Daria field (about 3 million euros) in the Adriatic. Outside Italy, about 7 million euros were invested in Egypt for the additional work needed to continue the development of the Rosetta concession and, in Algeria, tests of the Reggane 6 production well are continuing.

## Exploration Activities

During the first six months of 2007, the Group invested about 17 million euros in hydrocarbon exploration. Of this amount, 15 million euros were used for projects outside Italy, the largest of which involved exploration projects in Algeria (drilling of two new wells in the Reggane and Akabli M'Sari blocks) and in Senegal (3-D seismic mapping). The Group was also awarded a new exploration block in Egypt (Sidi Abd el Rahman, with Edison as operator), a formal contract for which will be signed later this year, and, working through joint ventures with other partners, obtained five exploration permits in Norway.

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# Corporate Activities

### Financial Highlights

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| 43 | Sales revenues | 22 | 22 | - |
| (70) | EBITDA | (36) | (35) | (2.9%) |
| *n.s.* | *as a % of sales revenues* | *n.s.* | *n.s.* | |
| 1 | Capital expenditures | - | 1 | n.s |
| 525 | Number of employees [1] | 533 | 525 | 1.5% |

[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 22 million euros, exactly the same as in the first half of 2006. EBITDA were negative by 36 million euros, also roughly in line with the loss reported a year ago.

## Capital Increases

The capital increases carried out during the first six months of 2007 (519,658,309 euros) reflect conversions of outstanding Edison warrants. These warrants can be exercised at any time until December 31, 2007 to buy Company shares. At June 30, 2007, there were 498,958,615 warrants outstanding.

# Other Continuing Operations

## Water Distribution and Treatment (IWH)

### Financial Highlights

| 2006 | (in millions of euros) | First half 2007 | First half 2006 | % change |
|---|---|---|---|---|
| **34** | **Sales revenues** | **15** | **18** | **(16.7%)** |
| 10 | EBITDA | 4 | 6 | (33.3%) |
| *29.4%* | *as a % of sales revenues* | *26.7%* | *33.3%* | |
| | | | | |
| 8 | Capital expenditures | 7 | 5 | 40.0% |
| 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 six months of 2007 totaled 15 million euros. They were generated by operations carried out in Guayaquil (Ecuador) under license.
EBITDA amounted to 4 million euros, down from the 6 million euros earned in the first half of 2006.

# INNOVATION, RESEARCH AND DEVELOPMENT

In the first half of 2007, the Group focused its research and development efforts on projects involving power generation through fuel cells, advanced photovoltaic technologies, superconductivity and energy storage. Edison is also involved in important collaborative projects that are studying how research competencies can be used to support the introduction of new services related to energy conservation and environmental sustainability. The Group is continuing to carry out joint research projects with EDF as part of a collaboration agreement designed to develop synergies that leverage the respective research competencies and organizations.

## Hydrogen and Fuel Cells

At the Trofarello Research Center, testing of a 5kW fuel-cell generator manufactured by Acumentrics fueled directly with natural gas that was installed in a separate space located outside the main laboratory got under way during the first half of 2007. Also in this area, the Group is continuing to carry out research in collaboration with the Industrial Chemistry and Energetics Departments of Turin's Politecnico University. Work carried out in cooperation with the Industrial Chemistry Department of Milan's Politecnico University resulted in the filing of two separate proposals for projects that could receive financing under the FP7 European program.

## Advanced Photovoltaic Technologies

Work is continuing on a research project for the development of concentration-based systems with third-generation cells, which can achieve an efficiency rating greater than 30%.
In addition, activities currently under way are expected to lead later this year to the testing at an Edison location of two innovative photovoltaic systems.

## Superconductivity

Work continued at the CNR IENI Institute in Lecco on the development of proprietary Edison technologies for the production of a magnesium diboride superconductor. In this area, Edison has presented a proposal for an EU-backed project to various research centers and European universities.

## Energy Storage

In this area, Edison's activities focused on assessing Redox Flow systems. Technical and financial feasibility studies got under way during the first six months of 2007, with testing scheduled to take place in Trofarello sometime next year.

## Biomass

In addition, starting at the beginning of the year, the Company has established work groups to study solid, liquid and gaseous biomass. Specifically, the work team will focus on the procurement matters, on the demand and offer market, on the technological, legal and authorization features.
Also, a work group will focus on the capture and sequestration of $CO_2$ generated by the production plants.

# HEALTH, SAFETY AND THE ENVIRONMENT

## Electric Power Operations

- A project is being implemented to secure certification under the UNI EN ISO 14001 standard and the EMAS Regulations of the Acerra power plant, which is part of the BU's Electric Power and is operated by Fenice;
- A project is being carried out to extend EMAS Registration and certification under the UNI EN ISO 14001 standard and the BSI OHSAS 18001 specification of the entire organization of the Hydroelectric Division;
- Working in collaboration with Terna, the process of updating the safety procedures for work on terminals of high voltage lines was completed.

## Hydrocarbons Operations

- A project for the development of HSE guidelines for the definition of an integrated Environment, Safety and Quality Management System applicable to the oil and gas activities of the Hydrocarbons Business Unit in Italy and abroad was completed. The resulting procedures will be the subject of a case study during exploratory drilling activities in the Ivory Coast.
- A project is being implemented to extend to the S. Giorgio and Maria a Mare sites the multi-site integrated certification in accordance with the UNI EN ISO 14001 standard and the BSI OHSAS 18001 specification currently awarded to the Sambuceto Operating District;
- A project is being carried out to extend to the Selvazzano and Taglio di Po sites the certification in accordance with the UNI EN ISO 14001 standard and the BSI OHSAS 18001 specification currently awarded to the Pomezia operating unit of Edison DG.

## Marketing and Distribution Business Unit

- A project is being implemented to certify in accordance with the UNI EN ISO 9001 standard the sales organization of Edison Energia, which is part of the Marketing and Distribution Business Unit.

In the first half of 2007, the performance in the area of occupational safety both for Group employees and contractor personnel was in line with the data reported in the same period last year. During the first six months of 2007, all Group departments compiled a new computerized Risk Assessment Document. In addition, a new regulatory compliance support service is now available online.

# HUMAN RESOURCES AND INDUSTRIAL RELATIONS

## Human Resources

At June 30, 2007, the Group core businesses had 2,934 employees (stated on a comparable consolidation basis), or 17 more than at the end of 2006.

This overall increase is mainly the net result of the following changes:
- a decrease in the payroll of the electric power operations, owing in part to the sale of the investment in Serene;
- an expansion of the staff of the hydrocarbons operations, due mainly to the need to support foreign exploration activities and the opening of branches in the Ivory Coast and Norway.

The investment decisions made by employees during the first six months of 2007 with regard to their vested termination indemnity benefits in accordance with Law No. 252/2005 resulted in about 60 of the total available amount being invested with corporate pension funds and the remaining 40% invested with the Italian social security administration (INPS).

## Industrial Relations

The main developments that occurred in the first half of 2007 are reviewed below:
- effective transfer at Edison of the employees of EDF Italia, in accordance with the harmonization agreement signed with the unions, and closure of the Milan office where these employees worked;
- cancellation of the compensation portion of the national collective bargaining agreement for the electric power industry, which expired on June 30, 2007, and start of negotiations for a renewal for the 2007-2009 period.

## Organization and Training

The main activities carried out during the first half of 2007 included the following:
- definition of the internal organization required to monitor compliance with antitrust regulations and the Investment Protection Act (Law No. 262/2005) and provision of training on the new Company Antitrust Code for affected employees.
- launch of a new Company intranet designed to speed up and broaden the content of internal communications.

Training and develop programs included the following:
- completion of the design and testing phase of a pilot version of the “Professional Competencies Project,” which will be extended to all areas of the Group during the second half of the year;
- extension to all management employees of a training program for the management of feedback interviews with associates;
- enrollment of Group sales employees in a targeted sales training program that will be offered also to employees of the main external sales agencies during the second half of the year.
- definition of a long-term incentive program for management employees that was approved by the Board of Directors. It is a rolling program structured in three-year cycles. It is based on corporate performance objectives and indicators (EBITDA), compared against a selection of Italian and European utilities.

# MANAGEMENT AND TYPES OF FINANCIAL RISKS

Please consult the section entitled "Types of Risks and Hedging Strategies" in the Notes to the Semiannual Financial Statements, which describes the Group's risk management activities.

# CONSOLIDATED SEMIANNUAL FINANCIAL STATEMENTS

at June 30, 2007

# Balance Sheet

| 6/30/2006 | (in millions of euros) | See Note | 6/30/2007 | 12/31/2006 |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 8,256 | Property, plant and equipment | 1 | 7,955 | 8,057 |
| 47 | Investment property | 2 | 35 | 40 |
| 3,505 | Goodwill | 3 | 3,518 | 3,518 |
| 326 | Hydrocarbon concessions | 4 | 311 | 323 |
| 57 | Other intangible assets | 5 | 37 | 44 |
| 59 | Investments in associates | 6 | 45 | 44 |
| 88 | Available-for-sale investments | 6 | 155 | 122 |
| 125 | Other financial assets | 7 | 140 | 130 |
| 103 | Deferred-tax assets | 8 | 100 | 102 |
| 291 | Other assets | 9 | 55 | 85 |
| **12,857** | **Total non-current assets** | | **12,351** | **12,465** |
| 332 | Inventories | | 250 | 387 |
| 1,347 | Trade receivables | | 1,251 | 1,943 |
| 8 | Current-tax assets | | 18 | 15 |
| 379 | Other receivables | | 304 | 276 |
| 73 | Current financial assets | | 35 | 42 |
| 160 | Cash and cash equivalents | | 929 | 298 |
| **2,299** | **Total current assets** | 10 | **2,787** | **2,961** |
| **211** | **Assets held for sale** | 11 | **-** | **231** |
| **15,367** | **Total assets** | | **15,138** | **15,657** |
| | **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| 4,273 | Share capital | | 4,793 | 4,273 |
| 612 | Equity reserves | | 639 | 606 |
| 1,112 | Other reserves | | 1,124 | 1,116 |
| (1) | Reserve for currency translations | | (4) | (3) |
| 97 | Retained earnings (Loss carryforward) | | 465 | 97 |
| 398 | Profit (Loss) for the period | | 256 | 654 |
| **6,491** | **Total Group interest in shareholders' equity** | | **7,273** | **6,743** |
| 150 | Minority interest in shareholders' equity | | 133 | 147 |
| **6,641** | **Total shareholders' equity** | 12 | **7,406** | **6,890** |
| 72 | Provision for employee severance indemnities and provision for pensions | 13 | 73 | 72 |
| 782 | Provision for deferred taxes | 14 | 762 | 752 |
| 925 | Provisions for risks and charges | 15 | 859 | 881 |
| 2,694 | Bonds | 16 | 1,202 | 1,207 |
| 1,547 | Long-term borrowings and other financial liabilities | 17 | 1,277 | 502 |
| 8 | Other liabilities | 18 | 9 | 2 |
| **6,028** | **Total non-current liabilities** | | **4,182** | **3,416** |
| - | Bonds | | 1,508 | 1,457 |
| 757 | Short-term borrowings | | 114 | 1,461 |
| 1,158 | Trade payables | | 1,234 | 1,576 |
| 38 | Current taxes payable | | 21 | 26 |
| 702 | Other liabilities | | 673 | 694 |
| **2,655** | **Total current liabilities** | 19 | **3,550** | **5,214** |
| **43** | **Liabilities held for sale** | 20 | **-** | **137** |
| **15,367** | **Total liabilities and shareholders' equity** | | **15,138** | **15,657** |

An analysis of transactions with related parties is provided in the section “Transactions among Group companies and with related parties”.

# Income Statement

| (in millions of euros) | See Note | First half 07 | First half 06 |
|---|---|---|---|
| Sales revenues | 21 | 4,052 | 4,266 |
| Other revenues and income | 22 | 257 | 373 |
| **Total net revenues** | | **4,309** | **4,639** |
| Raw materials and services used (-) | 23 | (3,296) | (3,762) |
| Labor costs (-) | 24 | (109) | (103) |
| **EBITDA** | 25 | **904** | **774** |
| Depreciation, amortization and writedowns (-) | 26 | (332) | (359) |
| **EBIT** | | **572** | **415** |
| Net financial income (expense) | 27 | (112) | (136) |
| Income from (Expense on) equity investments | 28 | (9) | 4 |
| Other income (expense), net | 29 | 15 | 1 |
| **Profit before taxes** | | **466** | **284** |
| Income taxes | 30 | (204) | 117 |
| **Profit (Loss) from continuing operations** | | **262** | **401** |
| Profit (Loss) from discontinued operations | 31 | - | - |
| **Profit (Loss)** | | **262** | **401** |
| Broken down as follows: | | | |
| Minority interest in profit (loss) | | 6 | 3 |
| **Group interest in profit (loss)** | | **256** | **398** |
| Earnings per share (in euros) | 32 | | |
| - basic | | 0.0537 | 0.0924 |
| - diluted | | 0.0503 | 0.0844 |

An analysis of transactions with related parties is provided in the section “Transactions among Group companies and with related parties”.

## Cash Flow Statement

The table below analyzes the **cash flow** as it applies to short-term liquid assets at the end of the first half of 2007 and provides a comparison with the corresponding data for 2006.

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. The latter statement is designed to offer a better understanding of the Group's cash generation and utilization dynamics.

| 2006 | (in millions of euros) | First half 2007 | First half 2006 |
|---|---|---|---|
| 542 | Group interest in profit (loss) from continuing operations | 256 | 398 |
| 112 | Group interest in profit (loss) from discontinued operations | - | - |
| **654** | **Total Group interest in profit (loss)** | **256** | **398** |
| 8 | Minority interest in profit (loss) | 6 | 3 |
| 700 | Amortization and depreciation | 339 | 339 |
| (2) | Interest in the result of companies valued by the equity method (-) | (1) | (2) |
| - | Dividends received from companies valued by the equity method | 2 | 2 |
| 1 | (Gains) Losses on the sale of non-current assets | (9) | 3 |
| 84 | (Revaluations) Writedowns of intangibles and property, plant and equipment | (7) | 20 |
| 2 | Change in the provision for employee severance indemnities | 1 | 1 |
| (413) | Change in other operating assets and liabilities | 638 | (203) |
| **1,034** | **A. Cash flow from operating activities of continuing operations** | **1,225** | **561** |
| (548) | Additions to intangibles and property, plant and equipment (-) | (230) | (239) |
| (85) | Additions to non-current financial assets (-) | (173) | (29) |
| 28 | Proceeds from the sale of intangibles and property, plant and equipment | 22 | 11 |
| 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 | 7 | 3 |
| **(197)** | **B. Cash used in investing activities** | **(276)** | **(254)** |
| 1,203 | Receipt of new medium-term and long-term loans | 933 | 978 |
| (1,712) | Redemption of new medium-term and long-term loans (-) | (1,317) | (1,398) |
| - | Capital contributions provided by controlling companies or other shareholders | 520 | - |
| (196) | Dividends paid to controlling companies or minority shareholders (-) | (248) | (189) |
| (181) | Change in short-term debt | (206) | 101 |
| **(886)** | **C. Cash used in financing activities** | **(318)** | **(508)** |
| **(4)** | **D. Cash and cash equivalents of discontinued operations** | **-** | **-** |
| **-** | **E. Net currency translation differences** | **-** | **-** |
| **(45)** | **F. Net increase (decrease) in cash and cash equivalents (A+B+C+D+E)** | **631** | **(201)** |
| **361** | **G. Cash and cash equivalents at beginning of period** | **298** | **361** |
| **316** | **H. Cash and cash equivalents at end of period (F+G)** | **929** | **160** |
| **316** | **I. Total cash and cash equivalents at end of period (H)** | **929** | **160** |
| **(18)** | **L. (-) Cash and cash equivalents of discontinued operations** | **-** | **-** |
| **298** | **M. Cash and cash equivalents of continuing operations (I-L)** | **929** | **160** |

## Changes in 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 sharehold. 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) | (6) | (189) |
| Restatements for adoption of IAS 32 and IAS 39 | - | 10 | - | - | 10 | - | 10 |
| Change in the scope of consolidation | - | - | - | - | - | (6) | (6) |
| Difference from translation of financial statements in foreign currencies and sundry items | - | (2) | (4) | - | (6) | - | (6) |
| Profit for the first half of 2006 | - | - | - | 398 | 398 | 3 | 401 |
| **Balance at June 30, 2006** | **4,273** | **1,821** | **(1)** | **398** | **6,491** | **150** | **6,641** |
| Share capital increase from exercise of warrants | - | - | - | - | - | - | - |
| Restatements for adoption of IAS 32 and IAS 39 | - | (20) | - | - | (20) | - | (20) |
| Dividend distribution | - | - | - | - | - | (7) | (7) |
| Difference from translation of financial statements in foreign currencies and sundry items | - | 18 | (29) | - | 16 | (1) | 15 |
| Profit for the second half of 2006 | - | - | - | 256 | 256 | 5 | 261 |
| **Balance at December 31, 2006** | **4,273** | **1,819** | **(3)** | **654** | **6,743** | **147** | **6,890** |
| Share capital increase from exercise of warrants | 520 | - | - | - | 520 | - | 520 |
| Reclassification of prior period earnings | - | 654 | - | (654) | - | - | - |
| Restatements for adoption of IAS 32 and IAS 39 | - | 4 | - | - | 4 | - | 4 |
| Change in the scope of consolidation | - | (3) | - | - | (3) | 3 | - |
| Dividend distribution | - | (233) | - | - | (233) | (15) | (248) |
| Difference from translation of financial statements in foreign currencies and sundry items | - | (13) | (1) | - | (14) | (8) | (22) |
| Profit at June 30, 2007 | - | - | - | 256 | 256 | 6 | 262 |
| **Balance of June 30, 2007** | **4,793** | **2,228** | **(4)** | **256** | **7,273** | **133** | **7,406** |

# NOTES TO THE 2007 SEMIANNUAL FINANCIAL STATEMENTS

The Edison Group's consolidated semiannual financial statements at June 30, 2007, which were the subject of a limited audit, were prepared in accordance with Article 81 of Consob Regulation No. 11971 of May 14, 1999, as amended.

They were also prepared in accordance with the International Financial Reporting Standards (IAS/IFRSs), as approved by the European Union, and, due to their semiannual nature, they specifically comply with the provisions of IAS 34 "Interim Financial Reporting."

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 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 following additional international accounting principles and interpretations published in the *Official Journal of the European Union* are also being applied:

- 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 and, consequently, was not adopted.
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 Statements**: 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 six months of 2007 are reviewed below:

### Electric Power Operations:

- In the first half of 2007, Thisvi Power Generation Plant Sa was consolidated line by line, following the Group's purchase of a 65% interest in its share capital at a price of 129,000 euros.
- Following a redefinition of the share ownership percentages, 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).

### 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 was already consolidated at 100%. At the end of 2006, the value of the put, which had already been exercised, was recognized as a financial liability. This company will be incorporated in Edison Spa starting July 1st, 2007.

### Assets Held for Sale:

- On February 14, 2007, Edison Spa completed the sale of a 66.2% 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.

## Financial Highlights for the First Half of 2007 of Companies Consolidated by the Proportional Method

| (in millions of euros) | Edipower | Sel Edison | Ibiritermo | Parco Eolico Castelnuovo Srl | ED-Ina D.O.O. | IWH | Bluefare | Ascot |
|---|---|---|---|---|---|---|---|---|
| | 50.00% | 42.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |
| Income statement | | | | | | | | |
| **Sales revenues** | **270** | **5** | **-** | **-** | **2** | **15** | **-** | **1** |
| **EBITDA** | **96** | **4** | **-** | **-** | **-** | **4** | **-** | **-** |
| as a % of net revenues | 35.6% | 90.9% | n.s. | n.s. | 0.0% | 26.7% | - | 0.0% |
| Depreciation, amortization and writedowns (-) | (65) | (2) | - | - | - | (1) | - | - |
| **EBIT** | **31** | **3** | **-** | **-** | **-** | **3** | **-** | **-** |
| **Profit (Loss)** | **1** | **1** | **5** | **-** | **-** | **(3)** | **-** | **-** |
| Balance Sheet | | | | | | | | |
| **Total assets** | **2,304** | **59** | **103** | **3** | **3** | **48** | **-** | **1** |
| **Shareholders' equity** | **1,053** | **37** | **17** | **1** | **-** | **16** | **-** | **-** |
| **Net borrowings (financial assets)** | **894** | **18** | **(34)** | **1** | **-** | **(6)** | **-** | **-** |

# 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 identify 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 guideline 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.

An analysis of the risks to which the Edison Group is exposed is provided below, in accordance with the abovementioned risk model.

## 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

The Group is exposed to price risk, including the related currency risk, for all of the energy commodities with which it is involved, including electric power, natural gas, coal, oil and refined products. This risk exists because all of the Group's production, storage and trading activities are affected by fluctuations in the prices of energy commodities (mainly affecting fuels priced in U.S. dollars). The effect of these fluctuations can be felt both directly and indirectly, through pricing formulas and indexing mechanisms included in pricing structures.

The Energy Risk Policies, which were adopted to manage the abovementioned risk, allow the ongoing monitoring of the Group's net exposure, which is computed for the Group's entire portfolio of assets and contracts, and compares the total level of financial risk assumed (Profit at Risk) against a predetermined ceiling approved by the Board of Directors concurrently with the annual budget.

The Risk Management Committee, which is headed by top managers, reviews monthly the Group's net exposure and, if the Profit at Risk is higher then the predetermined ceiling, defines the appropriate hedging strategies, which may involve the use of suitable financial derivatives.
At the operational level, positions in the physical portfolio are netted out to maximize the natural hedges provided by the vertical integration of the Group's businesses, with the goal of minimizing the use of the financial markets for hedging purposes and manage the residual risk with structured hedges that are available in the financial markets, in accordance with a cash flow hedging strategy.

Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Group's risk management objectives, the Edison Group may also use other types of hedges called operational hedges, which can be used to lock in the margin on an individual transaction or a limited number of like transactions.

At June 30, 2007, outstanding financial derivatives were measured at fair value against the forward market curve on the reference date of the Semiannual Report, when the underlying assets are traded on markets that provide a forward pricing structure.

Financial derivatives traded on the Italian energy market, which lacks a curve providing an official reference for the Single National Price (abbreviated PUN in Italian), were measured at fair value by means of internal estimates based on a model that simulates the forward PUN curve. The PUN curve constructed with this model, which was developed by Edison based on best industry practices, is the sum of a component that reflects expected variable generation costs and a component that represents the expected spark spread. The level thus obtained is then reviewed against available market quotes (e.g., TFS broker quotes).

The Edison Group uses the Montecarlo Method to assess the impact of fluctuations in the market price of the underlying assets on the fair value of outstanding derivatives. The method used is the same as the one applied to compute Profit at Risk (PaR) and requires the simulation of 10,000 scenarios for each material price driver, based on the volatility and correlations associated with them, using as a central level the forward market curves on the date of the financial statements, when available. As mentioned above, for the Italian electric power market the Group uses a proprietary model capable of simulating a forward PUN curve. Once a probability distribution for changes in the fair value of outstanding derivatives is obtained with this method, it then becomes possible to extrapolate the maximum expected negative change in fair value over the length of a reporting year and the corresponding level of probability.

The official PaR of the Edison Group considers a confidence interval of 97.5% probability, which, in the case in point, is equal to an expected maximum loss of 76 million euros (19.8 million euros at June 30, 2006). A portion of the PaR increase compared with June 30, 2006 equal to about 62 million euros is due to EUR/USD exchange rate hedges established after June 30, 2006.

The table below presents the results of the simulation, showing three different probability levels and the related maximum expected losses.

| | 6/30/2007 | | 6/30/2006 | |
|---|---|---|---|---|
| *Profit at Risk (PaR)* (in millions of euros) | Level of probability | Amount at risk | Level of probability | Amount at risk |
| Edison Group | 97.5% | 76.0 | 97.5% | 19.8 |

IThe PaR computation does not take into account trading transactions, which are segregated in special portfolios, because these transactions carry a specific stop loss. As a result, the maximum possible loss on these transactions is known in advance.

## 2. Foreign Exchange Risk not Related to Commodity Risk

With the exception of the issues reviewed above in the paragraph that discusses the 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. The strategy pursued by the Group is to have substantially balanced positions in its fixed- and variable-interest exposure, with the goal of minimizing the impact of market-rate fluctuations.

At June 30, 2007, the Group's exposure to the risk of changes in interest rates was roughly equivalent to about 29% of its total exposure (33% at December 31, 2006). Over time, assuming the same hedges are in place, the percentage of exposure to changes in interest rates decreased due to the substantial balance that exists between fixed- and variable-interest positions. All other conditions remaining the same, this ratio will tend to rise during the course of the year due to the repayment of maturing bonds 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 (curve shift 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. The amounts shown in the table represent outgoing flows (+) or incoming flows (-) over a future time horizon of 12 months after the date of the financial statements. The gross indebtedness amount used includes bonds and all other interest bearing borrowings outstanding on the date of the financial statements. In the case of bonds and borrowings due within one year, the model uses the assumption that they would be replaced with short-term, variable-rate borrowings.

| *Sensivity analysis* | 6/30/2007 | | 12/31/2006 | |
|---|---|---|---|---|
| (in millions of euros) | +50 bps | -50 bps | +50 bps | -50 bps |
| Edison Group | 12 | -9 | 6 | -5 |

## 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 June 30, 2007:

| (in millions of euros) | 6/30/2008 | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Bonds | 1,508 | 1 | 1 | 700 | 500 | - | 2,710 |
| Borrowings and other financial liab.: | | | | | | | |
| - Bank debt | 74 | 139 | 252 | 179 | 649 | 26 | 1,319 |
| - Due to other lenders | 40 | 13 | 3 | - | - | 16 | 72 |
| **Subtotal** | **1,622** | **153** | **256** | **879** | **1.149** | **42** | **4,101** |
| Trade accounts payable | 1,234 | - | - | - | - | - | 1,234 |
| **Total** | **2,856** | **153** | **256** | **879** | **1.149** | **42** | **5,335** |

The cash flows, financing needs and liquidity of Group companies are managed centrally in order to optimize the use of financial resources. The minimum 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. As of the date of the financial statements, the Group was abundantly in compliance with this objective. Specifically, the Group has unused committed lines of credit amounting to 1,761 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.
Such amounth alone exceeds gross net debt due in the next 12 months.
Furthermore, Edison group has access to liquid assets totaling 929 million euros, consisting of 233 million euros in bank and postal demand deposits and 696 million euros in reverse repurchase agreements involving EU Treasury securities that mature before the due date of the first repayable debt issue. As far as working capital is concerned, the coverage of trade accounts payable, in particular is provided by trade receivables and related payment terms. At June 30th, 2007, trade receivables amounted to 1,251 million euros, net of allowance for doubtful accounts.

## 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. This risk arises primarily from economic/financial factors (i.e., that the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.)

Edison's exposure to credit risk is due mainly to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), the Group has implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions. As required by internal credit policies and as part of the abovementioned evaluation of customer credit worthiness, in some cases the Groups may ask customers to provide it with guarantees. Generally, these are sight bank or insurance sureties issued by entities with a high credit rating. Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Group deals only with entities with a high credit rating.

The payment terms applied to most customers require payment within the month that follows the month when the service was provided. In cases of late payment, Edison, consistent with the provisions of the underlying supply contracts, routinely charges delinquent interest at the rate allowed under the applicable laws (as a rule, the delinquent interest rate set forth in Legislative Decree No. 231/2002 is applied), without prejudice to the right to cease providing service (also called "termination") when a customer continues to be insolvent.

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:

| (in millions of euros) | 6/30/2007 | 12/31/2006 |
|---|---|---|
| Gross trade receivables | 1,330 | 2,001 |
| Allowance for doubtful accounts (-) | (79) | (58) |
| **Trade receivables** | **1,251** | **1,943** |

## 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. In this area, Edison's operations include building and operating power plants and hydrocarbon facilities that are technologically complex and interconnected along the entire value chain. The risk of losses or damages can arise as a result of the sudden unavailability of one or more pieces of equipment that are critical for the production processes due to material damages to the equipment or components thereof, which cannot be fully covered or transferred through insurance policies. Prevention and control programs designed to contain the frequency of these events or reduce their impact entail the adoption of stringent safety standards and frequent overhaul plans, contingency planning and scheduled maintenance. When appropriate, effective risk management policies and customized industrial insurance programs can be used to minimize the consequences of these damages.

A major source of risk is the ongoing evolution of the reference statutory and regulatory framework, which has an impact mainly on the rates charged, the quality of the service provided and the level of technical and operational compliance. Edison constantly monitors changes in this area to comply promptly with any changes, while working to minimize any resulting financial impact.

In the area of operational risk, the information systems that help manage the technical, commercial and administrative aspects of the Group's operations are especially significant. In order to limit the risk of an interruption of activity due to a system fault, Edison has adopted hardware and software architectures with a high reliability configuration for those applications that support critical activities. In addition, the services provided by the Group's outsourcer include a disaster recovery service that guarantees short recovery times.

## 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).

In this area, the Group has floated four issues of debt securities (Euro Medium-term Notes) for a total of 2,630 million euros.

| Description | Issuer | Market where traded | ISIN code | Duration (years) | Maturity | Par value outstanding (millions of euro) | Coupon | Curr. rate |
|---|---|---|---|---|---|---|---|---|
| EMTN 07/2000 | Edison Spa | Luxembourg Stock Exch. | XS0114448144 | 7 | 07/20//2007 | 600 | Fixed, annual | 7.38% |
| Retail 08/2002 | Edison Spa ex Italenergia | n.a. | IT0003345920 | 5 | 08/26//2007 | 830 | Variable, semiann. | 4.72% |
| EMTN 12/2003 | Edison Spa | Luxembourg Stock Exch. | XS0181582056 | 7 | 12/10/2010 | 700 | Fixed, annual | 5.13% |
| EMTN 12/2003 | Edison Spa | Luxembourg Stock Exch. | XS0196762263 | 7 | 07/19/2011 | 500 | Variable, quarterly | 4.58% |

Furthermore, the Group is also a party to non syndicated loan agreements for an amount of 364 million euros and syndicated loan agreements totaling 3,661 million euros.

Generally, consistent with international practice for financial transactions of this type, these agreements provide the lenders with the right to demand the payment of the indebtedness and terminate their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or another procedure with similar effects.

Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds. The main clauses of this type are: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain to provide Group assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the indebtedness owed by Group companies; and (iii) clauses that establish an obligation of immediate repayment even if just some Group companies were to be declared insolvent.

As for credit line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreement for a syndicated credit line of 1,500 million euros provided to Edison, which was unused at June 30, 2007, set forth, among other clauses, Edison's obligation to comply with certain commitments, which include making sure that the lender banks are being afforded a treatment equal to the one offered under other unsecured loan agreements (pari passu clause), as well as restrictions on Edison's ability to provide collateral to new lenders (negative pledge clause).

As for the other Group companies, certain loan agreements that some of them are negotiating set forth, in addition to the clauses discussed above, the obligation to achieve and/or maintain certain financial ratios (typically indicative of a borrower's ability to repay the indebtedness over the long term — Long Life Cover Ratio clause) and place restrictions on the ability to distribute dividends or pledge assets as collateral (negative pledge clause). Any violation of these clauses would accelerate the repayment of the loaned amount.

Lastly, the syndicated loan agreement executed by Edipower in January 2007 for a total amount of 2,000 million euros contains negative pledge, pari passu and cross default clauses and includes the obligation to comply with certain financial covenants, which include ratios between Edipower's minimum EBITDA and financial expense and net indebtedness and EBITDA. The content of the abovementioned financial covenants was determined by Edipower, based on its industrial plan and using a suitably conservative approach. Upon the signing of the abovementioned loan agreement, Edipower repaid ahead of schedule its existing indebtedness. As a result, Edison was no longer required to comply with any of the old financial covenant and rating obligations and all the guarantees provided by Edison to the lender banks in connection with its obligations to provide financial support to Edipower expired.

At present, to the Company's knowledge, none of the Group companies is in default or in violation of any of the abovementioned covenants.

## 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 and included in EBITDA.

## Instruments Outstanding at June 30, 2007

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

- Derivatives that were outstanding at December 31, 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 6/30/07 (***) |
|---|---|---|---|---|---|
| | due within 1 year | due between 2 and 5 years | due after 5 years | | |
| **Interest rate risk management** | | | | | |
| - cash flow hedges in accordance with IAS 39 | 765 | 776 | 14 | 9 | (1) |
| - contracts that do not qualify as hedges in accordance with IAS 39 | 1,352 | 2,095 | 158 | (11) | (11) |
| **Total interest rate derivatives** | **2,117** | **2,871** | **172** | **(2)** | **(12)** |
| | due within 1 year<br>receivable | payable | | | |
| **Foreign exchange rate risk management** | | | | | |
| - contracts that qualify as hedges in accordance with IAS 39 | | | | | |
| - On commercial transactions | 791 | 247 | | (15) | 1 |
| - On financial transactions | - | 12 | | - | - |
| - contracts that do not qualify as hedges in accordance with IAS 39 | | | | | |
| - On commercial transactions | 16 | - | | - | - |
| - On financial transactions | - | - | | - | - |
| **Total foreign exchange rate derivatives** | **807** | **259** | | **(15)** | **1** |

(*) 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 (in millions of euros) | Cumulative. impact on the income stmt. at 6/30/.07 (***) (in millions of euros) |
|---|---|---|---|---|---|---|
| **Price risk management for energy products** | | | | | | |
| **A. Cash flow hedges pursuant to IAS 39, broken down as follows:** | | | | | **2** | **-** |
| - Electric power | TWh | 3.3 | | | (1) | - |
| - LNG, oil | Barrels | 537.600 | | | 3 | |
| - 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:** | | | | | **6** | **6** |
| **C.1 Margin hedges** | | | | | **5** | **5** |
| - Electric power | TWh | 2.7 | | | 4 | 4 |
| - LNG and oil | Barrels | - | | - | - | - |
| - Coal | millions of tons | | | | | |
| - $CO_2$ | millions of tons | 0.7 | 1.1 | 1.8 | 1 | 1 |
| **C.2 Trading contracts** | | | | | **1** | **1** |
| - Electric power | TWh | 1.9 | | | 1 | 1 |
| - LNG and oil | Barrels | - | | | - | - |
| **TOTAL** | | | | | **8** | **6** |

(*) + 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 2007

The table below provides an analysis of the financial results generated by derivative transactions in the first half of 2007. The income statement line "Materials and services used" includes, as a direct adjustment to the account balance, the impact of the effective portion of commodity related foreign exchange hedges, which amounted to a negative effect of about 4 million euros.

| (in millions of euros) | Realized in 2006 (A) | Fair Value recognized for contracts outstanding at 12/31/06 (B) | Portion of (B) contracts realized in 2006 (B1) | Fair Value recognized for contracts outstanding at 6/30/07 (C) | Change in fair value in 2006 (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) | 47 | - | - | - | - | 47 |
| - not definable as hedges pursuant to IAS 39 | 18 | 5 | 5 | 8 | 3 | 21 |
| **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)** | **65** | **5** | **5** | **9** | **4** | **69** |
| **Raw materials and services used** | | | | | | |
| **Price risk hedges for energy products** | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) | (19) | - | - | - | - | (19) |
| - not definable as hedges pursuant to IAS 39 | (9) | (3) | (2) | (3) | - | (9) |
| **Exchange risk hedges for commodities** | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) | (4) | - | - | - | - | (4) |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **Total (B)** | **(32)** | **(3)** | **(2)** | **(3)** | **-** | **(32)** |
| **TOTAL INCLUDED IN EBITDA (A+B)** | **33** | **2** | **3** | **6** | **4** | **37** |
| **Net financial income (expense)** | | | | | | |
| **Price risk hedges for energy products** | | | | | | |
| - Gains on trading transactions | 1 | 1 | 1 | 2 | 1 | 2 |
| - Losses on trading transactions | (2) | (1) | (1) | (1) | - | (2) |
| **Margin on commodity trading transactions (C)** | **(1)** | **-** | **-** | **1** | **1** | **-** |
| **Interest rate hedges, broken down as follows:** | | | | | | |
| **Financial income** | | | | | | |
| - definable as hedges pursuant to IAS 39 | 11 | 7 | 7 | 8 | 1 | 12 |
| - not definable as hedges pursuant to IAS 39 | 66 | 42 | 53 | 25 | (17) | 49 |
| **Total financial income (D)** | **77** | **49** | **60** | **33** | **(16)** | **61** |
| **Financial expense** | | | | | | |
| - definable as hedges pursuant to IAS 39 | (12) | (8) | (8) | (8) | - | (12) |
| - not definable as hedges pursuant to IAS 39 | (80) | (63) | (54) | (37) | 26 | (54) |
| **Total financial expense (E)** | **(92)** | **(71)** | **(62)** | **(45)** | **26** | **(66)** |
| **Margin on interest rate hedging transactions (D+E)=(F)** | **(15)** | **(22)** | **(2)** | **(12)** | **10** | **(5)** |
| **Foreign exchange rate hedges, broken down as follows:** | | | | | | |
| **Foreign exchange gains** | | | | | | |
| - definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **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)** | **(16)** | **(22)** | **(2)** | **(11)** | **11** | **(5)** |

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) | 6/30/2007 | | 12/31/2006 | |
|---|---|---|---|---|
| | Receivab. | Payables | Receivab. | Payables |
| Foreign exchange transactions | 3 | (18) | 8 | (10) |
| Interest rate transactions | 20 | (22) | 4 | (27) |
| Commodity transactions | 37 | (29) | 31 | (35) |
| **Fair value recognized as current asset or current liability** | **60** | **(69)** | **43** | **(72)** |
| Broken down as follows: | | | | |
| - recognized as "Other receivables and payables" | 40 | (47) | 39 | (45) |
| - recognized as "Current financial assets" and "Short-term borrowings" | 20 | (22) | 4 | (27) |

Please also note that:

- the balance of the receivables and payables listed above is offset in shareholders' equity by a negative cash flow hedge reserve totaling 4 million euros, net of tax effect.

## 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 | | Total Core Businesses | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | of which Edison rete and Serene | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 |
| **Sales Revenues** | **3,244** | **3,360** | **112** | **1,986** | **2,084** | **22** | **22** | **(1,215)** | **(1,218)** | **4,037** | **4,248** |
| - Intra-Group Revenues | 3 | 3 | 1 | 1,194 | 1,196 | 18 | 19 | (1,215) | (1,218) | - | - |
| **EBITDA** | **621** | **563** | **21** | **315** | **240** | **(36)** | **(35)** | **-** | **-** | **900** | **768** |
| as a % of revenues | 19.1% | 16.8% | 18.8% | 15.9% | 11.5% | n.s. | n.s. | - | - | 22.3% | 18.1% |
| Depreciation, amortization and writedowns | (275) | (294) | (13) | (57) | (59) | 1 | (5) | - | - | (331) | (358) |
| **EBIT** | **346** | **269** | **8** | **258** | **181** | **(35)** | **(40)** | **0** | **0** | **569** | **410** |
| as a % of revenues | 10.7% | 8.0% | 7.1% | 13.0% | 8.7% | n.s. | n.s. | - | - | 14.1% | 9.7% |
| Net financial income (expense) | | | | | | | | | | (112) | (137) |
| Interest in result of companies valued by equity method | | | | | | | | | | (9) | 11 |
| Income taxes | | | | | | | | | | (204) | 119 |
| **Profit from continuing operations** | | | | | | | | | | **259** | **397** |
| **Profit (Loss) from discontinued operations** | | | | | | | | | | **-** | **-** |
| **Minority interest in profit (loss) for the period** | | | | | | | | | | **6** | **3** |
| **Group interest in profit (loss) for the period** | | | | | | | | | | **253** | **394** |

| BALANCE SHEET | Electric Power | | Hydrocarbons | | Corporate Activities | | Adjustments | | Total Core Businesses | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 |
| **Total assets** | **12,056** | **12,521** | **2,365** | **2,434** | **3,929** | **2,988** | **(3,253)** | **(2,466)** | **15,097** | **15,477** |
| **Total liabilities** | **3,904** | **4,189** | **1,162** | **1,090** | **4,338** | **4,248** | **(1,701)** | **(918)** | **7,703** | **8,609** |
| **Net borrowings** | | | | | | | | | **3,063** | **4,220** |

| OTHER INFORMATION | Electric Power | | | Hydrocarbons | | Corporate Activities | | Adjustments | | Total Core Businesses | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | of which Edison rete and Serene | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 | 1/1/07 - 6/30/07 | 1/1/06 - 6/30/06 |
| Capital expenditures | 114 | 155 | 1 | 91 | 30 | 0 | 1 | | | 205 | 186 |
| Investments in intangibles | 1 | 22 | 1 | 0 | 0 | 0 | 3 | | | 1 | 25 |
| Investments in exploration | 0 | 0 | | 17 | 23 | 0 | 0 | | | 17 | 23 |
| **Total capital investments** | **115** | **177** | **2** | **108** | **53** | **0** | **4** | | | **223** | **234** |

| | Electric Power | | Hydrocarbons | | Corporate Activities | | Adjustments | | Core Businesses | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 | 6/30/07 | 12/31/06 |
| Number of employees | 1,944 | 1,956 | 454 | 433 | 533 | 525 | - | - | 2,931 | 2,914 |

| Water | | Adjustments | | Total other operations | | Discontinued operations | | Edison Group | |
|---|---|---|---|---|---|---|---|---|---|
| **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 |
| **15** | **18** | | | **15** | **18** | | | **4.052** | **4.266** |
| 0 | | | | 0 | | | | 0 | |
| **4** | **6** | | | **4** | **6** | | | **904** | **774** |
| 26.7% | 33.3% | n.s. | n.s. | 26.7% | 33.3% | | | 22.3% | 18.1% |
| (1) | (1) | | | (1) | (1) | | | (332) | (359) |
| **3** | **5** | | | **3** | **5** | | | **572** | **415** |
| 20.0% | 27.8% | | | 20.0% | 27.8% | | | 14.1% | 9.7% |
| | | | | 0 | 1 | | | (112) | (136) |
| | | | | 0 | | | | (9) | 11 |
| | | | | 0 | (2) | | | (204) | 117 |
| | | | | **3** | **4** | | | **262** | **401** |
| | | | | | | **0** | **0** | **0** | **0** |
| | | | | **0** | **0** | **0** | **0** | **6** | **3** |
| | | | | **3** | **4** | **0** | **0** | **256** | **398** |

| Water | | Adjustments | | Total other operations | | Discontinued operations | | Edison Group | |
|---|---|---|---|---|---|---|---|---|---|
| **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 |
| **48** | **44** | **(7)** | **(95)** | **41** | **(51)** | **0** | **231** | **15,138** | **15,657** |
| **29** | **31** | **0** | **(10)** | **29** | **21** | **0** | **137** | **7,732** | **8,767** |
| | | | | **(6)** | **(10)** | **0** | **46** | **3,057** | **4,256** |

| Water | | Adjustments | | Total other operations | | Discontinued operations | | Edison Group | |
|---|---|---|---|---|---|---|---|---|---|
| **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 | **1/1/07 - 6/30/07** | 1/1/06 - 6/30/06 |
| 7 | 5 | 0 | 0 | 7 | 5 | 0 | 0 | 212 | 191 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 25 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 | 23 |
| **7** | **5** | **0** | **0** | **7** | **5** | **0** | **0** | **230** | **239** |

| Water | | Adjustments | | Total other operations | | Discontinued operations | | Edison Group | |
|---|---|---|---|---|---|---|---|---|---|
| **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 | **6/30/07** | 12/31/06 |
| 3 | 3 | 0 | 0 | 3 | 3 | 0 | 6 | 2,934 | 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 7,955 million euros, or 102 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 June 30, 2007: | | | | | | |
| - Additions | 6 | 14 | 1 | - | 191 | 212 |
| - Disposals (-) | (11) | (2) | - | - | - | (13) |
| - Depreciation (-) | (23) | (276) | (2) | (1) | - | (302) |
| - Other changes | 4 | 50 | - | 1 | (54) | 1 |
| **Total changes (B)** | **(24)** | **(214)** | **(1)** | **-** | **137** | **(102)** |
| **Balance at 6/30/07 (A+B)** | **913** | **6,217** | **23** | **11** | **791** | **7,955** |

The total value of the assets, virtually all of which are located in Italy, includes construction in progress and advances totaling 791 million euros, which are attributable primarily to the electric power operations (561 million euros) and the hydrocarbons operations (222 million euros).

**Additions** amounted to 212 million euros. The main capital expenditures included the following:

- The investments of the **electric power operations**, which totaled 114 million euros, were primarily used for thermoelectric power plants under construction in Simeri Crichi (CZ) (67 million euros) and Torviscosa (4 million euros), for hydroelectric division (10 million euros) and for Edipower's projects (24 million euros as Edison's share), the largest of which was the repowering of the Turbigo (MI) power plant. In the area of wind power, the group invested a total of 3 million euros.
- The **hydrocarbons operations** invested 91 million euros. Projects pursued in Italy included building the Cavarzere-Minerbio gas pipeline (41 million euros), developing hydrocarbon deposits in the Adriatic (20 million euros) and expanding the Collalto storage facility (8 million euros). Outside Italy, the Group invested 16 million euros.
- Investments by other operations account for the difference (7 million euros) (IWH Group).

**Disposals,** which totaled 13 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 302 million euros. It included 273 million euros for the electric power operations (273 million euros at June 30, 2006) and 27 million euros for the hydrocarbons operation (22 million euros at June 30, 2006). Corporate activities and the water operations account for the balance.
Please note that, starting with last year's semiannual report, the Group changed the method it uses to depreciate thermoelectric power plants and wind farms that sell energy to the GRTN 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 608 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 six months of 2007.
- Property, plant and equipment includes **assets acquired under finance leases** totaling 122 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" (14 million euros) and "Short-term borrowings" (10 million euros), amounts to 24 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. Since the test of objective certainty cannot yet be met at this point, the useful lives of the Group's electric power assets affected by these provisions were not changed.
However, Article 7-*ter* of Law No. 17 of February 26, 2007, which amended and converted in law Decree Law No. 300 of December 28, 2006, 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 35 million euros. The decrease of 5 million euros compared with December 31, 2006 is the net result of the sale of a residential building with a net value of 11 million euros, which generated a gain of about 4 million euros, the reversal of a 7-million-euro writedown on a building booked in previous years and depreciation for the period of about 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 goodwill**

| (in millions of euros) | 6/30/2007 | 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 six months of 2007.

## 4. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which include 80 mineral leases in Italy and abroad and two storage concessions, were valued at 311 million euros. The amortization for the period accounts for the decrease of 13 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."

| | Number | Remaining life<br>from | to |
|---|---|---|---|
| Storage concessions | 2 | 8 | 18 |
| Hydroelectric concessions | 69 | 2 | 25 |
| Distribution concessions | 63 | 1 | 13 |
| Hydrocarbon concessions | 78 | (*) | "unit of production" |

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

During the first half of 2007, the Group acquired five new hydrocarbon exploration licenses in Norway.

## 5. Other Intangible Assets

The balance of 37 million euros refers to patents, licenses and similar rights (36 million euros) and work in progress (1 million euros). Hydrocarbon research and exploration costs, which are charged in full to income in the period they are incurred, totaled 17 million euros.

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

The total includes 45 million euros in investments in companies valued by the equity method and 155 million euros in equity investments valued at fair value. These investments include an investment in RCS Mediagroup (about 31 million euros) and an investment in Terminale GNL Adriatico (114 million euros). The table below shows the main changes that occurred in the first six months of 2007:

| (in millions of euros) | Investments in associates | Available-for-sale investments | Total |
|---|---|---|---|
| **Balance at 12/31/2006 (A)** | **44** | **122** | **166** |
| Changes in the first six mounths of 2007: | | | |
| - Additions | - | 1 | 1 |
| - Changes in share capital | 2 | 30 | 32 |
| - Revaluations and valuations at equity | 1 | 2 | 3 |
| - Derecogniton of dividends (-) | (2) | - | (2) |
| **Total changes (B)** | **1** | **33** | **34** |
| **Balance at 6/30/2007** | **45** | **155** | **200** |

An analysis of the changes is as follows:

- **Additions** of 1 million euros reflect an investment in the MB Venture Capital Fund;
- **Changes in share capital** of 32 million euros consist of capital contributions provided to the investee companies Terminale GNL Adriatico (30 million euros) and Galsi (2 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;
- 38 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;
- 9 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 100 million euros reflect a tax-loss carryforward (43 million euros), taxed provisions for risks (26 million euros) and differences in the valuation of property, plant and equipment (25 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 55 million euros, or 30 million euros less than at December 31, 2006. They consisted mainly of income tax refunds receivable and accrued interest (about 45 million euros, net of a provision for writedowns of 4 million euros). Security deposits account for the balance. Decrease is mainly due to income tax refounds receivable.

## 10. Current Assets

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Inventories | 250 | 387 | (137) |
| Trade receivables | 1,251 | 1,943 | (692) |
| Current-tax assets | 18 | 15 | 3 |
| Other receivables | 304 | 276 | 28 |
| Current financial assets | 35 | 42 | (7) |
| Cash and cash equivalents | 929 | 298 | 631 |
| **Total current assets** | **2,787** | **2,961** | **(174)** |

A review of the individual components is provided below:

### Inventories

Inventories totaled 250 million euros, or 137 million euros less than at December 31, 2006. A breakdown by type of business is as follows:

| (in millions of euros) | Engineering consumables | Stored natural gas | Fuel oil | Other materials | Total at 6/30/2007 | Total at 12/31/2006 | Change |
|---|---|---|---|---|---|---|---|
| Electric power operations | 36 | - | 34 | 7 | 77 | 151 | (74) |
| Hydrocarbons operations | 6 | 26 | 137 | - | 169 | 233 | (64) |
| Corporate activities | - | - | - | - | - | - | - |
| **Total core businesses** | **42** | **26** | **171** | **7** | **246** | **384** | **(138)** |
| Diversified operations | - | - | - | 4 | 4 | 3 | 1 |
| **Total for the Group** | **42** | **26** | **171** | **11** | **250** | **387** | **(137)** |

The decrease of 137 million euros compared with December 31, 2006 includes 64 million euros attributable to the hydrocarbons operations, for use of stored natural gas, and 74 million euros attributable to the electric power operations, mainly for the use of green certificates by Group companies.
Inventories also include 7 million euros in strategic reserves of natural gas, the use of which is restricted.

## Trade Receivables

Trade receivables totaled 1,251 million euros. A breakdown by type of business is as follows:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Electric power operations | 1,024 | 1,649 | (625) |
| Hydrocarbons operations | 272 | 325 | (53) |
| Corporate activities and eliminations | (55) | (41) | (14) |
| **Total core businesses** | **1,241** | **1,933** | **(692)** |
| | | | |
| Diversified operations | 10 | 10 | - |
| **Total trade receivables** | **1,251** | **1,943** | **(692)** |
| **Allowance for doubtful accounts** | **(79)** | **(58)** | **(21)** |

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 the 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 18 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 304 million euros, are amounts owed by partners and associates in hydrocarbon exploration projects (42 million euros), advances paid to suppliers (31 million euros), receivables from public institutions and local entities (55 million euros, including 17 million euros for hydroelectric concession fees), prepaid insurance premiums (8 million euros), credits arising from the valuation of commodity derivatives (40 million euros), receivables from the tax administration (22 million euros, including 6 million euros for excise taxes), receivables from GME related to advance paid at auctions for green certificates (30 million euros) and amounts owed by the controlling company (Transalpina di Energia) in connection with the filing of a consolidated tax return (2 million euros).
The above amounts are net of an allowance for doubtful accounts totaling 20 million euros.

## Current Financial Assets

A breakdown of current financial assets, which totaled 35 million euros, is as follows:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Equity investments held for trading | 12 | 11 | 1 |
| Loans receivable | 3 | 27 | (24) |
| Derivatives | 20 | 4 | 16 |
| **Total current financial assets** | **35** | **42** | **(7)** |

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 12 million euros consists of investments in publicly traded companies. They include the following: ACEGAS Spa (6 million euros), ACSM Spa (4 million euros) and American Superconductor Corporation (2 million euros). The valuation of these investments at fair value at June 30, 2007 produced a gain of about 1 million euros.

**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**

Receivables are related to fair value evaluation of interest rates risk hedging derivatives. For a detailed description of the effects of derivatives, please reser to related disclosure.

### Cash and Cash Equivalents

The balance of 929 million euros includes amounts deposited in bank and postal accounts (233 million euros) and reverse repurchase agreements backed by treasury securities due in less than three months (696 million euros).

## 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 7,273 million euros, or 530 million euros more than at December 31, 2006, due mainly to the exercise of 520 million warrants in the first six months of 2007 and the profit of 256 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 133 million euros. The decrease of 14 million euros compared with December 31, 2006 reflects the distribution of dividends by Group companies with minority shareholders.

At June 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, regular ranking for dividends, and was broken down as follows:

| **Share class** | Number of shares | Millions of euros |
|---|---|---|
| Common shares | 4,682,205,342 | 4,682 |
| Saving shares | 110,592,420 | 111 |
| **Total** | **4,792,797,762** | **4,793** |

Overall, the Company's share capital increased by 520 million euros due to the exercise of 519,658,309 warrants. A total of 498,958,615 warrants was outstanding at June 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 upon the adoption of IAS 32 and IAS 39, which is included in shareholders' equity:

### 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 six mounths of 2007 | 4 | (2) | 2 |
| **- Reserve at June 30, 2007** | **(4)** | **1** | **(3)** |

Please notice that evaluation of participations available for sale contributed to changes in the shareholders' equity. In the first six months of 2007 it generated a positive net effect of 2 million euros.
The tables below provide a Reconciliation of the Net Profit of Edison Spa to the Group's Interest in Net Profit and a Reconciliation of the Shareholders' Equity of Edison Spa to the Group's Interest in Shareholders' Equity.

### Reconciliation of the Net Profit of Edison Spa to the Group's Interest in Net Profit

| (in millions of euros) | 6/30/2007 | 12/31/2006 |
|---|---|---|
| **Net profit of Edison Spa** | **391** | **632** |
| Intra-Group dividends eliminated in the consolidated financial statements | (233) | (167) |
| Results of subsidiaries, affiliated companies and joint ventures not recognized in the financial statements of Edison Spa | 117 | 213 |
| Impact of the different carrying value assigned to divested assets for consolidated financial statement purposes | - | 1 |
| Different valuation of the profit (loss) of discontinued operations | - | (15) |
| Other consolidation adjustments | (19) | (10) |
| **Group interest in net profit** | **256** | **654** |

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

| (in millions of euros) | 6/30/2007 | 12/31/2006 |
|---|---|---|
| **Shareholders' equity of Edison Spa** | **6,288** | **5,609** |
| Carrying value of investments eliminated against the corresponding pro rata interest in the underlying shareholders equity, as follows: | | |
| - Elimination of the carrying value of equity investments in consolidated companies | (2,466) | (2,558) |
| - Recognition of the shareholders' equities of the consolidated companies | 3,469 | 3,609 |
| Valuation of the equity investments by the equity method | 5 | 6 |
| Other consolidation adjustments | (23) | 77 |
| **Group interest in shareholders' equity** | **7,273** | **6,743** |

## 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 June 30, 2007, computed in accordance with IAS 19 actuarial criteria.

The computation process also resulted in the recognition of financial expense totaling 1 million euros. The table below shows the changes that occurred in the first six 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 six months of 2007: | | | |
| - Additions | 3 | - | 3 |
| - Financial expense (+) | 1 | - | 1 |
| - Discounting gains (losses) (+/-) | - | - | - |
| - Utilizations (-) | (3) | - | (3) |
| **Total changes (B)** | **1** | **-** | **1** |
| **Total at 6/30/07 (A+B)** | **64** | **9** | **73** |

At June 30, 2007, the Group companies that are consolidated line by line or by the proportional method had 2,934 employees, about the same as at the end of 2006. Average employees where 2,932 (2,959 at June 30, 2006).

## 14. Provision for Deferred Taxes

The balance of 762 million euros reflects mainly the deferred tax liability from the use during the transition process 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) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| **Deferred-tax liabilities:** | | | |
| - Differences in the valuation of property, plant and equipment | 794 | 791 | 3 |
| - 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 | 5 | 2 | 3 |
| - Other deferred taxes | 15 | 12 | 3 |
| **Total deferred-tax liabilities (A)** | **859** | **850** | **9** |
| **Deferred-tax assets usable for offset purposes:** | | | |
| - Taxed provisions for risks | 81 | 83 | (2) |
| - Tax loss carryforward | - | - | - |
| - Adoption of the standard on financial instruments (IAS 39) | 11 | 10 | 1 |
| - Valuation differences on property, plant and equipment | 4 | 5 | (1) |
| - Other prepaid taxes | 1 | - | 1 |
| **Total deferred-tax assets (B)** | **97** | **98** | **(1)** |
| **Total provision for deferred taxes (A-B)** | **762** | **752** | **10** |

## 15. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 859 million euros at September 30, 2007. The decrease of 22 million euros compared with the end of 2006 reflects primarily the elimination of risks and legal disputes through settlements.

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

| (in millions of euros) | 12/31/2006 | Additions | Utilizations | Other and reclassif. | 6/30/2007 |
|---|---|---|---|---|---|
| - Disputed tax items | 23 | - | - | 1 | 24 |
| - Risks for disputes, litigation and contracts | 170 | 4 | (3) | 2 | 173 |
| - Charges for contractual guarantees on the sale of equity investments | 151 | - | (27) | - | 124 |
| - Provisions for decommissioning and remediation of industrial sites | 261 | 6 | - | - | 267 |
| - Environmental risks | 69 | - | (1) | 13 | 81 |
| - Risks on the sale of equity investments | 16 | 4 | - | - | 20 |
| - Other risks and charges | 191 | 9 | (13) | (17) | 170 |
| **Total for the Group** | **881** | **23** | **(44)** | **(1)** | **859** |

The following changes occurred in the first six months of 2007:

- **Additions** of 23 million euros included 9 million euros for legal and contractual risks, 6 million euros for interest expense on decommissioning provisions, 4 million euros for a charge related to uncertainties as to the value of certain assets and 4 million euros for accrued statutory interest on existing provisions;
- **Utilizations** of 44 million euros reflect the cancellation of guarantees on divested equity investments (27 million euros), settlements of pending disputes (11 million euros), amounts drawn from provisions established in connection with asset sales (5 million euros) and environmental charges (1 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 Legal and Tax Disputes at June 30, 2007."

## 16. Bonds

The balance of 1,202 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 | Ammortized cost | Fair value |
|---|---|---|---|---|---|---|---|---|
| **Euro Medium Term Notes:** | | | | | | | | |
| Edison Spa | Luxembourg Security Exchange | EUR | 700 | Annual in arrears | 5.125% | 12/10/10 | 698 | 726 |
| Edison Spa | Luxembourg Security Exchange | EUR | 500 | Quarterly in arrears | 4.578% | 7/19/11 | 504 | 514 |
| **Total for the Group** | | | **1,200** | | | | **1,202** | **1,240** |

## 17. Long-term Borrowings and Other Financial Liabilities

The main component of this item, which totaled 1,277 million euros (502 million euros at December 31, 2006), is bank debt of 1,245 million euros, which includes new borrowings by Edipower amounting to about 900 million euros. A breakdown is as follows:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Due to banks | 1,245 | 440 | 805 |
| Due to leasing companies | 14 | 19 | (5) |
| Due to subsidiaries in liquidation | - | 28 | (28) |
| Due to other lenders | 18 | 15 | 3 |
| **Total for the Group** | **1,277** | **502** | **775** |

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 9 million euros consist of security deposits and amounts owed to employees.

## 19. Current Liabilities

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Bonds | 1,508 | 1,457 | 51 |
| Short-term borrowings | 114 | 1,461 | (1,347) |
| Trade payables | 1,234 | 1,576 | (342) |
| Current taxes payable | 21 | 26 | (5) |
| Other liabilities | 673 | 694 | (21) |
| **Total current liabilities** | **3,550** | **5,214** | **(1,664)** |

The main current liability accounts are reviewed below:

- **Bonds** totaled 1,508 million euros, consisting mainly of the following bond issues, valued at amortized cost, due within one year:

| (in millions of euros) | Market where traded | Currency | Par value outstanding | Coupon | Rate | Maturity | Ammortized cost | Fair value |
|---|---|---|---|---|---|---|---|---|
| **Euro Medium Term Notes:** | | | | | | | | |
| Edison Spa | Luxembourg Securities Exchange | EUR | 600 | Annual in arrears | 7.375% | 7/20/07 | 642 | 643 |
| Italenergia Spa | Retail | EUR | 830 | Semiannual in arrears | 4.721% | 8/26/07 | 843 | 844 |
| **Total for the Group** | | | **1,430** | | | | **1,485** | **1,487** |

The above balance includes 23 million euros in interest accrued at June 30, 2007 on bond issues that mature after one year.

- **Short-term borrowings** of 114 million euros include 52 million euros due to banks, 22 million euros generated by measuring at fair value interest rate derivatives, 10 million euros owed to leasing companies and 28 million euros payable to unconsolidated subsidiaries in liquidation. The large reduction compared with the previous year 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 1,234 million euros. A breakdown by type of business is provided below:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Electric power operations | 817 | 1,157 | (340) |
| Hydrocarbons operations | 465 | 466 | (1) |
| Corporate activities and eliminations | (53) | (50) | (3) |
| **Total core businesses** | **1,229** | **1,573** | **(344)** |
| Diversified operations | 5 | 3 | 2 |
| **Total trade payables** | **1,234** | **1,576** | **(342)** |

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 342 million euros compared with December 31, 2006.

- **Current taxes payable** of 21 million euros represent the liability for income taxes payable on the balance sheet date, less estimated payments made. This item concerns mainly Group companies that were not included in the consolidated tax return filed by the controlling company (Transalpina di Energia).

- The main components of **other liabilities** of 673 million euros include the following: the liability arising from the put-and-call options related to the purchase of a 10% interest in Edipower (256 million euros), the amount owed to the controlling company (Transalpina di Energia) in connection with the filing of a consolidated tax return (100 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (58 million euros), payables owed for miscellaneous consulting and other services (43 million euros), liabilities generated by the valuation of commodity derivatives (47 million euros), amounts owed to shareholders (32 million euros), amounts owed to employees and social security institutions (67 million euros) and sundry payables owed to the tax administration for taxes withheld and excise taxes (40 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 June 30, 2007, net borrowings totaled 3,057 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 (230 million euros), net borrowing costs (112 million euros) and dividends (249 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 Edipower's new financing facilities.

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| **Long-term debt** | | | |
| Bonds - non-current portion | 1,202 | 1,207 | (5) |
| Non-current bank loans | 1,245 | 440 | 805 |
| Amount due to other lenders - non-current portion | 32 | 62 | (30) |
| Other non-current financial assets (*) | (80) | (77) | (3) |
| **Total long-term debt** | **2,399** | **1,632** | **767** |
| **Short-term debt** | | | |
| Bonds - current portion | 1,508 | 1,457 | 51 |
| Current loans payable | 114 | 1,461 | (1,347) |
| Current financial assets | (35) | (42) | 7 |
| Cash and cash equivalents (**) | (929) | (298) | (631) |
| Loans payable of divested operations | - | 64 | (64) |
| Loans receivable of divested operations | - | (18) | 18 |
| **Total short-term debt** | **658** | **2,624** | **(1,966)** |
| **Net borrowings** | **3,057** | **4,256** | **(1,199)** |

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

**(**) Cash and cash equivalent**

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Bank and postal accounts | (233) | (298) | 65 |
| Reverse repurchase agreements due within three months | (696) | - | (696) |
| **Cash and cash equivalents** | **(929)** | **(298)** | **(631)** |

Net borrowings include 268 million euros stemming from transactions with related parties (245 million euros owed to Mediobanca and 23 million euros owed to Banca Popolare di Milano). 253 million euros are recognized in the balance sheet as "Non-current bank debt", while 15 million euros are recognized as "Current amounts due to other lenders".
In addition, "Current amounts due to other lenders" includes 28 million euros owed to unconsolidated subsidiaries and affiliated companies.

# NOTES TO THE INCOME STATEMENT

In the first half of 2007 EBITDA strongly grew by 16.8% to 904 million euros (774 million euros in the first six month of 2006). Both areas of business positively contributed:

- specifically, the improved profitability of the electric power operations was made possible by an effective policy of optimizing the sources and uses mix in the deregulated markets, where Edison has been increasing unit sales;
- the hydrocarbons operations, despite a redaction of unit sales due to climate factors, significantly increased its profitability and benefited of the reversal of about 56 million euros from a provision set aside to cover the potential impact of Resolution 2048/04 while in the first half of 2006 the company recognized a charge of about 50 million euros.

Tax rate assected Group's net profit which decreased to 256 million euros (398 million euros in the first half of 2006). In 2006, in fact, Edison recorded a net tax benefit of 202 million euros from the realignement of the taxable base of a significant position of Edison Spa power plants to the higher amount at which they are carried in the statutory financial statement (low N° 266 of December 23, 2005).

## 21. Sales Revenues

Sales revenues totaled 4,052 million euros, for an overall decrease of 214 million euros (-5.0%) compared with the first six months of 2006. The absence of the revenues contributed in the past by companies sold last year accounts for 76 million euros of this shortfall. On a comparable consolidation basis, sales revenues show a decrease of 3.3%. A drop in the price of raw materials in the international markets and a reduction in unit sales of natural gas were also contributing factors.

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

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Revenues from the sales of: | | | | |
| - Electric power | 2,808 | 2,948 | (140) | (4.7%) |
| - Natural gas | 776 | 846 | (70) | (8.3%) |
| - Steam | 79 | 84 | (5) | (6.0%) |
| - Oil | 49 | 43 | 6 | 14.0% |
| - Green certificates | 6 | 44 | (38) | n.m. |
| - Water and other utilities | 16 | 20 | (4) | (20.0%) |
| - Other revenues | 13 | 26 | (13) | (50.0%) |
| **Total sales revenues** | **3,747** | **4,011** | **(264)** | **(6.6%)** |
| Revenues from managing the electrical network | - | 18 | (18) | (100.0%) |
| Revenues from services provided | 9 | 8 | 1 | 12.5% |
| Storage services | 9 | 4 | 5 | n.m. |
| Transmission revenues | 287 | 225 | 62 | 27.6% |
| **Total for the Group** | **4,052** | **4,266** | **(214)** | **(5.0%)** |

### Sales Revenues by Type of Business

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Electric power operations | 3,244 | 3,360 | (116) | (3.5%) |
| Hydrocarbons operations | 1,986 | 2,084 | (98) | (4.7%) |
| Corporate activities | 22 | 22 | - | 0.0% |
| Eliminations | (1,215) | (1,218) | 3 | n.m. |
| **Core businesses** | **4,037** | **4,248** | **(211)** | **(5.0%)** |
| Diversified operations | 15 | 18 | (3) | (16.7%) |
| **Total for the Group** | **4,052** | **4,266** | **(214)** | **(5.0%)** |

The revenues generated by the Group's core businesses decreased by 211 million euros (-5.0%) compared with the first six months of 2006. The performance of the main business operations is reviewed below:

- The revenues generated by the **electric power operations** were down 3.5% compared with the first half of 2006. This was due to lower sales prices, consequent to a drop in raw material prices, as well as to the already mentioned sale of Serene and Edison Rete which accounted for 11 million euros.
- As for the **hydrocarbons operations**, revenues decreased by 4.7% year over year, as milder weather in the first three months of 2007 caused a reduction in unit sales (specifically in those to residential and industrial customers) compared with last year's first quarter.

## 22. Other Revenues and Income

Other revenues and income totaled 257 million euros. A breakdown is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Commodity derivatives | 69 | 142 | (73) | (51.4%) |
| Recovery of costs from Edipower's Tollers | 66 | 83 | (17) | (20.5%) |
| Recovery of costs from partners in hydrocarbon exploration projects | 23 | 9 | 14 | 155.6% |
| Utilizations of provisions for risks | 10 | 9 | 1 | 11.1% |
| Swaps and exchanges of oil and natural gas | 10 | 20 | (10) | (50.0%) |
| Out of period income | 36 | 88 | (52) | (59.1%) |
| Sundry items | 43 | 22 | 21 | 95.5% |
| **Total for the Group** | **257** | **373** | **(116)** | **(31.1%)** |

Income from commodity derivatives reflects the impact of transactions that qualify as hedges in accordance with IAS 39 (48 million euros) and of transactions executed as margin hedges. An overall view of the impact of commodity derivatives is disclosed in a special section provided earlier in this Report.
Out of period income includes the recovery of CCT costs (about 16 million euros) made possible by the voiding of Resolution No. 48/04 by the Council of State and a gain of about 5 million euros on the settlement of the Stogit dispute. In the first half of 2006, this item included a gain on the renegotiation of the price paid for natural gas under certain long-term contracts and a reduction in the penalties owed for using the strategic natural gas reserve during the first quarter of 2005.
Sundry items include gains on the sale of real estate totaling about 15 million euros, of which about 9 million euros related to the sale of real estate assets pertinent to high voltage grids sold to Terna.

## 23. Raw Materials and Services Used

The cost of raw materials and services used, which decreased in tandem with sales revenues, totaled 3,296 million euros, or 12.4% less than in the first half of 2006. A breakdown is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Purchases of: | | | | |
| - Natural gas | 1,485 | 1,792 | (307) | (17.1%) |
| - Electric power | 410 | 505 | (95) | (18.8%) |
| - Dispatching and balancing market | 66 | 80 | (14) | (17.5%) |
| - Blast furnace, recycled and coke furnace gas | 169 | 190 | (21) | (11.1%) |
| - Fuel oil | 147 | 194 | (47) | (24.2%) |
| - Demineralized industrial water | 20 | 17 | 3 | 17.6% |
| - Green certificates | 54 | 64 | (10) | (15.6%) |
| - $CO_2$ emissions rights | 4 | - | 4 | n.m. |
| - Other materials and utilities | 74 | 76 | (2) | (2.6%) |
| **Total purchases** | **2,429** | **2,918** | **(489)** | **(16.8%)** |
| - Facilities design, construction and maintenance | 108 | 107 | 1 | 0.9% |
| - Transmission of electric power | 369 | 304 | 65 | 21.4% |
| - Transmission and treatment of natural gas | 115 | 129 | (14) | (10.9%) |
| - Professional services | 38 | 38 | - | 0.0% |
| - Insurance services | 14 | 15 | (1) | (6.7%) |
| - Commodity derivatives | 28 | 106 | (78) | (73.6%) |
| - Additions to the provisions for $CO_2$ risks | - | 34 | (34) | n.m. |
| - Additions to other provisions for risks | 6 | 7 | (1) | (14.3%) |
| - Writedowns of trade receivables | 19 | 13 | 6 | 46.2% |
| - Change in inventory of work in progress, semifinished goods and finished goods | 69 | (20) | 89 | n.m. |
| - Sundry charges | 101 | 111 | (10) | (9.0%) |
| **Total for the Group** | **3,296** | **3,762** | **(466)** | **(12.4%)** |

### Breakdown by Type of Business

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Electric power operations | 2,714 | 3,006 | (292) | (9.7%) |
| Hydrocarbons operations | 1,751 | 1,940 | (189) | (9.7%) |
| Corporate activities | 39 | 39 | - | 0.0% |
| Eliminations | (1,217) | (1,232) | 15 | (1.2%) |
| **Core businesses** | **3,287** | **3,753** | **(466)** | **(12.4%)** |
| Diversified operations | 9 | 9 | - | 0.0% |
| **Total for the Group** | **3,296** | **3,762** | **(466)** | **(12.4%)** |

The main component of other costs is 484 million euros in electric power and natural gas transmission costs (369 million euros and 115 million euros, respectively). The increase of 11.8% compared with the first half 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 30 million euros in charges related to $CO_2$ risks, which in the first six months of 2006 were recognized by means of an addition to the provisions for risks.

The charges shown for commodity derivatives reflects the impact of transactions that qualify as hedges in accordance with IAS 39 and of transactions executed as margin hedges. An overall view of the impact of commodity derivatives is disclosed in a special section provided earlier in this Report.

## 24. Labor Costs

The rise in labor costs, which at 109 million euros were slightly higher than in the first six months of 2006 (103 million euros), reflects an increase in the Group's payroll.

## 25. EBITDA

At June 30, 2007, EBITDA amounted to 904 million euros, or 16.8% more than in the same period last year.
A breakdown by type of business is as follows:

| (in millions of euros) | First half 2007 | as a % of sales revenues | First half 2006 | as a % of sales revenues | EBITDA % change |
|---|---|---|---|---|---|
| Electric power operations | 621 | 19.1% | 563 | 16.8% | 10.3% |
| Hydrocarbons operations | 315 | 15.9% | 240 | 11.6% | 31.3% |
| Corporate activities | (36) | n.m. | (35) | n.m. | 2.9% |
| **Core businesses** | **900** | **22.3%** | **768** | **18.1%** | **17.2%** |
| | | | | | |
| Diversified operations | 4 | 26.7% | 6 | 33.3% | (33.3%) |
| **Total for the Group** | **904** | **22.3%** | **774** | **18.1%** | **16.8%** |

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

- The EBITDA percentage increase reported by the **electric power operations** (+10.3%) reflects higher unit sales in the deregulated markets (+6.6%). 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 CIP6/92 segment and the absence of the contribution provided in 2006 by the divested companies (21 million euros);
- The percentage improvement in EBITDA reported by the **hydrocarbons operations** (+31.3%) 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 50 million euros in the first half of 2006). First half of 2006 also benefited of the renegotiation of some gas supply contracts.

## 26. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 332 million euros, is provided below:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | 302 | 297 | 5 | 1.7% |
| Depreciation of investment property | 1 | 1 | - | - |
| Amortization of hydrocarbon concessions | 13 | 13 | - | - |
| Amortization of other intangible assets | 23 | 28 | (5) | (17.9%) |
| Writedowns of property, plant and equipment | - | 20 | (20) | (100.0%) |
| Reversals of writedowns of investment property | (7) | - | (7) | - |
| **Total for the Group** | **332** | **359** | **(27)** | **(7.5%)** |

## Breakdown by Type of Business

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Electric power operations | 275 | 294 | (19) | (6.5%) |
| Hydrocarbons operations | 57 | 59 | (2) | (3.4%) |
| Corporate activities | (1) | 5 | (6) | (120.0%) |
| **Core businesses** | **331** | **358** | **(27)** | **(7.5%)** |
| | | | | |
| Diversified operations | 1 | 1 | - | n.m. |
| **Total for the Group** | **332** | **359** | **(27)** | **(7.5%)** |

The main reason for the decrease in depreciation compared with the first half of 2006 reported by the **electric power operations** is non recurrency of some writedowns of tangible assets made in 2006. Increased amortizations related to full availability of Piacenza and Altomonte (from first quarter of 2006) and Torviscosa (from third quarter of 2006) power plants offset the reduction related to the change in the scope of consolidation caused by the sale of Serene and Edison Rete (13 million euros). The decrease in amortization of other intangible assets is due entirely to a reduction in exploration costs by the **hydrocarbons operations** (17 million euros, compared with 23 million euros in the first six months of 2006).

## 27. Net Financial Income (Expense)

Net financial expense declined to 112 million euros, or 24 million euros less than in the first half of 2006, reflecting the adoption of a new method to recognize financial derivatives and 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) | First half 2007 | First half 2006 | Change |
|---|---|---|---|
| **Financial income** | | | |
| Financial income from commodity derivatives | 2 | 12 | (10) |
| Financial income from financial derivatives | 61 | 44 | 17 |
| Interest earned on finance leases | 11 | 8 | 3 |
| Interest earned on bank and postal accounts | 4 | 4 | - |
| Interest earned on amounts due from the tax administration | - | 2 | (2) |
| Other financial income | 13 | 12 | 1 |
| **Total financial income** | **91** | **82** | **9** |
| | | | |
| **Financial expense** | | | |
| Interest paid on bond issues | (74) | (71) | (3) |
| Financial expense from commodity derivatives | (2) | (9) | 7 |
| Financial expense from financial derivatives | (66) | (52) | (14) |
| Interest paid to banks | (36) | (51) | 15 |
| Bank fees | (4) | (6) | 2 |
| Interest paid on decommissioning projects | (6) | (4) | (2) |
| Interest paid on finance leases | (1) | (1) | - |
| Interest paid in connection with employee severance benefits | (1) | (1) | - |
| Interest paid to other lenders | (1) | (1) | - |
| Other financial expense | (11) | (12) | 1 |
| **Total financial expense** | **(202)** | **(208)** | **6** |
| | | | |
| **Foreign exchange translation gains (losses)** | | | |
| Foreign exchange translation gains | 5 | 7 | (2) |
| Foreign exchange translation losses | (6) | (17) | 11 |
| **Net foreign exchange translation gain (loss)** | **(1)** | **(10)** | **9** |
| | | | |
| **Net financial income (expense) for the Group** | **(112)** | **(136)** | **24** |

Specifically:

- **Interest earned on finance leases** of 11 million euros reflects the adoption of IFRIC 4;
- **Other financial income** of 13 million euros includes 6 million euros in income from reverse repurchase agreement transactions and 4 million euros in interest earned on trade receivables.
- **Interest paid on decomissioning projects,** which amounted to 6 million euros, is offset by a provision for decommissioning and remediation of industrial sites attributable mainly to the hydrocarbons operations.
- **Other financial expense** of 11 million euros includes 8 million euros related to Edipower put and call transactions.
- The change in **foreign exchange gain (loss)** is mainly the result of the different method used to recognize derivatives that hedge exchange rate risks related to commodity transactions, which are now classified under "Other revenues and income" and "Raw materials and services used".

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 Investment

A breakdown of the negative balance of 9 million euros is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change |
|---|---|---|---|
| **Income from equity investments** | | | |
| Dividends | 1 | 3 | (2) |
| Revaluations of partecipations | 2 | - | 2 |
| Profit from equity valued partecipations | 1 | 3 | (2) |
| Gains from sales of partecipations | - | 2 | (2) |
| **Total income from equity investments** | **4** | **8** | **(4)** |
| | | | |
| **Expense on equity investments** | | | |
| Writedowns of interest held in certain companies | (10) | (4) | (6) |
| Loss on sale of partecipations | (3) | - | (3) |
| **Total expense on equity investments** | **(13)** | **(4)** | **(9)** |
| | | | |
| **Total income from/(expense on) equity investments** | **(9)** | **4** | **(13)** |

*Income:*

- 3 million euros from the valuation of equity investments, including 2 million euros from the valuation of trading securities;
- 1 million euros in dividends received from publicly traded companies.

*Expense:*

- 10 million euros added to the provisions for risks in connection with the investments in some Group companies;
- 3 million euros for a loss on the sale of partecipations.

## 29. Other Income (Expense), Net

Other income of 15 million euros (1 million euros in first half of 2006) is the net 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 26 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 11 million euros, including 8 million euros added to other provisions for risks, 2 million euros in extraordinary charges and 1 million euros for prior-period tax liabilities.

## 30. Income Taxes

The income tax liability recognized in the first half of 2007 was 204 million euros, compared with a tax benefit of 117 million euros in the first six months of 2006, when the Group recorded the extraordinary positive effect (202 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 the first half of 2007 were the recognition of tax charges attributable to prior periods and the impact of a new provision of the tax laws that made the depreciation of land no longer tax deductible.

A breakdown of income taxes is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change |
|---|---|---|---|
| Current taxes | 196 | 206 | (10) |
| Net deferred-tax liabilities (assets) | 8 | (323) | 331 |
| **Total for the Group** | **204** | **(117)** | **321** |

**Current taxes** include 165 million euros for corporate income taxes (IRES), 31 million euros for local taxes (IRAP) and 5 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 5 million euros.

**Net deferred-tax assets,** which amounted to 8 million euros, compared with net deferred-tax liabilities 323 million euros in 2006, when the balance reflected the extraordinary positive effect (298 million euros) of the realignment of the tax base of some non-current assets, include the following:

- Recognition of deferred-tax liabilities totaling 34 million euros attributable mainly to the use of the depreciation rate allowed for tax purposes, which are higher than regular rates.
- Utilizations of deferred-tax liabilities totaling 43 million euros, 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.
- Booking of deferred-tax assets of 20 million euros attributable to taxed provisions for risks.
- Utilization of 37 million euros in deferred-tax assets related primarily to reversals of taxed provisions for risks and the amortization of the Edipower goodwill, which is not recognized for IAS reporting purposes.

A breakdown of deferred-tax liabilities and deferred-tax assets is as follows:

| (in millions of euros) | 12/31/06 | Additions | Utilizations | IAS 39 to Sharehold. equity | Other changes/ reclassifications | 6/30/07 |
|---|---|---|---|---|---|---|
| **Provision for deferred taxes:** | | | | | | |
| Valuation differences of property, plant and equipment | 791 | 28 | (40) | - | 15 | 794 |
| Adoption of IAS 17 to value finance leases | 43 | 1 | - | - | - | 44 |
| Adoption of IAS 39 to value financial instruments: | | | | | | |
| - impact on the income statement | 2 | - | (1) | - | - | 1 |
| - impact on shareholders' equity | 2 | - | - | 3 | - | 5 |
| Other deferred-tax liabilities | 12 | 5 | (2) | - | - | 15 |
| | **850** | **34** | **(43)** | **3** | **15** | **859** |
| Offsets | (98) | - | - | - | 1 | (97) |
| **Provision for deferred taxes net of offsets** | **752** | **34** | **(43)** | **3** | **16** | **762** |
| | | | | | | |
| **Deferred-tax assets:** | | | | | | |
| Tax loss carryforward | 45 | 1 | (4) | - | 1 | 43 |
| Taxed provisions for risks | 113 | 14 | (21) | - | 1 | 107 |
| Adoption of IAS 39 to value financial instruments: | | | | | | |
| - impact on the income statement | 9 | 2 | (1) | - | - | 10 |
| - impact on shareholders' equity | 4 | - | - | 1 | - | 5 |
| Valuation differences of property, plant and equipment | 26 | 2 | (10) | | 11 | 29 |
| Other deferred-tax assets | 3 | 1 | (1) | - | - | 3 |
| | **200** | **20** | **(37)** | **1** | **13** | **197** |
| Offsets | (98) | - | - | - | 1 | (97) |
| **Deferred-tax assets net of offsets** | **102** | **20** | **(37)** | **1** | **14** | **100** |

## 31. Profit (Loss) from Discontinued Operations

No entries were posted to this account during the first half 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 stock options awarded to Group executives.

| 2006 full year | (in millions of euros) | First half 2007 | First half 2006 |
|---|---|---|---|
| 654 | Group interest in profit (loss) | 256 | 398 |
| (3) | Profit (loss) attributable to convertible and non convertible savings shares (1) | (3) | (3) |
| 651 | Group interest in profit (loss) attributable to the common shares (A) | 253 | 395 |
| | 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) | 4,703,725,375 | 4,273,113,922 |
| 4,711,479,810 | -diluted (C) (2) | 5,026,692,574 | 4,679,285,975 |
| | | | |
| | Profit (Loss) per share (in euros) | | |
| 0.1522 | - basic (A/B) | 0.0537 | 0.0924 |
| 0.1380 | - diluted (A/C) (2) | 0.0503 | 0.0844 |

(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) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Guarantees provided | 1,481 | 2,300 | (819) |
| Collateral provided | 1,696 | 2,054 | (358) |
| Other commitments and risks | 656 | 634 | 22 |
| **Total for the Group** | **3,833** | **4,988** | **(1,155)** |

### Guarantees Provided

Guarantees provided totaled 1,481 million euros. This figure is equal to the undiscounted amount of potential commitments on the balance sheet date. The following items account for most of the large decline 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.
- 125 million euros for the cancellation of a portion of the guarantees on behalf of subsidiaries for offsetting VAT credits.
- 230 million euros for the cancellation of a Parent Company Guarantee issued by Edison on behalf of Tecnimont when it was a Group company.
- 44 million euros for a commitment to hold the seller (EDF International Sa) harmless and replace it as soon as possible in the guarantees it provided on behalf of EDF Energia Italia, later absorbed by Edison Energia.
- 35 million euros for the cancellations of the guarantees to third parties issued by EDF Energia Italia today absorbed by Edison Energia.

The main guarantees provided include the following:

- 630 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.
- 138 million euros for guarantees provided by Edison Spa to customers of the former subsidiary Tecnimont Spa. These guarantees are offset by an obligation undertaken by Tecnimont's buyer, who has agreed to take over these guarantees (provided the beneficiary agrees) and to hold Edison harmless if the abovementioned guarantees are enforced.

### Collateral Provided

Collateral provided, which came to 1,696 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 (810 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 (886 million euros), which generally consist of mortgages and encumbrances granted on thermoelectric facilities to secure financing. A total of 292 million euros refers to repaid mortgages that are in the process of being cancelled.

Decrease compared with December 31, 2006 is mainly attributable to a repaid and cancelled mortgage related to a thermoelectric power plant of Edison Spa and to change in scope of consolidation after the sale of Serene Spa.

## Other Commitments and Risks

Other commitments and risks of 656 million euros reflect commitments undertaken to complete construction of the Simeri Crichi power plant and other commitments undertaken by Edison Stoccaggio for gas storage facilities and pipelines (146 million euros) and Edipower's commitments toward suppliers for purchase and construction contracts (Edison's pro rata share was 286 million euros). This item also includes the contractual value of cross-border electric power transmission capacity for a total of 630 MW that was awarded to Edison 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 (*Protocolle 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:

- Termica Celano granted to its lender banks a special pledge on the equipment of its cogenerating power plant and a first mortgage on its real estate assets.
- On September 30, 2006, Termica Milazzo repaid a loan it had received from Mediobanca and is currently completing the paperwork required to cancel its collateral obligations (first mortgage and pledge). Currently, only one outstanding loan (provided by IRFIS) is secured by a mortgage and special lien, as required by Regional Law No. 50 of 12/21/73.
- The loans received by Parco Eolico San Giorgio and Parco Eolico Foiano, now merged into Edison Energie Speciali Spa, were repaid ahead of schedule on June 30, 2006. Consequently, all of the guarantees and collateral provided will cease to be enforceable on June 30, 2008.
- 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 Nation 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.

## Status of the Main Legal and Tax Disputes Pending at June 30, 2007

An review, based on information currently available, of the main legal and tax disputes currently outstanding is provided below. Legal disputes have been divided 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.
Pending disputes were subdivided further between actions involving Edison Spa and actions involving other Group companies.

### A) Edison Spa

**European Commission - Antitrust Proceedings Against Ausimont**

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

### Stava Dam Disaster

Negotiations are continuing to settle the remaining claims of parties injured by the collapse of the Prestavel Dams in 1985.

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

There were no significant new developments in the proceedings pending before the courts for damages caused by the operation of certain facilities prior to their transfer to Enimont. The status of pending lawsuits is as follows: (i) The suit filed in the Court of Milan by the Region of Lombardy against EniChem, BASF Italia, Dibra and Montecatini (now Edison) for environmental damages caused by the operation of a factory in Cesano Maderno is still in the investigative phase; and (ii) The action in which Dibra is suing EniChem and Montecatini (now Edison) for damages stemming from the sale of the Cesano Maderno factory has been suspended, pending the outcome of the related lawsuit mentioned above.

### Porto Marghera Petrochemical Facility - Criminal Proceedings for Injuries Caused by Exposure to Monovinyl Chloride and for Damages to the Environment

In the criminal proceedings for injuries caused by exposure to monovinyl chloride and for damages to the environment at the Porto Marghera petrochemical facility, following a final court decision that found five former Montedison Directors and executives guilty of involuntary manslaughter in the death of an employee, who died of liver sarcoma in 1999, and ordered the defendants and Edison, in its capacity as defendant in the civil action, to pay damages, refund the legal fees of other parties in the civil action and pay court costs, Edison reached settlements with all of the injured parties who won the right to receive compensation for damages.

### Brindisi Petrochemical Facility - Criminal Proceedings for Injuries Sustained Through Exposure to Monovinyl Chloride and Polyvinyl Chloride and for Damages to the Environment

Hearings to discuss the briefs opposing the motion filed by the Office of the Public Prosecutor of Brindisi asking that the case be dropped are continuing in the proceedings that are pending before the Court of Brindisi against former Montedison Directors and executives for alleged injuries caused by exposure to monovinyl chloride and polyvinyl chloride and damages to the environment.

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

The preliminary investigation into an allegedly statistically significant excess of mortality from tumors among the local population and the employees of the Mantua facility due to the environmental impact of the waste incinerator and landfills located within the complex is continuing. No significant developments have occurred thus far.

### Priolo Petrochemical Complex - Criminal Proceedings for Injuries to Public Health

An investigation by the Public Prosecutor at the Court of Syracuse, in Sicily, targeting certain former Directors and executives of Montedison (now Edison) for allegedly dumping effluents containing mercury into the sea from the Priolo plant, which allegedly poisoned the water and the marine fauna and flora, causing miscarriages and extremely serious injuries to residents of the province of Syracuse, ended with a motion for dismissal, which was granted by the Judge for Preliminary Investigations. Edison, as a mere charitable contribution and while denying any responsibility for the abovementioned events and acts, is in the process of concluding with potential injured parties, as identified by the Public Prosecutor at the Court of Syracuse in the course of the investigation, a series of settlements a total amount of 5 million euros, provided the abovementioned parties waive any and all demands, rights or damage claims. Edison's willingness to reach such settlements is consistent with a similar offer put forth by Enichem, who took over from Montedison (now Edison) the ownership of the Priolo factory.

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

At the conclusion of the trial of certain former Directors and executives of Montefibre in connection with events at the Verbania plant that was pending before the Court of Verbania, three of the defendants were found guilty of involuntary manslaughter. The court also found the defendant in the civil action (Montefibre) jointly liable for the payment of damages owed to the plaintiffs in the civil action, which were quantified on a provisional basis, and court costs. An appeal against this decision has been filed with the Turin Court of Appeals.

### Claims for Damages Caused by Exposure to Asbestos

In recent years, there has been a significant increase in the number of claims for damages arising from the deaths or illnesses of workers that were allegedly caused by exposure to different forms of asbestos at factories formerly owned by Montedison (now Edison) or from judicial cases taken over by Edison as a result of corporate transactions. Without rendering an opinion on the merits of these claims, considering the long latency of illnesses related to exposure to different types of asbestos and the industrial activities carried out in the past by Group companies that belonged to the chemical industry, the presence of these companies throughout Italy and the manufacturing technologies used (considering the dates when these activities were carried out and the state of technological advancement at the time), which complied fully with the laws in force at that time, the possibility that new legitimate claims for damages may emerge in addition to those that are already the subject of several civil and criminal proceedings cannot be excluded. Therefore, based on past experience and on the knowledge acquired over time in connection with similar events, the Company thought it appropriate to set aside, in addition to provisions established specifically for certain pending disputes, a further provision of an amount estimated on the basis of the average between the value of the claims for damages for similar events that the Company received and paid in recent years and the claims that the Company has received thus far as a result of judicial and extrajudicial actions.

### Sale of Ausimont: Solvay Arbitration

The discovery phase in the arbitration proceedings initiated on May 11, 2005 by Solvay Sa and Solvay Solexis Spa, acting through the International Chamber of Commerce (ICC) - International Arbitration Chamber, against Edison in connection with certain disputes that have arisen between the parties with respect to the representations and warranties contained in the contract covering Edison's sale of its interest in Agorà Spa (parent company of Ausimont Spa) has been completed. The arbitrators are expected to hand down their award in the first quarter of 2008 at the latest.

### Savings Shareholders/UBS: Lawsuit for Damages Caused by the Merger of Edison into Italenergia

There have been no significant developments in the proceedings concerning the combined lawsuits pending before the Court of Milan, in which the Joint Representative of the savings shareholders and UBS AG sued Edison, Italenergia Spa and others challenging the merger of the abovementioned companies and asking the Court to award them compensation for damages. In the course of the proceedings, the technical consultant appointed by the Investigating Judge filed a technical report that, while finding that the valuation criteria used were indeed adequate, concluded that there were some flaws in the valuation process (lack of control methods) and instances of incorrect application of the chosen valuation criteria that may have produced adverse consequences for the holders of savings shares.

### Sesto Siderservizi - Environmental Remediation of Concordia South Properties

Sesto Siderservizi has sued Edison (in its capacity as the company that absorbed Termica Narni Spa) before the Court of Milan seeking payment for part of the costs incurred for the environmental remediation of the properties called Concordia South, in the city of Sesto San Giovanni. The lawsuit is based on a series of agreements that the companies allegedly concluded when they were both part of the Falck Group. Edison has joined the proceedings asking for the dismissal of the action filed by the plaintiff.

## B) Other Group Companies

### Farmoplant - 1988 Accident at the Massa Plant

The civil action filed by the Province of Massa-Carrara and the Municipalities of Massa and Carrara for damages caused by an accident that occurred at Farmoplant's Massa facility in 1988 is now in the investigative phase before the Court of Genoa.

### Montedison Finance Europe - Bankruptcy of Domp BV

There have been no significant developments requiring disclosure in the appeal against a decision by the Dutch trial court that found Montedison Finance Europe liable for J. Domp's bankruptcy and, therefore, liable for all of the respective liabilities, which have been quantified by the Trustee in Bankruptcy at a total of about 11.6 million euros.

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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:

### Environmental Legislation

In recent years, we have witnessed an expansion and evolution of environmental laws, specifically with regard to liability for environmental damages, which is especially relevant to the purposes of these notes. In particular, the discussion and adoption in several legal systems of the principle of "internalization" of environmental costs (summarized in the expression "those who pollute must pay") have resulted in the development of two new types of liabilities for the act of polluting-objective liability (which does not require the objective element of guilt) and indirect liability (which stems from the actions of others), which can arise as a result of an earlier act that constitutes a violation of acceptable contamination levels under current laws.
In Italy, this approach is becoming established practice at both the administrative level (the provisions of Ministerial Decree No. 471/99, issued to implement the regulations set forth in Article 17 of Legislative Decree No. 22/97, are being enforced very aggressively) and the judicial level (criminal laws and civil liability provisions concerning instances of environmental damage are being interpreted very restrictively).
In this area, several proceedings are pending before administrative judges, at different stages of development and judicial levels, against decisions issued by national and local governments ordering the Company to carry out environmental remediation projects both at facilities that the Company no longer owns and at industrial properties that it still owns (mainly thermoelectric power plants) that were contaminated by work carried out in past years. More in general, without questioning the validity of these new legislative assumptions and the procedural accuracy of their implementation and interpretation, and taking into account the current and past scope of the Company's industrial operations, particularly in the chemical industry, their wide geographical distribution and their environmental impact based on the time when they were being carried out and the technology existing at the time, which was in compliance with the statutes then in force, it cannot be excluded that in light of current legislation, new charges may be levied against the Company in addition to those issued in the existing administrative and civil proceedings. It is also probable that current legislation will be applied with the strictness and severity mentioned above to all contamination events that occurred in the past.
At this point, based on the available information and the documents filed in the proceedings reviewed above, it is impossible to determine whether damages will in fact be assessed nor the amount of those damages.

## A) Edison Spa

### ACEA Unfair Competition

The proceedings in the lawsuit filed by ACEA Spa before the Court of Rome in connection against several parties, including, among others, AEM Spa, EdF Sa, Edipower Spa and Edison Spa are continuing.

ACEA alleges that the acquisition of joint control of Edison by EdF Spa and AEM Spa constitutes a violation of the 30% ceiling in the ownership of Edipower Spa by a government-owned company, as set forth in the Prime Minister Decree dated November 8, 2000. Such ownership would constitute an instance of unfair competition, pursuant to Article 2598, Section 3, of the Italian Civil Code, and is injurious to ACEA, which is asking that AEM Spa and EdF Spa be ordered to pay damages and take the actions necessary to void the consequences of their actions (such as the proportional divestiture of equity interests in excess of the abovementioned ceiling and the prohibition to receive energy produced by Edipower Spa in excess of the quantity allowable accordingly).

### Liability Suit under Article 2393 of the Italian Civil Code (former Calcemento)

A decision is still pending in the corporate liability suit against the former Chairma*n of C*alcemento, Lorenzo Panzavolta, for violation of the duties of proper and diligent management, which caused a foreseeable injury to the company, approved by the shareholders of Calcemento Spa (now Edison Spa) at the Meeting of May 1997. The suit refers specifically to the acquisition of the Pizzo Sella (Poggio Mondello) real estate development and the companies Heracles and Halkis.

### Montedison (now Edison) - Finanziaria Agroindustriale Merger

No significant new developments have occurred with regard to the appeal to overturn the decision handed down by the Court of Genoa in December 2000 in the suit filed by Mittel Investimenti Finanziari and other shareholders of Finanziaria Agroindustriale. The parties that refused to join in the settlement concluded by Edison and Mittel Investimenti Finanziari are still waiting for a decision.

### Sale of Tecnimont: Edison/Falck Arbitration

In the arbitration proceedings concerning the dispute that arose when Falck failed to purchase Edison's interest in Tecnimont, the technical consultant retained by Board of Arbitrators is continuing to work on determining the damages suffered by Edison because of Falck's failure to perform its obligations.

### MEMC Lawsuits

In the proceedings concerning the lawsuit filed by MEMC against Edison and Edison Energia before the Court of Venice in connection with business transactions involving the sale and supply of electric power, the plaintiff appealed the decision handed down by the Court rejecting all of the claims of the opposing party and ordering payment of all costs.

## B) Other Group Companies

### Pizzo Sella Real Estate Development and Seizure of Assets in Sicily

There were no significant new developments worth mentioning with regard to the negative assessment action filed by Finimeg, parent company of Poggio Mondello (currently in receivership), asking the administrative law judge to rule that the seizure of the Pizzo Sella real estate development for unlawful property subdivision ordered by the Court of Palermo and upheld by the Italian Supreme Court in December 2001 be ruled unenforceable. The seizure also covers other real estate assets owned by Poggio Mondello.

The lawsuits filed by certain buyers and prospective purchasers of the homes included in the real estate development affected by the order of seizure for criminal violations at the Pizzo Sella development, who sued Edison, Finimeg, Poggio Mondello and the Municipality of Palermo to recover damages incurred as a result of the seizure of their properties proceeded through the various levels of the court system. In some of the early decisions handed down in connection with this dispute, the Court of Palermo handed down a decision ruling that Poggio Mondello could not be held contractually liable and found, among other issues, that a seizure for criminal violations cannot be enforced against bona fide third-party buyers who have registered their ownership title prior to the recording of any administrative penalty measure.

In the proceedings concerning a challenge to an order of attachment, which was later converted into the confiscation of the shares, partnership interests and assets of the Finsavi and Generale Impianti affiliates and of the Calcestruzzi Palermo, Frigotecnica and Poggio Mondello subsidiaries issued by the Court of Palermo on May 15, 2002 within the context of an action involving the issuance of preventive measures, the Court of Appeals of Palermo concurred with Edison's defense brief by which the Company claimed that there was no connection whatsoever between Edison and the Mafia member who was the target of the asset confiscation order. Consequently, the Court set aside the attachment and confiscation of the equity capital and assets of the Frigotecnica and Poggio Mondello subsidiaries and of the equity capital of Finsavi and Generale Impianti owned by Edison, but upheld the confiscation order for the assets of Finsavi and Generale Impianti.

**Edison Trading and Edipower - Brindisi Coal Storage Facility**

Following the issuance of an order of seizure on March 3, 2005 by the Public Prosecutor of the Court of Brindisi in response to the excessive dust caused by the coal storage facility at Edipower's Brindisi North power plant, the technical consultant appointed by the Public Prosecutor of the Court of Brindisi is currently working to determine the existence, if any, of contamination of the subsoil and aquifer.

**Montedison Srl - Property in Bussi sul Tirino (PE)**

In February 2007, as part of the preliminary investigation that the Public Prosecutor of Pescara is carrying out in connection with the alleged poisoning of the aquifer and environmental disaster in the area of 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, Montedison Srl was served with an order of attachment seizing a property adjoining the abovementioned factory. Apparently, a large quantity of industrial waste was discovered on this property, which has not been used for some time. The Company is currently monitoring the situation in order to determine what course of action it should pursue.

**Proceeding Filed by the AEEG with Resolution No. 186/06 Against EdF Energia Italia (now Edison Energia Spa), Edison Trading Spa and Edipower Spa**

The proceeding filed by the AEEG with Resolution No. 186/06 against EdF Energia Italia (now Edison Energia Spa), Edison Trading Spa and Edipower Spa, in which the AEEG, adopting an extremely broad and highly questionable interpretation of Resolution 50/05, charged the abovementioned companies with multiple violations of the abovementioned resolution, which required all operators in and users of the dispatching market to communicate the data and information necessary to evaluate control and linkage relationships that could fit into one of the categories listed in Article 7 of Law No. 287 of October 10, 1990 are continuing. Specifically, the AEEG is complaining that (i) Edf Energia Italia missed the deadline set by the Operator of the Electric Power Market for filing its disclosure for 2006 and that the disclosure submitted lacked certain information about corporate relationships between the controlling company EdF and certain other market operators; (ii) that Edison Trading failed to provide information about the contracts called "Tolling" and "Sale and Purchase Agreement" executed by some Edipower shareholders; and (iii) that Edipower failed to disclose its relationship with EdF Trading and EdF Energia Italia. The abovementioned companies have responded to the action filed by the AEEG and reserve the right to challenge any fines in the appropriate venues.

The developments that affected the status of the main **tax disputes** in the first half 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 is expected to hold a hearing on this matter later this year.

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) | With non consolidated Group companies | With controlling companies | Other related parties | | | | | | Total related parties | Total post trans. | Impact % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | EdF | AEM | ENIA | SEL | Banca Pop Milano | Medio-banca | | | |
| **Balance sheet transactions** | | | | | | | | | | | |
| Value of trade receivables | 21 | - | 7 | 18 | 68 | - | - | - | 114 | 1,251 | 9.1% |
| Value of other receivables | - | 2 | 6 | - | - | - | - | - | 8 | 304 | 2.6% |
| Value of trade payables | - | - | 10 | 14 | 10 | - | - | - | 34 | 1.234 | 2.8% |
| Other payables | - | 100 | - | - | - | - | - | - | 100 | 673 | 14.9% |
| Financial expenses | 28 | - | - | - | - | - | - | 15 | 43 | 1,622 | 2.7% |
| Other financial liabilities | - | - | - | - | - | - | 23 | 230 | 253 | 2,479 | 10.2% |
| **Income statement transactions** | | | | | | | | | | | |
| Sales revenues | 92 | - | 18 | 39 | 215 | 2 | - | - | 366 | 4,052 | 9.0% |
| Other revenues and income | - | - | - | 25 | - | - | - | - | 25 | 257 | 9.7% |
| Raw material and services used | 4 | - | 48 | 28 | 17 | | - | - | 97 | 3,296 | 2.9% |
| Financial expenses | - | - | - | - | - | - | 1 | 6 | 7 | 202 | 3.5% |
| **Contingent commitment and risks** | | | | | | | | | | | |
| Collateral provided | - | - | - | 10 | - | - | - | 154 | 164 | 1,696 | 9.7% |

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

**Consolidated VAT Return** - Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for June 2007 shows that the Group owed the tax administration 5 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 between companies included in the consolidated IRES tax return are governed by special bilateral agreements. Under the terms of these agreements, which are identical for all consolidated companies, all consolidated companies will be held harmless from any negative effect of the change in scope of the IRES tax filing compared with their status in the 2005 consolidated return filed by Edison Spa.
During the abovementioned three-year period, consolidated taxable income will be determined as the algebraic sum of the IRES taxable incomes of all of the participating companies. After making the adjustments required by the tax law, Transalpina, in its capacity as the controlling company, will compute and pay the total tax due, with respect to both estimated payments and final payment, billing or crediting each filing company for the corresponding IRES amount.

## Other Transactions with Related Parties Within the Edison Group

In of the first half 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:

- A contract for the supply of electric power in France and in Italy, which resulted in the purchase of electric power worth about 9 million euros and the sale of electric power valued at about 9 million euros.
- In addition, the EDF Group provides technical, engineering and management services at power plants in Taranto and Piombino, and at the Milan headquarters.

During the period, Edison Spa supplied AEM Spa with steam valued at about 3 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, it generated revenues of 25 million euros from the sale of fuel oil to Aem Trading Srl.
In addition, Edipower booked revenues of 35 million euros from Aem Trading (Edison's pro rata share) of which 30 million euros for the tolling agreements and 5 million euros for dispatching services market and costs totaling 16 million euros, mainly for purchases on the dispatching services market. Also in the electric power area, Edison Trading made purchases of electric power amounting to 9 million euros from the ENBW Group (EDF Group), 2 million euros from Sel Edison Spa (SEL Group) and less than 1 million euros form Enìa Spa. Edison Energia incurred transmission costs payable to Enìa Spa totaling 2 million euros.

**Hydrocarbons Operations -** During the first half of 2007, the hydrocarbons operations purchased natural gas from the ENBW Group (EDF Group) at a cost of 8 million euros and for EDF Trading at a cost of 5 million euros. It sold natural gas to EDF Trading at the cost of 2 million euros.
Transactions with Blumet, an associated company that is part of the Enìa Group, generated revenues from natural gas sales totaling 213 million euros and receivables amounting to 67 million euros. Natural gas was also purchased from Blumet Spa at a cost of 14 million euros, generating accounts payable totaling 8 million euros.

**Corporate Activities -** Edison Spa received revenues totaling 2 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 euros revocable line of credit that accrues interest at market rates, 11 million euros were used for company credit at June 30, 2007. Another line of credit of 40 million euros, provided in December 2005, expired in the period.
- In 2004 Mediobanca provided financing to Edison Spa for 120 million euros backed by EIB Funds. Mediobanca also participated with a quota of 168 million euros to a syndicated loan of 2,000 million euros provided to Edipower (84 million euros for the pro rata share attributable to Edison). After the partial use of the credit line, available for a total amount of 192 million euros, bank liabilities of Edipower with Mediobanca amount to 172 million euros (76 million euros for the pro rata share attributable to Edison). Other companies of Edison Group (Gever and Termica Celano) have lines of credit for 49 million euros.

## Other Transactions

In accordance with “Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa”, which expired on June 15, 2007, Edison Spa, Enìa Spa and SAT Finanziaria Spa at the end of June 2007, executed a preliminary memorandum stipulating that they would enter into a new contract, which is currently being finalized, at the expiration of the deadline for renewing the shareholder agreement, which has been extended from June 15, 2007 to October 31, 2007. The parties have agreed that all of the assets of Blumet Spa will be spun off, with Edison Energia Spa, in its capacity as beneficiary company, receiving the assets consisting of the electric power and natural gas customers of Blumet Spa and the remaining assets of Blumet Spa being transferred to Enìa Energia Srl, upon Edison Spa acquiring an equity interest in Enìa Energia Srl.

If the shareholders of Enìa Energia Srl are unable to execute a new shareholder agreement by October 31, 2007, Edison Spa will be required to sell to Enìa Spa and Enìa Spa will be required to buy from Edison Spa the equity interest held by the latter in Enìa Energia Srl in accordance with the same valuation criteria provided in the Agreement for the sale of the interest held by Edison Spa in the share capital of Blumet Spa.

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

### Significant Nonrecurring Events and Transactions

No significant transactions that would require disclosure occurred in the first half of 2007, except for the sales of Serene Spa, which had no impact on the income statement. However, it helped reduce net borowing by 117 million euros.

### Positions and Entries Arising from Atypical and/or Unusual Transactions

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

## SIGNIFICANT EVENTS OCCURRING SINCE JUNE 30, 2007

### 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).

### 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 76,065,000 shares, equal to 5% of Edipower's share capital. The shares will be 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%.

# SCOPE OF CONSOLIDATION

at June 30, 2007

# SCOPE OF CONSOLIDATION AT JUNE 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) | |
|---|---|---|---|---|---|
| | | | | 06.30.2007 | 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 | 4.792.797.762 | | |
| **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 | 198,000 | 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 | Montedison Finance Europe 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) | |
|---|---|---|---|---|---|
| | | | | 06.30.2007 | 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 | 200,000 | 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 |
| Finanziaria di Partecipazioni Elettriche Finel Spa (Single Shareholder) | Milan (IT) | EUR | 194,000,000 | 100.000 | 100.000 |
| Montedison Finance Europe NV | Amsterdam (NL) | EUR | 4,537,803 | 100.000 | 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 |
| **Dormant and Other Companies** | | | | | |
| Edison Treasury Services Srl (Single Shareholder) | Conegliano (TV) (IT) | EUR | 10,000 | 100.000 | 100.000 |

## A.2) Companies Consolidated by the Proportional Method

| | | | | | |
|---|---|---|---|---|---|
| **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 |
| 99.900 | Edison Spa | - | (g) | SUB |
| 100.000 | Edison Spa | - | - | SUB |
| 100.000 | Edison Spa | - | - | SUB |
| 100.000 | Edison Spa | - | (g) | SUB |
| 100.000 | Edison Spa | - | - | SUB |
| 99.950 | Edison Spa | - | - | SUB |
| 0.050 | Montedison Srl (Single Shareholder) | | | |
| 100.000 | Edison Spa | - | (g) | SUB |
| 100.000 | Edison Spa | - | (g) | SUB |
| 100.000 | Edison Spa | - | - | 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 |
| 40.000 | 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) | |
|---|---|---|---|---|---|
| | | | | 06.30.2007 | 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 |
| 0.100 | International Water Services Limited | 0.000 | 0.000 | JV |
| 99.900 | Iwl Corporate Limited (in liquid.) | 100.000 | 100.000 | |
| 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 % (a) 12.31.2006 |
|---|---|---|---|---|
| **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-Itav. Sardeg. Galsi Spa | Milan (IT) | EUR | 10,838,000 | |
| **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 | - | - | 3,7 | ASS |
| 20.000 | Edison Spa | - | - | 14,9 | ASS |
| 35.000 | Edison Spa | - | - | 0,4 | ASS |
| 40.570 | Edison Spa | - | - | 4,0 | ASS |
| 18.000 | Edison Spa | | | 3,1 | ASS |
| 28.320 | Edison Spa | - | - | 3,5 | ASS |
| 33.010 | Edison Spa | - | - | 1,3 | ASS |
| 40.000 | Edison Spa | - | - | 0,2 | ASS |
| 21.000 | Edison Spa | - | - | 0,5 | ASS |
| 40.000 | Edison Spa | - | - | 0,6 | ASS |
| 35.000 | Edison Spa | - | - | 0,8 | ASS |
| 32.260 | Montedison Srl (Single Shareholder) | - | (i) | 3,9 | ASS |
| | | | | **36,9** | |

# List of Equity Investments (continued)

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

## C) Investments in Companies in Liquidation or Subject to Long-Term Restrictions

| Name | Head office | Currency | Share capital | Consolidated Group interest % (a) 12.31.2006 |
|---|---|---|---|---|
| **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.) | Villa Adriana - Tivoli (RM) (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 | - | - | | 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) | - | - | | 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 | |
| Other unlisted equity investments | | | | |
| **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 | - | - | 6,4 | OC |
| 3.170 | Edison Spa | - | - | 3,7 | OC |
| 0.840 | Edison Spa | - | - | 2,3 | OC |
| 10.000 | Edison Spa | - | - | 114,2 | OC |
| 12.250 | Eneco Energia Spa | - | - | 0,2 | OC |
| 0.990 | Edison Spa | 1.030 | 1.030 | 31,2 | OC |
| 3.890 | Edison Spa | - | - | 0,2 | OC |
| 0.750 | Edison Spa | - | - | 0,7 | OC |
| 4.370 | Edison Spa | - | - | 3,5 | OC |
| 7.000 | Montedison Finance Europe Nv | - | - | 3,9 | OC |
| 40.000 | Edison Spa | - | (l) | | ASS |
| | | | | 0,4 | |
| | | | | **166,7** | |
| | | | | **212,0** | |

# Note

(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) Equity investment encumbered by an attachment. The voting rights are held by the attachment's trustee. On May 5, 2006, the Court of Milan upheld the challenge to the attachment order filed by Montedison Srl. An appeal against this court decision has been filed and was notified on November 17, 2006.

(l) On January 30, 2007, Edison enforced the equity investment's sales transaction with respect to which the counterpart had made itself independent.

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

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

# SEPARATE SEMIANNUAL FINANCIAL STATEMENTS

at June 30, 2007

## Balance Sheet of Edison Spa at June 30, 2007

| 6/30/2006 | (in millions of euros) | See Note | 6/30/2007 | 12/31/2006 |
|---|---|---|---|---|
| | **ASSETS** | | | |
| 4,638 | Property, plant and equipment | 1 | 4,534 | 4,626 |
| 17 | Investment property | 2 | 16 | 10 |
| 2,632 | Goodwill | 3 | 2,632 | 2,632 |
| 256 | Hydrocarbon concessions | 4 | 244 | 254 |
| 35 | Other intangible assets | 5 | 32 | 37 |
| 2,230 | Investments in associates | 6 | 2,262 | 2,135 |
| 74 | Available-for-sale investments | 6 | 150 | 117 |
| 84 | Other financial assets | 7 | 87 | 74 |
| 80 | Deferred-tax assets | 8 | - | - |
| 235 | Other assets | 9 | 42 | 63 |
| **10,281** | **Total non-current assets** | | **9,999** | **9,948** |
| | | | | |
| 206 | Inventories | | 194 | 258 |
| 622 | Trade receivables | | 696 | 876 |
| 2 | Current-tax assets | | - | 6 |
| 229 | Other receivables | | 206 | 213 |
| 529 | Current financial assets | | 884 | 532 |
| 2 | Cash and cash equivalents | | 887 | 187 |
| **1,590** | **Total current assets** | 10 | **2,867** | **2,072** |
| | | | | |
| **161** | **Assets held for sale** | | **-** | **105** |
| **12,032** | **Total assets** | | **12,866** | **12,125** |
| | | | | |
| | **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| 4,273 | Share capital | | 4,793 | 4,273 |
| 18 | Statutory reserve | | 49 | 18 |
| 594 | Other reserves | | 590 | 589 |
| 97 | Retained earnings (Loss carryforward) | | 465 | 97 |
| 442 | Profit (Loss) for the period | | 391 | 632 |
| **5,424** | **Total shareholders' equity** | 11 | **6,288** | **5,609** |
| | | | | |
| 39 | Provision for employee severance indemnities and provision for pensions | 12 | 40 | 39 |
| 489 | Provision for deferred taxes | 13 | 431 | 415 |
| 831 | Provisions for risks and charges | 14 | 744 | 782 |
| 2,694 | Bonds | 15 | 1.202 | 1,207 |
| 339 | Long-term borrowings and other financial liabilities | 16 | 262 | 340 |
| - | Other liabilities | | - | - |
| **4,392** | **Total non-current liabilities** | | **2,679** | **2,783** |
| | | | | |
| - | Bonds | | 1,508 | 1,457 |
| 1,366 | Short-term borrowings | | 1,340 | 1,151 |
| 708 | Trade payables | | 775 | 868 |
| 6 | Current taxes payable | | 8 | - |
| 136 | Other liabilities | | 268 | 257 |
| **2,216** | **Total current liabilities** | 17 | **3,899** | **3,733** |
| **-** | **Liabilities held for sale** | | **-** | **-** |
| **12,032** | **Total liabilities and shareholders' equity** | | **12,866** | **12,125** |

An analysis of transactions with related parties is provided in the section of this Report entitled “Transactions Among Group Companies and with Related Parties.”

# Income Statement of Edison Spa for the First Half of 2007

| 2006 full year | (in millions of euros) | See Note | 6/30/2007 | 12/31/2006 |
|---|---|---|---|---|
| 4,855 | Sales revenues | 18 | 2,423 | 2,470 |
| 255 | Other revenues and income | 19 | 127 | 119 |
| **5,110** | **Total net revenues** | | **2,550** | **2,589** |
| (4,194) | Raw materials and services used (-) | 20 | (1,944) | (2,157) |
| (133) | Labor costs (-) | 21 | (71) | (63) |
| **783** | **EBITDA** | 22 | **535** | **368** |
| (462) | Depreciation, amortization and writedowns (-) | 23 | (199) | (199) |
| **321** | **EBIT** | | **336** | **169** |
| (201) | Net financial income (expense) | 24 | (84) | (111) |
| 164 | Income from (Expense on) equity investments | 25 | 220 | 157 |
| 32 | Other income (expense), net | 26 | 17 | 2 |
| **316** | **Profit before taxes** | | **489** | **217** |
| 188 | Income taxes | 27 | (106) | 226 |
| **504** | **Profit (Loss) from continuing operations** | | **383** | **442** |
| 128 | Profit (Loss) from discontinued operations | 28 | 8 | - |
| **632** | **Profit (Loss)** | | **391** | **442** |

An analysis of transactions with related parties is provided in the section of this Report entitled “Transactions Among Group Companies and with Related Parties.”

# Cash Flow Statement for the First Half of 2007

| 2006 full year | (in millions of euros) | First half 2007 | First half 2006 |
|---|---|---|---|
| 632 | Profit (loss) | 391 | 442 |
| 408 | Depreciation and amortization | 206 | 199 |
| (140) | (Gains) Losses on the sale of non-current assets | (21) | 3 |
| 54 | (Revaluations) Writedowns of intangibles and property, plant and equipment | 6 | - |
| 1 | Change in the provision for employee severance indemnities | (1) | 1 |
| (199) | Change in other operating assets and liabilities | 169 | (263) |
| **756** | **A. Cash flow from operating activities of continuing operations** | **750** | **382** |
| | | | |
| (301) | Additions to intangibles and property, plant and equipment (-) | (111) | (139) |
| (82) | Additions to non-current financial assets (-) | (174) | (29) |
| 6 | Proceeds from the sale of intangibles and property, plant and equipment | 22 | 2 |
| 321 | Proceeds from the sale of non-current financial assets | 98 | - |
| (44) | Other current assets | (331) | 8 |
| **(100)** | **B. Cash used in investing activities** | **(496)** | **(158)** |
| | | | |
| 1,204 | Receipt of new medium-term and long-term loans | - | 979 |
| (1,291) | Redemption of new medium-term and long-term loans and reclassification of short-term installments (-) | (278) | (1,089) |
| - | Capital contributions provided by controlling companies or other shareholders | 520 | - |
| (183) | Dividends paid to controlling companies or minority shareholders (-) | (233) | (183) |
| (215) | Change in short-term debt | 437 | 55 |
| **(485)** | **C. Cash flow from financing activities** | **446** | **(238)** |
| | | | |
| **171** | **D. Net increase (decrease) in cash and cash equivalents (A+B+C)** | **700** | **(14)** |
| | | | |
| **16** | **E. Cash and cash equivalents at beginning of period** | **187** | **16** |
| | | | |
| **187** | **F. Cash and cash equivalents at end of period (D+E)** | **887** | **2** |

# Changes in Shareholders' Equity in the First Half of 2007

| (in millions of euros) | Share capital (a) | Statutory reserves (b) | Reserves and ret. earnings (loss carryforward) (b) | Profit for the period (d) | Total shareholders' equity (e)=(a+b+c+d) |
|---|---|---|---|---|---|
| **Balance at December 31, 2005** | **4,273** | **-** | **370** | **516** | **5,159** |
| Appropriation of the 2005 profit and dividend distribution | - | 18 | 315 | (516) | (183) |
| Restatements for the period for adoption of IAS 39 | - | - | 6 | - | 6 |
| Profit for the period | - | - | - | 442 | 442 |
| **Balance at June 30, 2006** | **4,273** | **18** | **691** | **442** | **5,424** |
| Restatements for the period for adoption of IAS 39 | - | - | (5) | - | (5) |
| Profit for the period | - | - | - | 190 | 190 |
| **Balance at December 31, 2006** | **4,273** | **18** | **686** | **632** | **5,609** |
| Appropriation of the 005 profit and dividend distribution | - | 31 | 368 | (632) | (233) |
| Share capital increase from exercise of warrants | 520 | - | - | - | 520 |
| Restatements for the period for adoption of IAS 39 | - | - | 1 | - | 1 |
| Profit for the period | - | - | - | 391 | 391 |
| **Balance of June 30, 2007** | **4,793** | **49** | **1,055** | **391** | **6,288** |

# NOTES TO THE 2007 SEMIANNUAL FINANCIAL STATEMENTS

## Accounting Principles and Valuation Criteria

The semiannual financial statements at June 30, 2007 of Edison Spa, which include a balance sheet, an income statement, a cash flow statement, a statement of changes in shareholders' equity and the accompanying notes, were prepared in accordance with Article 81 of Consob Regulation No. 11971 of May 14, 1999, as amended. They were also prepared in accordance with the International Financial Reporting Standards (IAS/IFRSs), as approved by the European Union, and, due to their semiannual nature, they specifically comply with the provisions of IAS 34 "Interim Financial Reporting."

The semiannual financial statements at June 30, 2007 were the subject of a limited audit.

The accounting principles and the valuation criteria and estimates used are consistent with those applied in the preparation of the separate annual financial statements at December 31, 2006, which should be consulted for more detailed information.

As for the additional international accounting principles and interpretations published in the *Official Journal of the European Union,* the following are being applied starting in 2007:

- IFRS 7 "Financial Instruments: Disclosures," which requires additional disclosures particularly with regard to 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.

These principles have no impact on the valuation of the Company's accounts in that they merely expand the disclosures provided in the notes.

Lastly, 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 and, consequently, was not taken into account when preparing this Semiannual Report.

Unless otherwise stated, the amounts listed in this semiannual report are in millions of euros.

## Presentation Formats of the Financial Statements Adopted by the Company

The presentation formats chosen by the Company 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.

# 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 identify 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.

An analysis of the risks to which Edison is exposed is provided below, in accordance with the abovementioned risk model.

## 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 Company operates. These risks are:
1)Commodity price risk, which is caused by volatility in the prices of energy commodities and environmental securities ($CO_2$ emissions 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

The Company is exposed to price risk, including the related currency risk, for all of the energy commodities with which it is involved, including electric power, natural gas, coal, oil and refined products. This risk exists because all of the Company's production, storage and trading activities are affected by fluctuations in the prices of energy commodities (mainly affecting fuels priced in U.S. dollars). The effect of these fluctuations can be felt both directly and indirectly, through pricing formulas and indexing mechanisms included in pricing structures.

The Energy Risk Policies, which were adopted to manage the abovementioned risk, allow the ongoing monitoring of the Company's net exposure, which is computed for the Company's entire portfolio of assets and contracts, and compares the total level of financial risk assumed (Profit at Risk) against a predetermined ceiling approved by the Board of Directors concurrently with the annual budget.

The Risk Management Committee, which is headed by a senior executive, reviews monthly the Company's net exposure and, if the Profit at Risk is higher then the predetermined ceiling, defines the appropriate hedging strategies, which may involve the use of suitable financial derivatives.
Provided transactions are approved in advance by the Risk Office, which determines whether they are consistent with the Company's risk management objectives, Edison may also use other types of hedges called operational hedges, which can be used to hedge an individual transaction or a limited number of like transactions.

At June 30, 2007, outstanding financial derivatives were measured at fair value against the forward market curve on the reference date of the Semiannual Report, when the underlying assets are traded on markets that provide a forward pricing structure.

Financial derivatives traded on the Italian energy market, which lacks a curve providing an official reference for the Single National Price (abbreviated PUN in Italian), were measured at fair value by means of internal estimates based on a model that simulates the forward PUN curve. The PUN curve constructed with this model, which was developed by Edison based on best industry practices, is the sum of a component that reflects expected variable generation costs and a component that represents the expected spark spread. The level thus obtained is then reviewed against available market quotes (e.g., TFS broker quotes).

Edison uses the Montecarlo Method to assess the impact of fluctuations in the market price of the underlying assets on the fair value of outstanding derivatives. The method used is the same as the one applied to compute Profit at Risk (PaR) and requires the simulation of 10,000 scenarios for each material price driver, based on the volatility and correlations associated with them, using as a central level the forward market curves on the date of the financial statements, when available. As mentioned above, for the Italian electric power market the Company uses a proprietary model capable of simulating a forward PUN curve. Once a probability distribution for changes in the fair value of outstanding derivatives is obtained with this method, it then becomes possible to extrapolate the maximum expected negative change in fair value over the length of a reporting year and the corresponding level of probability.

Based on the method described above, over the time horizon of the current fiscal year and assuming extreme market fluctuations, corresponding to a confidence interval of 97.5% probability, the maximum expected loss on outstanding financial derivatives is 62.5 million euros (12.6 million euros at June 30, 2006). A portion of the increase compared with June 30, 2006 equal to about 62 million euros is due to EUR/USD exchange rate hedges established after June 30, 2006.

The table below presents the results of the simulation, showing the corresponding maximum expected losses:

| | 6/30/07 | | 6/30/2006 | |
|---|---|---|---|---|
| Profit at Risk (PAR)<br>(in millions of euros) | Level of probability | Amount at risk | Level of probability | Amount at risk |
| Edison Spa | 97.5% | 62.5 | 97.5% | 12.6 |

The PaR computation does not take into account trading transactions, which are segregated in special portfolios, because these transactions carry a specific stop loss. As a result, the maximum possible loss on these transactions is known in advance.

### 2. Foreign Exchange Risk not Related to Commodity Risk

With the exception of the issues reviewed above in the paragraph that discusses commodity risk, Edison 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

Edison 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. The strategy pursued by the Company is to have substantially balanced positions in its fixed- and variable-interest exposure, with the goal of minimizing the impact of market-rate fluctuations.

At June 30, 2007, the Company's exposure to the risk of changes in interest rates was roughly equivalent to about 32% of its total exposure (37% at December 31, 2006). All other conditions being equal, the ratio between fixed- and variable-interest positions will tend to rise during the course of the year due to the repayment of maturing bonds and the concurrent closing out of the corresponding hedges.

The table below provides a sensitivity analysis of expected cash flows, which shows the impact that a hypothetical shift of the forward curve of plus or minus 50 basis points would have on the Company's gross indebtedness, including interest rate derivatives, outstanding on the date of the financial statements. The amounts shown in the table represent outgoing flows (+) or incoming flows (-) over a future time horizon of 12 months after the date of the financial statements. The gross indebtedness amount used includes bonds and all other interest-bearing borrowings outstanding at the end of the period, as listed in the table provided in the "Liquidity Risk" section below. In the case of bonds and borrowings due within one year, the model uses the assumption that they would be replaced with short-term, variable-rate borrowings.

| Sensitivity analysis | 6/30/2007 | | 12/31/2006 | |
|---|---|---|---|---|
| (in millions of euros) | + 50 bps | - 50 bps | + 50 bps | - 50 bps |
| Edison Spa | 11 | -8 | 5 | -3 |

## 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 of the Company's financial and commercial obligations.

| (in millions of euros) | 6/30/2008 | 6/30/2009 | 6/30/2010 | 6/30/2011 | 6/30/2012 | After 5 years | Total |
|---|---|---|---|---|---|---|---|
| Bonds | 1,508 | 1 | 1 | 700 | 500 | - | 2,710 |
| Borrowings and other financial liab.: | | | | | | | |
| - Bank debt | 30 | 16 | 135 | 15 | 90 | 4 | 290 |
| - Due to other lenders | 1,310 | 2 | - | - | - | - | 1,312 |
| **Total financial indebtness** | **2,848** | **19** | **136** | **715** | **590** | **4** | **4,312** |
| Trade accounts payable | 775 | - | - | - | - | - | 775 |
| **Total indebtness** | **3,623** | **19** | **136** | **715** | **590** | **4** | **5,087** |

Edison's cash flows, financing needs and liquidity needs are managed centrally in order to optimize the use of resources. The objective is to ensure that Edison has access at all times to sufficient committed facilities to repay indebtedness maturing over the ensuing 12 months. At June 30, 2007, Edison has unused committed lines of credit amounting to 1,560 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. This amount alone is greater than the gross indebtedness owed to lenders outside the Group that matures over the next 12 months. In addition, the Edison Group has liquid assets totaling 887 million euros that include 191 million euros in demand deposits in bank and postal accounts and 696 million euros in reverse repurchase agreements backed by EU treasury securities that mature before the due date of the first bond issue coming up for redemption (600 million euros in principal due on July 20, 2007).
As for the working capital ratios, the coverage of trade accounts payable in particular is provided by the amount of the trade accounts receivable and their payment terms. At June 30, 2007, trade receivables, net of the allowance for doubtful accounts, totaled 696 million euros.

## 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. This risk arises primarily from economic/financial factors (i.e., that the counterpart defaults on its obligations), as well as from factors that are technical/commercial or administrative/legal in nature (disputes over the type/quantity of goods supplied, the interpretation of contractual clauses, supporting invoices, etc.).

Edison's exposure to credit risk is due mainly to its growing commercial activity as a seller of electric power and natural gas in the deregulated market. To control this risk (a task specifically assigned to the Credit Management Office, which is part of the Central Finance Department), Edison has implemented procedures and programs designed to evaluate customer credit worthiness (using specially designed scoring grids) and subsequently monitor the expected cash flows and any collection actions. As required by internal credit policies and as part of the abovementioned evaluation of customer credit worthiness, in some cases, the Company may ask customers to provide it with guarantees. Generally, these are sight bank or insurance sureties issued by entities with a high credit rating. Lastly, when it comes to choosing counterparties for transactions to manage temporary excess liquidity or execute financial hedging contracts (derivatives), the Company deals only with entities with a high credit rating.

On average, the payment terms applied to most customers require payment within the month that follows the month when the service was provided. In cases of late payment, Edison, consistent with the provisions of the underlying supply contracts, routinely charges delinquent interest at the rate allowed under the applicable laws (as a rule, the delinquent interest rate set forth in Legislative Decree No. 231/2002 is applied), without prejudice to the right to cease providing service (also called "termination") when a customer continues to be insolvent.

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 in the balance compared with December 31, 2006 is due mainly to seasonal factors.

| (in millions of euros) | 30/6/2007 | 6/30/2006 |
|---|---|---|
| Gross trade receivables | 723 | 904 |
| Allowance for doubtful accounts (-) | (27) | (28) |
| Trade receivables | 696 | 876 |

Trade receivables that are more than 12 months past due totaled 25 million euros. The entire amount is 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. In this area, Edison's operations include building and operating power plants and hydrocarbon facilities that are technologically complex and interconnected along the entire value chain. The risk of losses or damages can arise as a result of the sudden unavailability of one or more pieces of equipment that are critical for the production processes due to material damages to the equipment or components thereof, which cannot be fully covered or transferred through insurance policies. Prevention and control programs designed to contain the frequency of these events or reduce their impact entail the adoption of stringent safety standards and frequent overhaul plans, contingency planning and scheduled maintenance. When appropriate, effective risk management policies and customized industrial insurance programs can be used to minimize the consequences of these damages.

A major source of risk is the ongoing evolution of the reference statutory and regulatory framework, which has an impact mainly on the rates charged, the quality of the service provided and the level of technical and operational compliance. Edison constantly monitors this area to comply promptly with any changes, while working to minimize any resulting financial impact.

In the area of operational risk, the information systems that help manage the technical, commercial and administrative aspects of the Company's operations are especially significant. In order to limit the risk of an interruption of activity due to a system fault, Edison has adopted hardware and software architectures with a high reliability configuration for those applications that support critical activities. In addition, the services provided by the Company's outsourcer include a disaster recovery service that guarantees short recovery times.

## Default Risk and Debt Covenants

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

In this area, the Company has floated four issues of debt securities (Euro Medium-term Notes) for a total face amount of 2,630 million euros.

| Description | Issuer | Market where traded | ISIN code | Term (years) | Maturity | Face value (millions of euros) | Coupon | Curr. rate |
|---|---|---|---|---|---|---|---|---|
| EMTN 07/2000 | Edison Spa | Luxembourg Stock Exch. | XS0114448144 | 7 | 7/20/2007 | 600 | Fixed, annual | 7.38% |
| Retail 08/2002 | Edison Spa ex Italenergia | n.a. | IT0003345920 | 5 | 8/26/2007 | 830 | Variable, semiann. | 4.72% |
| EMTN 12/2003 | Edison Spa | Luxembourg Stock Exch. | XS0181582056 | 7 | 12/10/2010 | 700 | Fixed, annual | 5.13% |
| EMTN 12/2003 | Edison Spa | Luxembourg Stock Exch. | XS0196762263 | 7 | 7/19/2011 | 500 | Variable, quarterly | 4.58% |

Edison is also a party to bilateral loan agreements for a total face amount of 328 million euros and syndicated loan agreements totaling 1,500 million euros

Generally, consistent with international practice for financial transactions of this type, these agreements provide the lenders with the right to demand the payment of the indebtedness and terminate their relationship with the borrower whenever the borrower is declared insolvent and/or is a party to bankruptcy proceedings (such as receivership or composition with creditors) or is undergoing liquidation or another procedure with similar effects.
Specifically, the bond indentures, consistent with market practices, include a series of standard clauses that, in the event of non-performance, require that the issuer immediately redeem the bonds. The main clauses of this type are: (i) negative pledge clauses, by virtue of which the borrower undertakes to refrain to provide Company assets as collateral beyond a specific amount; (ii) cross default/cross acceleration clauses, which establish an obligation to immediately repay the bonds in the event of material failures to perform obligations that arise from or are generated by other loan agreements that affect a significant portion of the indebtedness owed by Group companies; and (iii) clauses that establish an obligation of immediate repayment even if just some Group companies were to be declared insolvent.

As for credit line agreements and bilateral or syndicated loan agreements to which Edison is a party, it is important to note that the agreement for a syndicated credit line of 1,500 million euros provided to Edison, which was unused at June 30, 2007, set forth, among other clauses, Edison's obligation to comply with certain commitments, which include making sure that the lender banks are being afforded a treatment equal to the one offered under other unsecured loan agreements (pari passu clause), as well as restrictions on Edison's ability to provide collateral to new lenders (negative pledge clause).

At present, to the Company's knowledge, it is not in default or in violation of any of the abovementioned covenants.

## 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 Company, 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 and included in EBITDA.

## Instruments Outstanding at June 30, 2007

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

- Derivatives that were outstanding at December 31, 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 6/30/07 (***) |
|---|---|---|---|---|---|
| | due within 1 year | due between 2 and 5 years | due after 5 years | | |
| **Interest rate risk management** | | | | | |
| - Cash flow hedges in accordance with IAS 39 | 765 | 200 | - | 4 | (1) |
| - Contracts that do not qualify as hedges in accordance with IAS 39 | 1,301 | 1,364 | 37 | (10) | (10) |
| **Total interest rate derivatives** | **2,066** | **1,564** | **37** | **(6)** | **(11)** |
| **Foreign exchange rate risk management** | | | | | |
| - Contracts that qualify as hedges in accordance with IAS 39 | | | | | |
| - on commercial transactions | 544 | - | - | (15) | 1 |
| - on financial transactions | 12 | - | - | - | - |
| - Contracts that do not qualify as hedges in accordance with IAS 39 | | | | | |
| - on commercial transactions | 16 | - | - | - | - |
| - on financial transactions | - | - | - | - | - |
| **Total foreign exchange rate derivatives** | **572** | **-** | **-** | **(15)** | **1** |

(*) 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

| (inthousands of euros) | Unit of measure of notional amount | Notional amount due within one year (*) | Balance sheet value (**) | Cumulative impact on the income stmt. at 12/31/06 (***) |
|---|---|---|---|---|
| **Price risk management for energy products** | | | | |
| **A. Cash flow hedges pursuant to IAS 39, broken down as follows:** | | **-** | **3** | **-** |
| - Electric power | TWh | - | - | - |
| - Natural gas | millions of Terms | - | - | - |
| - LNG, oil | Barrels | 537,600 | 3 | - |
| - Coal | millions of tons | - | - | - |
| - $CO_2$ | millions of tons | - | - | - |
| - 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:** | | | | |
| C.1 Margin hedges | | | | |
| - Electric power | TWh | - | - | - |
| - LNG and oil | Barrels | - | - | - |
| - Coal | millions of tons | - | - | - |
| C.2 Trading contracts | | | | |
| - Electric power | TWh | - | - | - |
| - LNG and oil | Barrels | - | - | - |
| **TOTAL** | | **-** | **3** | **-** |

(*) + 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 2007

The table below provides an analysis of the financial results generated by derivative transactions in the first half of 2007. The income statement line "Materials and services used" includes the impact of the effective portion of commodity related foreign exchange hedges, which amounted to a negative effect of about 4 million euros.

| (in millions of euros) | Realized in 2006 (A) | Fair Value recognized for contracts outstanding at 12/31/06 (B) | Portion of (B) contracts realized in 2006 (B1) | Fair Value recognized for contracts outstanding at 6/30/07 (C) | Change in fair value in the first half of 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) | 40 | - | - | - | - | 40 |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **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)** | **40** | **-** | **-** | **1** | **1** | **41** |
| **Raw materials and services used** | | | | | | |
| **Price risk hedges for energy products** | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) | (15) | - | - | - | - | (15) |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **Exchange risk hedges for commodities** | | | | | | |
| - definable as hedges pursuant to IAS 39 (CFH) | (4) | - | - | - | - | (4) |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **Total (B)** | **(19)** | **-** | **-** | **-** | **-** | **(19)** |
| **TOTAL INCLUDED IN EBITDA (A+B)** | **21** | **-** | **-** | **1** | **1** | **22** |
| **Net financial income (expense)** | | | | | | |
| **Price risk hedges for energy products** | | | | | | |
| - Gains on trading transactions | - | - | - | - | - | - |
| - Losses on trading transactions | - | - | - | - | - | - |
| **Margin on commodity trading transactions (C)** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Interest rate hedges, broken down as follows:** | | | | | | |
| **Financial income** | | | | | | |
| - definable as hedges pursuant to IAS 39 | 11 | 7 | 7 | 8 | 1 | 12 |
| - not definable as hedges pursuant to IAS 39 | 32 | 14 | 14 | 24 | 10 | 42 |
| **Total financial income (D)** | **43** | **21** | **21** | **32** | **11** | **54** |
| **Financial expense** | | | | | | |
| - definable as hedges pursuant to IAS 39 | (12) | (8) | (8) | (8) | (0) | (12) |
| - not definable as hedges pursuant to IAS 39 | (48) | (33) | (16) | (34) | (1) | (49) |
| **Total financial expense (E)** | **(60)** | **(41)** | **(24)** | **(42)** | **(1)** | **(61)** |
| **Margin on interest rate hedging transactions (D+E)=(F)** | **(17)** | **(20)** | **(3)** | **(10)** | **10** | **(7)** |
| **Foreign exchange rate hedges, broken down as follows:** | | | | | | |
| **Foreign exchange gains** | | | | | | |
| - definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| - not definable as hedges pursuant to IAS 39 | - | - | - | - | - | - |
| **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)** | **(17)** | **(20)** | **(3)** | **(10)** | **10** | **(7)** |

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 is provided below:

| (in millions of euros) | 6/30/2007 | | 12/31/2006 | |
|---|---|---|---|---|
| | Receivab. | Payables | Receivab. | Payables |
| Foreign exchange transactions | 3 | (18) | - | - |
| Interest rate transactions | 11 | (17) | 4 | (19) |
| Commodity transactions | 3 | - | 31 | (41) |
| **Fair value recognized as current asset or current liability** | **17** | **(35)** | **35** | **(60)** |
| Broken down as follows: | | | | |
| - recognized as "Other receivables and payables" | 6 | (18) | 31 | (41) |
| - recognized as "Current financial assets" and "Short-term borrowings" | 11 | (17) | 4 | (19) |

With regard to these items, the balance of the receivables and payables listed above is offset in shareholders' equity by a negative cash flow hedge reserve totaling 9 million euros, net of tax effect.

# 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 4,534 million euros, or 92 million euros less than at December 31, 2006. A breakdown is as follows:

| (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)** | **537** | **3,626** | **7** | **5** | **451** | **4,626** |
| Changes at June 30, 2007: | | | | | | |
| - Additions | 5 | 10 | 1 | - | 93 | 109 |
| - Disposals (-) | (11) | (1) | - | - | - | (12) |
| - Depreciation (-) | (12) | (175) | (1) | (1) | - | (189) |
| - Other changes | 2 | 33 | - | - | (35) | - |
| **Total changes (B)** | **(16)** | **(133)** | **-** | **(1)** | **58** | **(92)** |
| **Balance at 6/30/07 (A+B)** | **521** | **3,493** | **7** | **4** | **509** | **4,534** |

The total value of the assets includes construction in progress and advances totaling 509 million euros, which are attributable primarily to the Simeri Crichi thermoelectric power plant (405 million euros) and the development of hydrocarbon fields (Candela 22 million euros, Emma 17 million euros and Rospo Mare 10 million euros).

**Additions** amounted to 109 million euros. The main capital expenditures were allocated as follows:

- 75 million euros for the thermoelectric operations, with the lion's share (67 million euros) going to the Simeri Crichi power plant;
- 23 million euros for the natural gas operations, which used them primarily to develop the Daria, Emma and Garaguso fields;
- 10 million euros for the hydroelectric operations. The main projects in this area involved replacing a transformer at the Taio power plant and renovating the Belviso and Ganda power plants.

**Disposals,** which totaled 12 million euros, refer primarily to the sale of production assets belonging to the former Edison Rete (3 million euros), the Ravenna environmental research center (3 million euros) and industrial land in Magisano (5 million euros). These sales generated a combined gain of 9 million euros.

**Depreciation** of property, plant and equipment included 42 million euros for the hydroelectric operations (42 million euros at June 30, 2006), 127 million euros for the thermoelectric operations (116 million euros at June 30, 2006), 18 million euros for the hydrocarbons operation (14 million euros at June 30, 2006) and 2 million euros for corporate activities (2 million euros at June 30, 2006). The commissioning of the Torviscosa and Altomonte thermoelectric power plants accounts for most of the increase compared with the first half of 2006.

It is also worth noting that, starting with the 2006 Semiannual Report, the depreciation method applied to thermoelectric power plants that sell electric power to the GSE under contracts the financial terms of which are set forth in the CIP 6/92 Ordinance has changed.

**Other changes** reflect the commissioning of facilities used for the Daria (21 million euros) and Anemone/Azalea (6 million euros) gas fields.

In addition:

- The net carrying amount of property, plant and equipment included assets transferable at no cost with an aggregate value of 294 million euros (320 million euros at December 31, 2006). Most of the assets transferable at no cost are held by the Group's hydroelectric operations, which hold 34 concessions. The decrease reflects primarily the depreciation taken in the first six months of 2007.
- Property, plant and equipment includes assets acquired under finance leases totaling 3 million euros, 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," amounts to 1 million euros.

Lastly, Law No. 266 of December 23, 2005 (2006 Budget Bill) provided an automatic ten-year extension of concessions for large-scale diversions of public water for hydroelectric power plants, as long as the concession holder can provide evidence of significant investments made in plant modernization to increase 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. Since the test of objective certainty cannot yet be met at this point, the useful lives of the Group's hydroelectric power assets affected by these provisions were not changed.

However, Law No. 17/07 makes the ten-year extension provided by Law No. 266 not applicable to the autonomous provinces of Trento and Bolzano.

## 2. Investment Property

Investment property, which consists of land and buildings that are not used for production purposes, was valued at 16 million euros. The net increase of 6 million euros compared with December 31, 2006 is due mainly to the reversal of a writedown on a building booked in previous years.

## 3. Goodwill

Goodwill totaled 2,632 million euros. 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. From a methodology standpoint, the value of the Group's goodwill reflects the allocation to the different businesses explained when defining the cash generating units in the consolidated financial statements.

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

## 4. Hydrocarbon Concessions

Concessions for the production of hydrocarbons, which include 45 hydrocarbon production leases in Italy, were valued at 244 million euros. The amortization for the period accounts for most of the 10-million-euro decrease from the amount reported at December 31, 2006.

The value of these assets does not include capitalized financial expense.

### Information About the Concessions Held by Edison Spa

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

| | | Remaining life | |
|---|---|---|---|
| | Number | from | to |
| Hydroelectric concessions | 34 | 2 | 22 |
| Hydrocarbon concessions | 45 | (*) | "unit of production" |

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

## 5. Other Intangible Assets

The balance of 32 million euros, net of the amortization for the period (7 million euros), refers mainly to licenses and similar rights (31 million euros) and work in progress (1 million euros). Licenses and similar rights include 15 million euros in costs incurred to secure an exclusive 10-year right related to the construction of a complex of floricultural greenhouses that will use process steam produced by a neighboring thermoelectric power plant and 16 million euros in software licenses and applications.
Hydrocarbon research and exploration costs, which are charged in full to income in the year they are incurred, totaled 2 million euros.

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

Investments in associates, which totaled 2,262 million euros, includes 1,393 million euros in investments in subsidiaries and 869 million euros in investments in affiliated companies. Available-for-sale investments were valued at 150 million euros. They consist of investments in privately held companies (119 million euros) and publicly traded companies (31 million euros).

The table below shows the main changes that occurred in the first half of 2007:

| (in millions of euros) | Investments in associates | Available-for-sale investments |
|---|---|---|
| **Balance at 12/31/2006 (A)** | **2,135** | **117** |
| Changes in the first half of 2007: | | |
| - Additions | 137 | - |
| - Disposals (-) | (3) | - |
| - Changes in share capital | 2 | 30 |
| - Revaluations | - | 2 |
| - Writedowns (-) | (9) | - |
| - Other changes | - | 1 |
| **Total changes (B)** | **127** | **33** |
| **Balance at 6/30/2007** | **2,262** | **150** |

An analysis of the changes is as follows:

- **Additions** of 137 million euros represent the purchase of the 20% of Finel Spa that Edison did not own, which made Finel Spa a wholly owned subsidiary.
- **Disposals** of 3 million euros reflect the sale of a 6% interest in the Sarmato Energia Spa subsidiary;
- **Changes in share capital** of 32 million euros consist of capital contributions provided to Terminale GNL Adriatico Spa and Galsi Spa;
- **Writedowns** totaling 9 million euros refer to the Nuova Alba Srl (3 million euros) and Montedison Srl (1 million euros) subsidiaries and to the International Water Holding (5 million euros) affiliate.

## 7. Other Financial Assets

Other financial assets of 87 million euros include loans receivable due in more than one year and long-term equity investments.
The main components of loans receivable are a 38-million-euro loan made to IPSE 2000, which is offset by a separate provision for risks of virtually the same amount, and 34 million euros in loans receivable from subsidiaries.
This item also includes 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. Deferred-tax Assets

Since this item met the requirements of IAS 12, it was posted as an offset to the Provision for deferred taxes, the note to which should be consulted for additional information.

## 9. Other Assets

Other assets totaled 42 million euros, or 21 million euros less than at December 31, 2006. They consisted mainly of income tax refunds receivable and accrued interest at December 31, 2006. The main reason for the decrease is the collection during the period of a 20-million-euro refund for principal and accrued interest. Security deposits account for most of the remaining 5 million euros.

## 10. Current Assets

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Inventories | 194 | 258 | (64) |
| Trade receivables | 696 | 876 | (180) |
| Current-tax assets | - | 6 | (6) |
| Other receivables | 206 | 213 | (7) |
| Current financial assets | 884 | 532 | 352 |
| Cash and cash equivalents | 887 | 187 | 700 |
| **Total current assets** | **2,867** | **2,072** | **795** |

A review of the individual components is provided below:

### Inventories

Inventories totaled 194 million euros. Drawdowns of stored gas account for most of the decrease of 64 million euros compared with December 31, 2006. Inventories consist mainly of hydrocarbon products (156 million euros) and supplies and equipment used to maintain and operate the Company's facilities (38 million euros).

### Trade Receivables

Trade receivables totaled 696 million euros, or 180 million euros less than at December 31, 2006. A breakdown by type of business is as follows:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Electric power operations | 455 | 587 | (132) |
| Hydrocarbons operations | 240 | 289 | (49) |
| Corporate activities | 1 | - | 1 |
| **Total** | **696** | **876** | **(180)** |

ITrade receivables stem from contracts to supply electric power and steam, contracts to supply natural gas and contracts to sell natural gas at virtual transfer points.

The above amounts are net of an allowance for doubtful accounts totaling 27 million euros. The table below shows the changes that occurred in this allowance:

| (in millions of euros) | Balance at 12/31/06 | Utilizations | Additions | Other changes | Balance at 6/30/2007 |
|---|---|---|---|---|---|
| Electric power operations | 13 | - | - | - | 13 |
| Hydrocarbons operations | 6 | (3) | 2 | - | 5 |
| Corporate activities | 9 | - | - | - | 9 |
| **Total allowance for doubtful accounts** | **28** | **(3)** | **2** | **-** | **27** |

### Current-tax Assets

This account had a zero balance at June 30, 2007. The amount of 6 million euros carried in the financial statements at December 31, 2006 represented current tax assets for estimated payments made for local taxes (IRAP) that had not been utilized the previous year.

## Other Receivables

A breakdown of other receivables, which totaled 206 million euros, is provided below:

| (in millions of euros) | 6/30/2007 |
|---|---|
| Dividends receivable from affiliated companies | 40 |
| Receivables from the tax administration (for VAT overpayments) and other government agencies | 38 |
| Sundry receivables owed by Group companies | 26 |
| Receivables for the provision of corporate services | 27 |
| Amounts owed by partners and associates in hydrocarbon exploration projects and royalty advances | 22 |
| Receivables from public institutions and local entities for hydroelectric concession fees | 17 |
| Insurance settlements | 9 |
| Valuation of derivatives | 6 |
| Miscellaneous receivables | 39 |
| | 224 |
| Allowance for doubtful accounts | (18) |
| **Total** | **206** |

## Current Financial Assets

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Equity investments held for trading | 12 | 11 | 1 |
| Loans receivable | 861 | 516 | 345 |
| Derivatives | 11 | 5 | 6 |
| **Total current financial assets** | **884** | **532** | **352** |

Current financial assets totaled 884 million euros. All of the items listed above are included in the computation of the Company's net borrowings. A review of these financial assets is provided below.

### Equity Investments Held for Trading

These investments consist of shares of the following publicly traded companies: ACEGAS Spa (6 million euros), ACSM Spa (4 million euros) and AMCS Spa (2 million euros).

### Loans Receivable

Loans receivable of 861 million euros reflect financial transactions with subsidiaries and affiliated companies. They represent the balances in the corresponding intra-Group current accounts.

## Cash and Cash Equivalents

The balance of 887 million euros includes short-term bank and postal account deposits (191 million euros) and reverse repurchase agreements backed by treasury securities due in less than three months (696 million euros).

# Liabilities and Shareholders' Equity

## 11. Shareholders' Equity

The shareholders' equity of Edison Spa increased to 6,288 million euros, or 679 million euros more than at December 31, 2006, due mainly to 520 million euros from the exercise of warrants and the profit of 391 million euros earned during the period, net of a dividend distribution of 233 million euros

A breakdown of this item and the changes that occurred in shareholders equity are shown in a separate schedule entitled "Changes in Shareholders' Equity in the First Half of 2007."

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

| **Share class** | Number of shares | Millions of euros |
|---|---|---|
| Common shares | 4,682,205,342 | 4,682 |
| Savings shares | 110,592,420 | 111 |
| **Total** | **-** | **4,793** |

As mentioned above, the Company's share capital increased due to the exercise of 519,658,309 warrants. A total of 498,958,615 warrants was outstanding at June 30, 2007. Each warrant can be exercised, until December 31, 2007, to subscribe one new share at a price of 1 euro per share. No change affected the savings shares.

At June 30, 2007, the Company did not hold any treasury shares.

In keeping with the goal to provide full disclosure, the table below shows a breakdown of the reserve for cash flow hedges established upon the adoption of IAS 32 and IAS 39, which is included in shareholders' equity:

### 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 six months of 2007 | (1) | - | (1) |
| **- Reserve at June 30, 2007** | **(9)** | **3** | **(6)** |

The changes that affected shareholders' equity include the impact of the valuation at June 30, 2007 of held-for-sale equity investments, which produced a net increase of 2 million euros.

# Non-current Liabilities

## 12. Provision for Employee Severance Indemnities and Provisions for Pensions

These provisions, which amounted to 40 million euros, reflect the accrued severance indemnities and other benefits owed to employees at March 31, 2007, computed in accordance with IAS 19 actuarial criteria.

The computation process also resulted in the recognition of financial expense totaling less than 1 million euros.

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

| (in millions of euros) | Provision for sever. indemn. |
|---|---|
| **Balance at 12/31/2006 (A)** | **39** |
| Changes in the first six months of 2007: | |
| - Additions | 1 |
| - Financial expense (+) | 1 |
| - Discounting gain (losses) (+/-) | 1 |
| - Utilizations (-) | (2) |
| **Total changes (B)** | **1** |
| **Total at 6/30/2007 (A+B)** | **40** |

The changes that affected the Provision for severance indemnities include utilizations for terminated employees, additions for service costs computed on an actuarial basis, losses on discounting balances to present value and accrued interest on the liability toward current employees.

At June 30, 2007, the Company had 1,831 employees.

## 13. Provision for Deferred Taxes

The balance of 431 million euros reflects mainly the deferred tax liability from the use during the transition process of fair value as deemed cost to value property, plant and equipment.
Since this item met the requirements of IAS 12, it was offset against prepaid taxes.
The following table shows a breakdown of this reserve by type of underlying temporary difference:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| **Deferred tax liabilities:** | | | |
| - Differences in the valuation of property, plant and equipment | 474 | 473 | 1 |
| - Adoption of IAS 17 to recognize finance leases | 30 | 31 | (1) |
| - Impact of the adoption of the standard on financial instruments (IAS 39) on: | | | |
| - the income statement | - | - | - |
| - shareholders' equity | 2 | 1 | 1 |
| - Other deferred taxes | 2 | 2 | - |
| **Total deferred-tax liabilities (A)** | **508** | **507** | **1** |
| **Deferred-tax assets:** | | | |
| - Taxed provisions for risks | 67 | 83 | (16) |
| - Impact of the adoption of the standard on financial instruments (IAS 39) on: | | | |
| - the income statement | 6 | 5 | 1 |
| - shareholders' equity | 4 | 4 | - |
| **Total deferred-tax assets (B)** | **77** | **92** | **(15)** |
| **Total provision for deferred taxes (A-B)** | **431** | **415** | **16** |

## 14. Provisions for Risks and Charges

The provisions for risks and charges, which are established to cover contingent liabilities, totaled 744 million euros at June 30, 2007. The decrease of 38 million euros compared with the end of 2006 reflects primarily the elimination of risks and legal disputes through settlements.
The table below shows the changes that occurred in the first six months of 2007:

| (in millions of euros) | 12/31/06 | Additions | Utilizations | 6/30/2007 |
|---|---|---|---|---|
| - Disputed tax items | 20 | - | - | 20 |
| - Risks for disputes, litigation and contracts | 152 | 4 | (1) | 155 |
| - Charges for contractual guarantees on the sale of equity investments | 146 | - | (23) | 123 |
| - Provisions for decommissioning and remediation of industrial sites | 225 | 5 | (3) | 227 |
| - Environmental risks | 69 | - | - | 69 |
| - Risks on the sale of equity investments | 3 | 1 | - | 4 |
| - Provision related to EU Directive No. 2003/83 (Emissions Rights) | 17 | - | (16) | 1 |
| - Other risks and charges | 150 | 4 | (9) | 145 |
| **Total provisions for risks and charges** | **782** | **14** | **(52)** | **744** |

The main changes that occurred in the first half of 2007 are reviewed below:

- **Additions** of 14 million euros included 5 million euros for interest expense on decommissioning provisions, 4 million euros for accrued statutory interest on existing provisions at June 30, 2007 and 3 million euros for pending disputes;
- The main component of **utilizations** of 52 million euros, which are recognized under Other revenues and income and Other income (expense), net, is a reduction of 23 million euros in the provision set aside for guarantees provided in connection with the sale of equity investments. This reduction reflects the reversal and recognition in earnings of a provision established in connection with the sale of an equity investment, which was made possible by the signing of an agreement that settled any and all claims arising from the obligations undertaken pursuant to the sales agreement.
  In addition, a provision for charges related to $CO_2$ emissions was utilized for 16 million euros due to a decrease in the market price of the corresponding rights allocated to the Company for the 2005-2007 period.
  The change of 9 million euros in other risks and charges reflects primarily the utilization of provisions established in connection with asset sales and the elimination of risks related to pending disputes.

More detailed information about the entries that resulted in the current composition of the provisions for risks and charges is provided in the section of the Consolidated Semiannual Report entitled "Update of the Main Legal and Tax Disputes at June 30, 2007."

## 15. Bonds

The balance of 1,202 million euros represents the non-current portion of the bond issues floated by Edison Spa. The table below provides a breakdown of the indebtedness outstanding at June 30, 2007 and shows the fair value of the individual bond issues:

| (in millions of euros) | Market where traded | Currency | Par value outstanding | Coupons | Rate | Maturity | Ammortized cost | Fair value |
|---|---|---|---|---|---|---|---|---|
| **Euro Medium Term Notes:** | | | | | | | | |
| Edison Spa | Luxembourg Securities Exchange | EUR | 700 | Annual in arrears | 5.125% | 12/10/10 | 698 | 726 |
| Edison Spa | Luxembourg Securities Exchange | EUR | 500 | Quarterly in arrears | 4.103% | 7/19/11 | 504 | 514 |
| **Total** | | | **1,200** | | | | **1,202** | **1.240** |

## 16. Long-term Borrowings and Other Financial Liabilities

A breakdown of this item, which totaled 262 million euros, is as follows:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Due to banks | 259 | 336 | (77) |
| Due to other lenders | 3 | 3 | - |
| **Total** | **262** | **339** | **(77)** |

The early repayment of a loan accounts for most of the change compared with the previous year.

## 17. Current Liabilities

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Bonds | 1,508 | 1,457 | 51 |
| Short-term borrowings | 1,340 | 1,151 | 189 |
| Trade payables | 775 | 868 | (93) |
| Current taxes payable | 8 | - | 8 |
| Other liabilities | 268 | 257 | 11 |
| **Total current liabilities** | **3,899** | **3,733** | **115** |

The main current liability accounts are reviewed below:

- **Bonds** totaling 1,508 million euros represent the current portion of the Company's bond issues. The balance includes 23 million euros in interest accrued at June 30, 2007 on bond issues that mature after one year.

A breakdown of the indebtedness outstanding at June 30, 2007 is as follows:

| (in millions of euros) | Market where traded | Currency | Par value outstanding | Coupon | Rate | Maturity | Ammortized cost | Fair value |
|---|---|---|---|---|---|---|---|---|
| **Euro Medium Term Notes:** | | | | | | | | |
| Edison Spa | Luxembourg Securities | EUR | 600 | Annual in arrears | 7.375% | 7/20/07 | 642 | 643 |
| Italenergia Spa | Retail | EUR | 830 | Semiannual in arrears | 4.721% | 8/26/07 | 843 | 844 |
| **Total** | | | **1,430** | | | | **1,485** | **1,487** |

- **Short-term borrowings** include 28 million euros in bank debt and accrued interest, 1,309 million euros payable to subsidiaries and 2 million euros owed to other lenders. The amount due to banks includes 17 million euros in indebtedness generated by measuring at fair value interest rate and foreign exchange derivatives.

- **Trade payables**

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Electric power operations | 305 | 425 | (120) |
| Hydrocarbons operations | 439 | 432 | 7 |
| Corporate activities | 31 | 11 | 20 |
| **Total** | **775** | **868** | **(93)** |

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

- **Current taxes payable** of 8 million euros represent the liability for local taxes (IRAP), less estimated payments made. The liability for corporate income taxes (IRES), which amounts to 70 million euros, is classified as a liability towards the controlling company (Transalpina di Energia Srl), to which it has been transferred as part of the process of filing a national consolidated tax return.

- The main components of **other liabilities** of 268 million euros include the following: tax liabilities payable to the controlling company (70 million euros), amounts owed to joint holders of permits and concessions for the production of hydrocarbons (50 million euros), Group VAT payable (42 million euros), payables owed for miscellaneous consulting and other services (21 million euros), amounts owed to pension and social security institutions (19 million euros), liabilities generated by commodity derivatives (18 million euros), amounts payable to employees (15 million euros), liabilities for miscellaneous taxes (10 million euros) and accounts payable to subsidiaries and affiliated companies under technical services contracts (5 million euros).

# NET BORROWINGS

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

At June 30, 2007, net borrowings totaled 2,540 million euros. The reduction from the 3,412 million euros owed at December 31, 2006 is chiefly due to the positive impact of the operating cash flow and the proceeds from the exercise of warrants (520 million euros) and the sale of Serene Spa (117 million euros), which more than offset the distribution of dividends (233 million euros), outlays for capital investments (111 million euros) and purchases of equity investments (174 million euros).
The table below provides a simplified breakdown of the Company's net borrowings:

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| **Long-term debt** | | | |
| Bonds - non-current portion | 1,202 | 1,207 | (5) |
| Non-current bank loans | 259 | 337 | (78) |
| Amount due to other lenders - non-current portion | 2 | 2 | - |
| Non-current lease obligations | - | - | - |
| **Total long-term debt** | **1,463** | **1,546** | **(83)** |
| **Short-term debt** | | | |
| Bonds - current portion | 1,508 | 1,457 | 51 |
| Current loans payable | 1,340 | 1,150 | 190 |
| Current lease obligations | - | - | - |
| Current financial assets | (884) | (531) | (353) |
| Cash and cash equivalents | (887) | (187) | (700) |
| Loans receivable of divested operations | - | (23) | 23 |
| **Total short-term debt** | **1,077** | **1,866** | **(789)** |
| **Net borrowings** | **2,540** | **3,412** | **(872)** |

Net borrowings include 120 million euros stemming from transactions with related parties (120 million euros owed to Mediobanca and 0.1 million euros receivable from Banca Popolare di Milano). These amounts are recognized in the balance sheet as "Long-term borrowings and other financial liabilities" and "Current loans receivable," respectively.

Information about the Company's compliance with the minimum and maximum levels of certain financial indicators (so-called financial covenants) is provided in a section of the risk management chapter of this Report.

# NOTES TO THE INCOME STATEMENT

The profit earned by Edison Spa in the first six months of 2007 totaled 391 million euros, compared with 442 million euros in the same period last year. However, a significant portion of the profit earned in the first half of 2006 was provided by a 202-million-euro positive reversal of deferred-tax liabilities made possible by the realignment of the taxable base of certain non-current assets to the amounts used for reporting purposes.
The Company's positive performance in the first six months of 2007 is chiefly the result of higher EBITDA (167 million of euros, + 45.1% compared with the same period last year), lower interest expense (27 million of euros, - 24.3%) and higher income from equity investments (63 million of euros, + 39.5%), made possible mainly by an increase in dividends received from subsidiaries.

## 18. Sales Revenues

Sales revenues totaled 2,423 million euros, for an overall decrease of 47 million euros (-2%) compared with the first half of 2006.
The table below provides a breakdown of sales revenues:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Revenues from the sales of: | | | | |
| - Electric power | 1,376 | 1,295 | 81 | 6.3% |
| - Natural gas | 900 | 1,035 | (135) | (13.0%) |
| - Steam | 60 | 60 | - | n.m. |
| - Oil and fluxing chemicals | 49 | 44 | 5 | 11.4% |
| - Other revenues | 2 | 1 | 1 | n.m. |
| **Total sales revenues** | **2,387** | **2,435** | **(48)** | **(2.0%)** |
| | | | | |
| Revenues from services provided | 22 | 22 | - | n.m. |
| Revenues from power plant maintenance | 10 | 9 | 1 | 11.1% |
| Transmission revenues | 4 | 4 | - | n.m. |
| **Total** | **2,423** | **2,470** | **(47)** | **(1.9%)** |

Sales revenues were generated mainly in Italy. Revenues from foreign companies totaled 40 million euros. Revenues from services provided refer mainly to coordination support provided by Edison Spa to Group companies, maintenance services at the Termoli and Sulmona power plants and engineering services.

Revenues from power plant maintenance were generated by work performed at power plants owned by Group companies.

A breakdown of revenues by type of business is provided below.

### Sales Revenues by Type of Business

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Electric power operations | 1,438 | 1,357 | 81 | 6.0% |
| Hydrocarbon operations | 950 | 1,078 | (128) | (11.9%) |
| Corporate activities | 35 | 35 | - | 0.0% |
| **Total** | **2,423** | **2,470** | **(47)** | **(1.9%)** |

Sales revenues decreased by 47 million euros, or 1.9% less than in the first six months of 2006:

- The electric power operations (+6% compared with the first half of 2006) boosted unit sales in the deregulated market thanks mainly to the additional power made available by the commissioning of the Altomonte and Torviscosa power plants;
- The hydrocarbons operations reported an 11.9% decrease in sales revenues, due mainly to the im-

pact of weather conditions, which were less favorable in the first six months of 2007 than in the same period last year.

## 19. Other Revenues and Income

Other revenues and income grew to 127 million euros, or 8 million euros more than in the first six months of 2006. A breakdown is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change |
|---|---|---|---|
| Commodity derivatives | 41 | 12 | 29 |
| Recovery of payroll costs | 2 | 3 | (1) |
| Recovery of costs from partners in hydrocarbon exploration projects | 16 | 8 | 8 |
| Revenues from the sale of miscellaneous materials | 2 | 3 | (1) |
| Utilizations of provisions for risks | 28 | 4 | 24 |
| Swaps and exchanges of oil and natural gas | 10 | 20 | (10) |
| Out of period income | 10 | 56 | (46) |
| Proceeds from the sale of non-current assets | 11 | - | 11 |
| Leases of Company-owned property | 2 | 1 | 1 |
| Sundry items | 5 | 12 | (7) |
| **Totale** | **127** | **119** | **8** |

Utilizations of provisions for risks (16 million euros) refers mainly to a charge against the provision for $CO_2$ emissions booked to recognize a decrease in the fair value of these emission rights.

Out of period income includes 7 million euros for a reduction of the penalties paid for using the strategic gas reserve during the first half of 2007. The 56 million euros recognized at June 30, 2006 reflected the portion attributable to the second half of 2005 of the benefit generated by renegotiating the price paid for natural gas under long-term contracts with ENI.

## 20. Raw Materials and Services Used

The cost of raw materials and services used, which decreased in tandem with sales revenues, totaled 1,944 million euros, or 9.9% less than in the first six months of 2006. A breakdown is as follows:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Purchases of: | | | | |
| - Natural gas | 1,276 | 1,522 | (246) | (16.2%) |
| - Electric power | - | 27 | (27) | - |
| - Blast furnace, recycled and coke furnace gas | 169 | 190 | (21) | (11.1%) |
| - Oil and other fuels | 24 | 32 | (8) | (25.0%) |
| - Demineralized industrial water | 20 | 16 | 4 | 25.0% |
| - Green certificates | 41 | 26 | 15 | 57.7% |
| - Other materials and utilities | 42 | 38 | 4 | 10.5% |
| **Total purchases** | **1,572** | **1,851** | **(279)** | **(15.1%)** |
| - Facilities design, construction and maintenance | 41 | 44 | (3) | (6.8%) |
| - Transmission of electric power | - | 4 | (4) | - |
| - Transmission and treatment of natural gas | 113 | 129 | (16) | (12.4%) |
| - Professional services | 33 | 35 | (2) | (5.7%) |
| - Insurance services | 9 | 9 | - | 0.0% |
| - Commodity derivatives | 15 | 17 | (2) | (11.8%) |
| - Additions to provisions for risks | - | 16 | (16) | - |
| - Writedowns of trade receivables and provision for doubtfoul | 6 | 4 | 2 | 50.0% |
| - Change in inventory of work in progress, semifinished goods and finished goods | 71 | (6) | 77 | - |
| - Sundry charges | 84 | 54 | 30 | 55.6% |
| **Total** | **1,944** | **2,157** | **(213)** | **(9.9%)** |

This expense item consists mainly of purchases of natural gas, electric power and other raw materials used in production processes, which totaled 1,572 million euros (-15.1% compared with the first half of 2006). It also includes the cost of blast furnace, recycled and coke oven gases (169 million euros) used as fuel for the production of electric power, and 113 million euros in natural gas transmission costs (-12.4% compared with the first six months of 2006).

### Breakdown by Type of Business

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Electric power operations | 369 | 338 | (19) | (4.9%) |
| Hydrocarbons operations | 1,536 | 1,731 | (195) | (11.3%) |
| Corporate activities | 39 | 38 | 1 | 2.6% |
| **Total** | **1,944** | **2,157** | **(213)** | **(9.9%)** |

With regard to raw materials and services used, the amount attributable to the hydrocarbons operations includes the natural gas used to operate the Groups' thermoelectric power plants.

Information about the impact of commodity derivatives is provided in a separate note.

## 21. Labor Costs

At 71 million euros, labor costs were 8 million euros more than in the first half of 2006, reflecting both salary increases and an expansion of the workforce.

A breakdown of the Company's total payroll is provided below:

| (number of employees) | 12/31/2006 | Additions | Reductions | Other/ Reclassificat. | 6/30/2007 | Avg. payroll |
|---|---|---|---|---|---|---|
| Executives | 122 | 2 | (3) | 8 | 129 | 128 |
| Middle managers and office staff | 1,286 | 37 | (32) | 16 | 1,307 | 1,296 |
| Production staff | 393 | 18 | (3) | (13) | 395 | 397 |
| **Total** | **1,801** | **57** | **(38)** | **11** | **1,831** | **1,821** |

## 22. EBITDA

At June 30, 2007, EBITDA amounted to 535 million euros, or 45.4% more than in the same period last year.

A rise in hydroelectric output, an increase in available generating capacity provided by new power plants in Altomonte and Torviscosa and a better spread between sales prices and the cost of the principal means of production are the primary reasons for this positive performance.

This item also includes a gain of 55 million euros for a reduction in costs attributable to Edison Spa that resulted from a renegotiation with gas distributors following the enactment of Resolution No. 79/07.

## 23. Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 199 million euros, is provided below:

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Depreciation of property, plant and equipment | 189 | 174 | 15 | 9% |
| Amortization of hydrocarbon concessions | 10 | 11 | (1) | (9%) |
| Amortization of other intangible assets | 7 | 14 | (7) | (50%) |
| Reversals of writedowns | (7) | - | (7) | n.m. |
| **Total** | **199** | **199** | **-** | **-** |

The increase in depreciation compared with the first half of 2006 is due mainly to the commissioning of power plants in Torviscosa, in the second half of 2006, and Altomonte, in February 2006.

Amortization of other intangible assets refers almost exclusively to software (3 million euros) and to the expensing out of hydrocarbon exploration costs (2 million euros).

Reversals of writedowns (7 million euros) refer to the reversal of a provision for writedowns recognized in previous years in connection with an investment property.

## 24. Net Financial Income (Expense)

Net financial expense came to 84 million euros, or 27 million euros less than in the first six months of 2006, due mainly to a reduction in the Company's indebtedness.

A breakdown of net financial expense is as follows:

| (in millions of euros) | First half 2007 | First half 2006 |
|---|---|---|
| **Financial income** | | |
| Financial income from financial derivatives | 54 | 38 |
| Financial income from Group companies | 19 | 10 |
| Interest earned on reverse repurchase agreements | 6 | - |
| Interest earned on trade receivables | 1 | 1 |
| Interest earned on amounts due from the tax administrations | - | 2 |
| Other financial income | 5 | 6 |
| **Total financial income** | **85** | **57** |
| **Financial expense** | | |
| Interest paid on bond issues | (74) | (70) |
| Financial expense from financial derivatives | (61) | (49) |
| Financial expense paid to Group companies | (17) | (11) |
| Interest paid to banks | (7) | (19) |
| Bank fees | (4) | (4) |
| Interest paid on decommissioning projects | (5) | (4) |
| Interest paid to other lenders | - | (2) |
| Interest paid in connection with employee severance benefits | (1) | (1) |
| Other financial expense | (2) | (1) |
| **Total financial expense** | **(171)** | **(161)** |
| **Foreign exchange translation gains (losses)** | | |
| Foreign exchange translation gains | 5 | 7 |
| Foreign exchange translation losses | (3) | (14) |
| **Net foreign exchange translation gain (loss)** | **2** | **(7)** |
| **Net financial income (expense)** | **(84)** | **(111)** |

Financial expense also includes a charge of 5 million euros that has as its offset a provision for risks related to the decommissioning and remediation of industrial sites by the hydrocarbons operations and a charge of 1 million euros related to the provision for employee severance benefits recognized as a result of the adoption of IAS 19.

Lastly, the change in foreign exchange gain (loss) is mainly the result of the different method used to recognize derivatives that hedge exchange rate risks related to commodity transactions, which are now classified under Other revenues and income and Raw materials and services used.

## 25. Income from (Expense on) Equity Investments

The net credit balance of 220 million euros includes 235 million euros in dividends from Group companies. The largest contributors were the following subsidiaries: Edison Trading (150 million euros), Edison Energie Speciali (20 million euros), Finel (25 million euros), Termica Milazzo (11 million euros) and Sarmato Energia (3 million euros).

The balance also includes writedowns of equity investments totaling 13 million euros, the largest of which affected the investments in International Water Holding (5 million euros), Eneco Energia (4 million euros), Nuova Alba (3 million euros) and Montedison Srl (1 million euros).

## 26. Other Income (Expense), Net

Net other income of 17 million euros is the net 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:*

- 27 million euros, mainly from the utilization of provisions in connection with the cancellation of guarantees provided and the settlement of disputes related to the sale of equity investments;

*Expense:*

- The total of 10 million euros includes 7 million euros added to provisions for risks (4 million euros for accrued statutory interest, with sundry nonoperating charges accounting for the balance).

## 27. Income Taxes

Income taxes totaled 106 million euros. At June 30, 2006, the Company reported a tax benefit of 226 million euros made possible by the extraordinary positive impact (202 million euros) of the reversal of deferred-tax liabilities following the realignment of the amounts at which certain components of property, plant and equipment are carried for tax purposes to the corresponding reporting amounts.

| (in millions of euros) | First half 2007 | First half 2006 | Change | % change |
|---|---|---|---|---|
| Current taxes | 90 | 108 | (18) | (20.0%) |
| Net deferred-tax liabilities (assets) | 16 | (334) | 350 | n.m. |
| **Total** | **106** | **(226)** | **332** | **n.m.** |

The amount shown for **current taxes** is the net result of 78 million euros for corporate income taxes (IRES), 17 million euros for local taxes (IRAP), less tax benefits of 3 million euros for the filing of a consolidated tax return and 2 million euros for the recovery of foreign taxes.

**Deferred-tax assets,** which totaled 16 million euros, reflect primarily the utilization of deferred-tax assets stemming from provisions for risks utilized during the first half of 2007.

A breakdown of deferred-tax liabilities and assets is as follows:

| (in millions of euros) | 12/31/06 | Additions | Utilizations | IAS 39 to Sharehold.equity | Reclassifications | 6/30/07 |
|---|---|---|---|---|---|---|
| **Provision for deferred taxes:** | | | | | | |
| Valuation difference of property, plant and equipment | 473 | 16 | (15) | - | - | 474 |
| Adoption of IAS 17 to value finance leases | 31 | - | (1) | - | - | 30 |
| Adoption of IAS 39 to value financial instruments: | | | | | | |
| - impact on the income statement | - | - | - | - | - | - |
| - impact on shareholders' equity | 1 | - | - | 1 | - | 2 |
| Other deferred-tax liabilities | 2 | 1 | (1) | | | 2 |
| | **507** | **17** | **(17)** | **1** | **-** | **508** |
| Offsettable items | (92) | (1) | 16 | - | - | (77) |
| **Provision for deferred taxes net of offsets** | **415** | **16** | **(1)** | **1** | **-** | **431** |
| **Deferred-tax assets:** | | | | | | |
| Tax loss carryforward | - | - | - | - | - | - |
| Taxed reserves for risks | 83 | - | (16) | - | - | 67 |
| Adoption of IAS 39 to value financial instruments: | | | | | | |
| - impact on the income statement | 5 | 1 | - | - | - | 6 |
| - impact on shareholders' equity | 4 | - | - | - | - | 4 |
| Other deferred-tax assets | - | - | - | - | - | - |
| | **92** | **1** | **(16)** | **-** | **-** | **77** |
| Offsettable items | (92) | (1) | 16 | - | - | (77) |
| **Deferred-tax assets net of offsets** | **-** | **-** | **-** | **-** | **-** | **-** |

## 28. Profit (Loss) from Discontinued Operations

The balance of 8 million euros reflects the gain, net of applicable taxes, on the sale of Serene Spa. The overall financial effect of this transaction was positive by 117 million euros.

# OTHER INFORMATION

## Information About the Discontinued Operations (IFRS 5)

### Serene Spa

On February 14, 2007, Edison Spa completed the sale of a 66.32% interest in Serene Spa at a price of 98 million euros. The price includes a component, which may not exceed 13 million euros, the payment of which is predicated on the enactment of certain changes to the CIP6/92 regulations that concern Kyoto emissions rights.

The sale of this subsidiary helped reduce the net borrowings of Edison Spa by 117 million euros and generated a net gain of 8 million euros.

## Contingent Commitments and Risks

| (in millions of euros) | 6/30/2007 | 12/31/2006 | Change |
|---|---|---|---|
| Guarantees provided | 1,572 | 2,352 | (780) |
| Collateral provided | 1,114 | 1,383 | (269) |
| Other commitments and risks | 483 | 550 | (67) |
| **Total** | **3,169** | **4,285** | **(1,116)** |

### Guarantees Provided

Guarantees provided totaled 1,572 million euros. 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.
- 125 million euros for the cancellation of a portion of the guarantees on behalf of subsidiaries for offsetting VAT credits.
- 230 million euros for the cancellation of a Parent Company Guarantee issued by Edison on behalf of Tecnimont when it was a Group company.

The main guarantees provided include the following:

- 630 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.
- 138 million euros for guarantees provided by Edison Spa to customers of the former subsidiary Tecnimont Spa. These guarantees are offset by an obligation undertaken by Tecnimont's buyer, who has agreed to take over these guarantees (provided the beneficiary agrees) and to hold Edison harmless if the abovementioned guarantees are enforced.
- 63 million euros for a counterguarantee provided to secure the obligation undertaken by the Bluefare Ltd affiliate toward The Royal Bank of Scotland Plc, which owns a put option for the Edipower shares it holds (equal to 5% of the share capital of Edipower Spa, 2.5% of which is owned by Edison Spa). This option is exercisable starting in 2007. If Bluefare Ltd fails to perform its obligation, the industrial shareholders of Edipower can be held jointly responsible, but they retain the right to pursue Bluefare Ltd. Information about the options exercised in July 2007 is provided below in the section entitled "Other Commitments and Risks."
- 50 million euros pursuant to the Tolling and Power Purchasing Agreements, according to which Edison is responsible for the commercial obligations undertaken by its Edison Trading Spa subsidiary toward Edipower Spa.

## Collateral Provided

Collateral provided totaled 1,114 million euros. It consists primarily of Edipower Spa shares (801 million euros) pledged to banks to secure financing provided to Edipower. With regard to collateral for loans that have already been repaid on the balance sheet (208 million euros), the lenders have approved the cancellation of the liens, which are in the process of being deleted from the property registers. Only 71 million euros in collateral refers to outstanding loans.

## Other Commitments and Risks

The largest components of other commitments and risks of 483 million euros include:

- 193 million euros related to the potential exercise of a put option by the financial shareholders for the sale of 7.5% of Edipower's shares.
  On July 16, 2007, Edison Spa exercised its call option for the Edipower shares held by the financial shareholders, acquiring 72,065,000 shares, equal to 5% of Edipower's share capital. In addition, Edison was informed that Unicredit Spa exercised its put option selling to Edison Spa 72,065,000 shares, equal to a further 5% of Edipower's share capital.
- 111 million euros for commitments undertaken in connection with the construction of facilities.

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

The **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 (*Protocolle 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 con-

tract 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.

Insofar as the **electric power** operations are concerned**,** Edison has granted 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 $CO_2$ emissions 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.

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.

## Transactions with Group Companies and Related Parties

| (in millions of euros) | with Group companies | with the controlling company | Other related parties | | | | | Total related parties | Total per fin. Stat. item | % impact |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | EdF Group | AEM Group | ENIA Group | Banca Pop Milano | Medio-banca | | | |
| **Balance sheet transactions** | | | | | | | | | | |
| Trade receivables | 323 | - | 3 | 2 | 46 | - | - | 374 | 696 | 53.7% |
| Other receivables | 77 | 1 | 8 | - | - | - | - | 86 | 205 | 42.0% |
| Trade payables | 8 | - | 4 | - | - | - | - | 12 | 775 | 1.5% |
| Other payables | 45 | 70 | - | - | - | - | - | 115 | 268 | 42.9% |
| Current financial assets | 861 | - | - | - | - | - | - | 861 | 884 | 97.4% |
| Other financial assets | - | - | - | - | - | - | - | - | 89 | 0.0% |
| Short-term borrowings | 1,309 | - | - | - | - | - | - | 1,309 | 1,340 | 97.7% |
| Long-term borrowings and other financial liabilities | - | - | - | - | - | - | 120 | 120 | 262 | 45.8% |
| **Income statement transactions** | | | | | | | | | | |
| Sales revenues | 1,087 | - | 8 | 4 | 175 | - | - | 1,274 | 2,423 | 52.6% |
| Other sales revenues | 4 | - | - | - | - | - | - | 4 | 127 | 3.1% |
| Raw materials and services used | 33 | - | 16 | - | 13 | - | - | 62 | 1,944 | 3.2% |
| Financial income | 19 | - | - | - | 1 | - | - | 20 | 85 | 23.5% |
| Financial expense | 17 | - | - | - | - | - | 3 | 20 | 171 | 11.7% |

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

In addition, Edison Spa issued sureties and other guarantees to banks to secure loans and lines of credit provided to subsidiaries and affiliated companies, chief among them the facilities provided to Edipower, which are discussed in detail in the note to the financial statements that reviews contingent commitments and risks.

**Consolidated VAT Return** - Edison Spa files a consolidated VAT return (so-called VAT Pool) that includes those companies of the Edison Group that meet the requirements of Article 73, Section 3, of Presidential Decree No. 633/72, as amended, and of the Ministerial Decree dated December 13, 1979. Under the consolidated return system, Group companies transfer to Edison Spa, either monthly or quarterly, VAT payable and receivable positions in order to allow Edison Spa to offset these positions and pay only the resulting debit balance, if any. The Group VAT return for June 2007 shows that the Group owed the tax administration 5 million euros.

**Consolidated Corporate Income Tax (IRES) Return** - In 2006, Edison Spa agreed to a proposal made by Transalpina di Energia, its controlling company, to be included in a consolidated income tax return filed by Transalpina, as allowed by Article 117 and following of Presidential Decree No. 917/86 (Uniform Income Tax Code), for three years from 2006 to 2008. Consequently, in accordance with the provisions of Article 13 of the Ministerial Decree dated June 9, 2004, the preexisting option to file a consolidated return headed directly by Edison for three years from 2005 to 2007 was dropped.
Under the terms of these agreements, which are identical for all eligible consolidated companies, the consolidated companies will be held harmless from any negative effect of the change in scope of the IRES tax filing compared with their status in the 2005 consolidated return.

## Transactions with Other Related Parties

During the first half of 2007, Edison Spa was 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

See the comments provided in the same section of the Consolidated Financial Statements of this Semiannual Report.

## 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 a 50-million-euro revocable line of credit that accrues interest at market rates. At the same time, another line of credit for 40 million euros that had been granted in December 2005 expired in June 2007. The same bank also provided bank sureties totaling about 11 million euros.
- Mediobanca provided financing in the amount of 120 million euros backed by EIB funds.

## Other Transactions

At the end of June 2007, further to the "Agreement to Permanently Settle Disputes Concerning the Shareholder Agreement and for the Temporary Management of Blumet Spa," which expired on June 15, 2007, Edison Spa, Enìa Spa and SAT Finanziaria Spa executed a preliminary memorandum stipulating that they would enter into a new contract, which is currently being finalized, at the expiration of the deadline for renewing the shareholder agreement, which has been extended from June 15, 2007 to October 31, 2007. The parties have agreed that all of the assets of Blumet Spa will be spun off, with Edison Energia Spa, in its capacity as beneficiary company, receiving the assets consisting of the electric power and natural gas customers of Blumet Spa and the remaining assets of Blumet Spa being transferred to Enìa Energia Srl, upon Edison Spa acquiring an equity interest in Enìa Energia Srl.
If the shareholders of Enìa Energia Srl are unable to execute a new shareholder agreement by October 31, 2007, Edison Spa will be required to sell to Enìa Spa and Enìa Spa will be required to buy from Edison Spa the equity interest held by the latter in Enìa Energia Srl in accordance with the same valuation criteria provided in the Agreement for the sale of the interest held by Edison Spa in the share capital of Blumet Spa.

## Events Occurring After June 30, 2007

See the comments provided in the same section of the Consolidated Financial Statements of this Semiannual Report.

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

### Significant Nonrecurring Events and Transactions

The only significant transaction is the sale of Serene Spa. The impact of this transaction on the income statement and the balance sheet is reviewed in the section of this Report entitled "Information About the Discontinued Operations."

### Positions and Entries Arising from Atypical and/or Unusual Transactions

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

Milan, July 27, 2007

The Board of Directors
by Giuliano Zuccoli
*Chairman*

# LIST OF EQUITY INVESTMENTS

at June 30, 2007

# LIST OF EQUITY INVESTMENTS

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **A1. Equity Investments in Subsidiaries** | | | | |
| **Atema Ltd** | **Dublin (Ireland)** | | | |
| Balance at 12/31/06 | | EUR | 1,500,000 | 0.50 |
| Balance at 6/30/07 | | EUR | 1,500,000 | 0.50 |
| **Calbiotech Srl in bankruptcy** | **Ravenna** | | | |
| Balance at 12/31/06 | | LIT | 90,000,000 | - |
| Balance at 6/30/07 | | LIT | 90,000,000 | - |
| **Calcestruzzi Palermo Srl in receivership (single shareholder)** | **Palermo** | | | |
| Balance at 12/31/06 | | EUR | 108,360 | 1.00 |
| Final seizure decision | | EUR | (108,360) | (1.00) |
| Balance at 6/30/07 | | EUR | - | - |
| **Consorzio di Sarmato Soc. Cons. P.A.** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 200,000 | 1.00 |
| Acquisition | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 200,000 | 1.00 |
| **Ecofuture Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 10,200 | - |
| Balance at 6/30/07 | | EUR | 10,200 | - |
| **Edison D.G. Spa (single shareholder)** | **(*) Selvazzano Dentro (PD)** | | | |
| Balance at 12/31/06 | | EUR | 460,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 460,000 | 1.00 |
| **Edison Energia Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 22,000,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 22,000,000 | 1.00 |
| **Edison Energie Speciali Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 4,200,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 4,200,000 | 1.00 |
| **Edison Hellas Sa** | **Athens (Greece)** | | | |
| Balance at 12/31/06 | | EUR | 263,700 | 2.93 |
| Balance at 6/30/07 | | EUR | 263,700 | 2.93 |
| **Edison International Spa** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 17,850,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 17,850,000 | 1.00 |
| **Edison Stoccaggio Spa (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 81,497,301 | 1.00 |
| Balance at 6/30/07 | | EUR | 81,497,301 | 1.00 |

(1) Amounts in euros.

(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Writedowns | Net carrying value (1) |
|---:|---:|---:|---:|---:|
| 100.000 | 3,000,000 | 1,381,681 | - | 1,381,681 |
| 100.000 | 3,000,000 | 1,381,681 | - | 1,381,681 |
| 55.000 | 49,500,000 | 1 | - | 1 |
| 55.000 | 49,500,000 | 1 | - | 1 |
| 100.000 | 108,360 | 1 | - | 1 |
| (100,000) | (108,360) | (1) | - | (1) |
| - | - | - | - | - |
| 52.500 | 105,000 | 98,849 | - | 98,849 |
| 2.500 | 5,000 | 5,000 | - | 5,000 |
| 55.000 | 110,000 | 103,849 | - | 103,849 |
| 100.000 | 10,200 | 568,801 | (500,722) | 68,079 |
| 100.000 | 10,200 | 568,801 | (500,722) | 68,079 |
| 100.000 | 460,000 | 38,512,802 | - | 38,512,802 |
| 100.000 | 460,000 | 38,512,802 | - | 38,512,802 |
| 100.000 | 22,000,000 | 57,398,221 | - | 57,398,221 |
| 100.000 | 22,000,000 | 57,398,221 | - | 57,398,221 |
| 100.000 | 4,200,000 | 205,242,647 | - | 205,242,647 |
| 100.000 | 4,200,000 | 205,242,647 | - | 205,242,647 |
| 100.000 | 90,000 | 187,458 | (8,000) | 179,458 |
| 100.000 | 90,000 | 187,458 | (8,000) | 179,458 |
| 70.000 | 12,495,000 | 53,978,794 | - | 53,978,794 |
| 70.000 | 12,495,000 | 53,978,794 | - | 53,978,794 |
| 100.000 | 81,497,301 | 81,497,301 | - | 81,497,301 |
| 100.000 | 81,497,301 | 81,497,301 | - | 81,497,301 |

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound | EGP Egyptian pound | LIT Italian lira |

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Edison Trading Spa (single shareholder)** | **(*) Milan** | | | |
| Esistenza al 12/31/06 | | EUR | 30,000,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 30,000,000 | 1.00 |
| **Edison Treasury Service Srl (single shareholder)** | **Conegliano (TV)** | | | |
| Balance at 12/31/06 | | EUR | 10,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 10,000 | 1.00 |
| **Eneco Energia Spa** | **Bolzano** | | | |
| Balance at 12/31/06 | | EUR | 300,000 | 1.00 |
| Share capital increase | | EUR | - | - |
| Writedown | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 200,000 | 1.00 |
| **Euroil Exploration Ltd** | **London (England)** | | | |
| Balance at 12/31/06 | | GBP | 9,250,000 | 1.00 |
| Balance at 6/30/07 | | GBP | 9,250,000 | 1.00 |
| **Ferruzzi Trading France Sa in liquidation** | **Paris (France)** | | | |
| Balance at 12/31/06 | | EUR | 7,622,451 | 15.24 |
| Balance at 6/30/07 | | EUR | 7,622,451 | 15.24 |
| **Finanziaria di partecipazioni elettriche - Finel Spa** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 194,000,000 | 1.00 |
| Acquisition | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 194,000,000 | 1.00 |
| **Finimeg Spa in liquidation (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 2,425,200 | 1.00 |
| Balance at 6/30/07 | | EUR | 2,425,200 | 1.00 |
| **Frigotecnica Srl in liquidation (single shareholder)** | **Palermo** | | | |
| Balance at 12/31/06 | | EUR | 76,500 | - |
| Balance at 6/30/07 | | EUR | 76,500 | - |
| **Gever Spa (pledged shares)** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 10,500,000 | 1,000.00 |
| Balance at 6/30/07 | | EUR | 10,500,000 | 1,000.00 |
| **Hydro Power Energy HPE Srl (single shareholder)** | **Bolzano** | | | |
| Balance at 12/31/06 | | EUR | 50,000 | - |
| Advance by shareholders on future capital contributions | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 50,000 | - |
| **Jesi Energia Spa** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 5,350,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 5,350,000 | 1.00 |

(1) Amounts in euros.

(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Writedowns | Net carrying value(1) |
|---|---|---|---|---|
| 100.000 | 30,000,000 | 30,000,000 | - | 30,000,000 |
| 100.000 | 30,000,000 | 30,000,000 | - | 30,000,000 |
| 100.000 | 10,000 | 10,000 | - | 10,000 |
| 100.000 | 10,000 | 10,000 | - | 10,000 |
| 70.000 | 210,000 | 3,982,770 | - | 3,982,770 |
| - | - | 3,868,128 | - | 3,868,128 |
| - | - | - | (3,868,128) | (3,868,128) |
| 99.900 | 199,800 | 3,982,770 | (3,868,128) | 3,982,770 |
| 0.000 | 1 | 950 | - | 950 |
| 0.000 | 1 | 950 | - | 950 |
| 99.999 | 499,997 | 5,860,389 | - | 5,860,389 |
| 99.999 | 499,997 | 5,860,389 | - | 5,860,389 |
| 80.000 | 155,200,000 | 520,917,888 | - | 520,917,888 |
| 20.000 | 33,800,000 | 136,858,187 | - | 136,858,187 |
| 100.000 | 194,000,000 | 657,776,075 | - | 657,776,075 |
| 100.000 | 2,425,200 | 2,023,652 | - | 2,023,652 |
| 100.000 | 2,425,200 | 2,023,652 | - | 2,023,652 |
| 100.000 | 76,500 | 1 | - | 1 |
| 100.000 | 76,500 | 1 | - | 1 |
| 51.000 | 5,355 | 24,055,699 | (13,500,000) | 10,555,699 |
| 51.000 | 5,355 | 24,055,699 | (13,500,000) | 10,555,699 |
| 100.000 | - | 50,000 | (19,657) | 30,343 |
| - | - | 20,000 | - | 20,000 |
| 100.000 | - | 70,000 | (19,657) | 50,343 |
| 70.000 | 3,745,000 | 15,537,145 | - | 15,537,145 |
| 70.000 | 3,745,000 | 15,537,145 | - | 15,537,145 |

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| | | | | | | | |
|---|---|---|---|---|---|---|---|
| CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound | EGP Egyptian pound | LIT Italian lira |

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Monsei Esco Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 100,000 | - |
| Advance by shareholders on future capital contributions | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 100,000 | - |
| **Montedison Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 2,583,000 | - |
| Writedown | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 2,583,000 | - |
| **Montedison Finance Europe NV** | **Amsterdam (Netherlands)** | | | |
| Balance at 12/31/06 | | EUR | 4,537,803 | 1.00 |
| Balance at 6/30/07 | | EUR | 4,537,803 | 1.00 |
| **Nuova Alba Srl (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 2,016,457 | - |
| Writedown | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 2,016,457 | - |
| **Nuova C.I.S.A. Spa in liquidation (single shareholder)** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 1,549,350 | 1.00 |
| Balance at 6/30/07 | | EUR | 1,549,350 | 1.00 |
| **Sarmato Energia Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 14,420,000 | 1.00 |
| Disposal | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 14,420,000 | 1.00 |
| **Selm Holding International Sa** | **Luxembourg** | | | |
| Balance at 12/31/06 | | EUR | 24,000,000 | 120.00 |
| Balance at 6/30/07 | | EUR | 24,000,000 | 120.00 |
| **Serene Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 25,800,000 | 5.16 |
| Disposal | | EUR | (25,800,000) | (5.16) |
| Balance at 6/30/07 | | EUR | - | - |
| **Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)** | **Rome** | | | |
| Balance at 12/31/06 | | LIT | 300,000,000 | 10,000.00 |
| Balance at 6/30/07 | | LIT | 300,000,000 | 10,000.00 |
| **Stel Spa in liquidation** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 520,000 | 0.52 |
| Dissolution | | EUR | (520,000) | (0.52) |
| Balance at 6/30/07 | | EUR | - | - |

(1) Amounts in euros.

(*) Company over which Edison Spa exercises management and coordination authority.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost[1] | Writedowns | Net carrying value[1] |
|---|---|---|---|---|
| 100.000 | 100,000 | 135,405 | (75,297) | 60,108 |
| - | - | 40,000 | - | 40,000 |
| 100.000 | 100,000 | 175,405 | (75,297) | 100,108 |
| 100.000 | 2,583,000 | 68,750,329 | (62,645,509) | 6,104,820 |
| - | - | - | (1,062,508) | (1,062,508) |
| 100.000 | 2,583,000 | 68,750,329 | (63,708,017) | 5,042,312 |
| 100.000 | 4,537,803 | 13,946,000 | (11,354,934) | 2,591,066 |
| 100.000 | 4,537,803 | 13,946,000 | (11,354,934) | 2,591,066 |
| 100.000 | 2,016,457 | 16,498,550 | (14,258,164) | 2,240,386 |
| - | - | - | (2,240,386) | (2,240,386) |
| 100.000 | 2,016,457 | 16,498,550 | (16,498,550) | - |
| 100.000 | 1,549,350 | 1,476,457 | (1,086,596) | 389,861 |
| 100.000 | 1,549,350 | 1,476,457 | (1,086,596) | 389,861 |
| 61.000 | 8,796,200 | 35,575,744 | - | 35,575,744 |
| (6.000) | (865,200) | (3,499,252) | - | (3,499,252) |
| 55.000 | 7,931,000 | 32,076,492 | - | 32,076,492 |
| 99.950 | 199,900 | 226,732,571 | (177,036,223) | 49,696,348 |
| 99.950 | 199,900 | 226,732,571 | (177,036,223) | 49,696,348 |
| 66.316 | 3,315,789 | 81,875,170 | - | 81,875,170 |
| (66.316) | (3,315,789) | (81,875,170) | - | (81,875,170) |
| - | - | - | - | - |
| 59.333 | 17,800 | 1 | - | 1 |
| 59.333 | 17,800 | 1 | - | 1 |
| 75.000 | 750,000 | 388,625 | (388,624) | 1 |
| (75.000) | (750,000) | (388,625) | 388,624 | (1) |
| - | - | - | - | - |

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CHF Swiss franc EUR euro NLG Dutch guilder PTE Portuguese escudo BRL Brazilian real GBP British pound EGP Egyptian pound LIT Italian lira

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Termica Boffalora Srl** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 14,220,000 | - |
| Balance at 6/30/07 | | EUR | 14,220,000 | - |
| **Termica Celano Srl** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 259,000 | - |
| Balance at 6/30/07 | | EUR | 259,000 | - |
| **Termica Cologno Srl** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 9,296,220 | - |
| Balance at 6/30/07 | | EUR | 9,296,220 | - |
| **Termica Milazzo Srl** | **(*) Milan** | | | |
| Balance at 12/31/06 | | EUR | 23,241,000 | - |
| Balance at 6/30/07 | | EUR | 23,241,000 | - |
| **Thisvi Power Generation Plant Sa** | **Athens (Greece)** | | | |
| Balance at 12/31/06 | | EUR | - | - |
| Acquisition | | EUR | 198,000 | 3.00 |
| Funding in future increase account of registered capital | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 198,000 | 3.00 |
| **Volta Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 130,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 130,000 | 1.00 |
| **Total A1. Equity investments in subsidiaries** | | | | |

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

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Writedowns | Net carrying value (1) |
|---:|---:|---:|---:|---:|
| 70.000 | 9,954,000 | 22,971,331 | (1,100,000) | 21,871,331 |
| 70.000 | 9,954,000 | 22,971,331 | (1,100,000) | 21,871,331 |
| 70.000 | 181,300 | 40,403,320 | (57,630) | 40,345,690 |
| 70.000 | 181,300 | 40,403,320 | (57,630) | 40,345,690 |
| 65.000 | 6,042,543 | 6,069,782 | - | 6,069,782 |
| 65.000 | 6,042,543 | 6,069,782 | - | 6,069,782 |
| 60.000 | 13,944,600 | 69,957,191 | - | 69,957,191 |
| 60.000 | 13,944,600 | 69,957,191 | - | 69,957,191 |
| - | - | - | - | - |
| 65.000 | 42,900 | 128,700 | - | 128,700 |
| - | - | 487,500 | - | 487,500 |
| 65.000 | 42,900 | 616,200 | - | 616,200 |
| 51.000 | 66,300 | 107,406 | (41,106) | 66,300 |
| 51.000 | 66,300 | 107,406 | (41,106) | 66,300 |
|  |  | **1,681,837,399** | **(288,854,860)** | **1,392,982,539** |

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| CHF Swiss franc | EUR euro | NLG Dutch guilder | PTE Portuguese escudo | BRL Brazilian real | GBP British pound | EGP Egyptian pound | LIT Italian lira |

# LIST OF EQUITY INVESTMENTS (continued)

## A2. Equity Investments in Joint Ventures (°) and Affiliated Companies

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Bluefare Ltd (°)** | **London (England)** | | | |
| Balance at 12/31/06 | | GBP | 1,000 | 0.01 |
| Balance at 6/30/07 | | GBP | 1,000 | 0.01 |
| **Blumet Spa** | **Reggio Emilia** | | | |
| Balance at 12/31/06 | | EUR | 7,600,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 7,600,000 | 1.00 |
| **Coniel Spa in liquidation** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 1,020 | 0.51 |
| Balance at 6/30/07 | | EUR | 1,020 | 0.51 |
| **Consorzio Montoro** | **Narni (TR)** | | | |
| Balance at 12/31/06 | | EUR | 4,000 | - |
| Balance at 6/30/07 | | EUR | 4,000 | - |
| **Edipower Spa (°)** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 1,441,300,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 1,441,300,000 | 1.00 |
| **Eta 3 Spa** | **Arezzo** | | | |
| Balance at 12/31/06 | | EUR | 2,000,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 2,000,000 | 1.00 |
| **Finsavi Srl** | **Palermo** | | | |
| Balance at 12/31/06 | | EUR | 18,698 | - |
| Balance at 6/30/07 | | EUR | 18,698 | - |
| **GASCO Spa** | **Bressanone (BZ)** | | | |
| Balance at 12/31/06 | | EUR | 350,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 350,000 | 1.00 |
| **Ibiritermo Sa (pledged shares) (°)** | **Ibiritè (Brazil)** | | | |
| Balance at 12/31/06 | | BRL | 7,651,814 | 1.00 |
| Balance at 6/30/07 | | BRL | 7,651,814 | 1.00 |
| **Inica Sarl in liquidation** | **Lisbon (Portugal)** | | | |
| Balance at 12/31/06 | | PTE | 1,000,000 | - |
| Balance at 6/30/07 | | PTE | 1,000,000 | - |
| **International Water Holdings Bv (°)** | **Amsterdam (Netherlands)** | | | |
| Balance at 12/31/06 | | EUR | 40,000 | 10.00 |
| Distribution of equity reserves | | EUR | - | - |
| Writedown | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 40,000 | 10.00 |

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(1) Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost [(1)] | Writedowns | Net carrying value [(1)] |
|---|---|---|---|---|
| 50.000 | 50,000 | 30,061 | - | 30,061 |
| 50.000 | 50,000 | 30,061 | - | 30,061 |
| 28.316 | 2,151,982 | 2,151,982 | - | 2,151,982 |
| 28.316 | 2,151,982 | 2,151,982 | - | 2,151,982 |
| 35.250 | 705 | 308 | - | 308 |
| 35.250 | 705 | 308 | - | 308 |
| 25.000 | 1,000 | 1,000 | - | 1,000 |
| 25.000 | 1,000 | 1,000 | - | 1,000 |
| 40.000 | 576,520,000 | 800,534,250 | - | 800,534,250 |
| 40.000 | 576,520,000 | 800,534,250 | - | 800,534,250 |
| 33.013 | 660,262 | 660,262 | - | 660,262 |
| 33.013 | 660,262 | 660,262 | - | 660,262 |
| 50.000 | 9,349 | 1 | - | 1 |
| 50.000 | 9,349 | 1 | - | 1 |
| 40.000 | 140,000 | 140,000 | - | 140,000 |
| 40.000 | 140,000 | 140,000 | - | 140,000 |
| 50.000 | 3,825,907 | 1,161,904 | - | 1,161,904 |
| 50.000 | 3,825,907 | 1,161,904 | - | 1,161,904 |
| 20.000 | 200,000 | 1 | - | 1 |
| 20.000 | 200,000 | 1 | - | 1 |
| 50.000 | 2,000 | 19,858,497 | (6,319,997) | 13,538,500 |
| - | - | (300,000) | - | (300,000) |
| - | - | - | (5,000,000) | (5,000,000) |
| 50.000 | 2,000 | 19,558,497 | (11,319,997) | 8,238,500 |

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CHF Swiss franc EUR euro NLG Dutch guilder PTE Portuguese escudo BRL Brazilian real GBP British pound EGP Egyptian pound LIT Italian lira

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital<br>Currency | Amount | Par value per share |
|---|---|---|---|---|
| **Kraftwerke Hinterrhein (KHR) Ag** | **Thusis (Switzerland)** | | | |
| Balance at 12/31/06 | | CHF | 100,000,000 | 1,000.00 |
| Balance at 6/30/07 | | CHF | 100,000,000 | 1,000.00 |
| **Prometeo Spa** | **Osimo (AN)** | | | |
| Balance at 12/31/06 | | EUR | 1,938,743 | 1.00 |
| Balance at 6/30/07 | | EUR | 1,938,743 | 1.00 |
| **Roma Energia Srl** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 50,000 | - |
| Balance at 6/30/07 | | EUR | 50,000 | - |
| **S.A.T. Finanziaria Spa** | **Sassuolo (MO)** | | | |
| Balance at 12/31/06 | | EUR | 1,000,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 1,000,000 | 1.00 |
| **Sel-Edison Spa** | **Castelbello (BZ)** | | | |
| Balance at 12/31/06 | | EUR | 84,798,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 84,798,000 | 1.00 |
| **Sistemi di Energia Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 10,475,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 10,475,000 | 1.00 |
| **Società Gasdotti Algeria Italia - Galsi Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 838,000 | 1.00 |
| Share capital increase | | EUR | 10,000,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 10,838,000 | 1.00 |
| **Syremont Spa** | **Messina** | | | |
| Balance at 12/31/06 | | EUR | 750,000.00 | 1.00 |
| Balance at 6/30/07 | | EUR | 750,000.00 | 1.00 |
| **Utilità Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 2,307,692 | 1.00 |
| Balance at 6/30/07 | | EUR | 2,307,692 | 1.00 |
| **Total A2. Equity investments in affiliated companies** | | | | |
| **Total A. Equity investments** | | | | |

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(1) Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost [1] | Writedowns | Net carrying value [1] |
|---|---|---|---|---|
| 20.000 | 20,000 | 11,362,052 | - | 11,362,052 |
| 20.000 | 20,000 | 11,362,052 | - | 11,362,052 |
| 21.000 | 407,136 | 451,289 | - | 451,289 |
| 21.000 | 407,136 | 451,289 | - | 451,289 |
| 35.000 | 17,500 | 455,000 | - | 455,000 |
| 35.000 | 17,500 | 455,000 | - | 455,000 |
| 40.000 | 400,000 | 822,074 | - | 822,074 |
| 40.000 | 400,000 | 822,074 | - | 822,074 |
| 42.000 | 35,615,160 | 35,615,160 | - | 35,615,160 |
| 42.000 | 35,615,160 | 35,615,160 | - | 35,615,160 |
| 40.573 | 4,250,057 | 4,249,906 | (235,669) | 4,014,237 |
| 40.573 | 4,250,057 | 4,249,906 | (235,669) | 4,014,237 |
| 18.000 | 150,840 | 1,278,000 | - | 1,278,000 |
| - | 1,800,000 | 1,800,000 | - | 1,800,000 |
| 18.000 | 1,950,840 | 3,078,000 | - | 3,078,000 |
| 40.000 | 300,000 | 400 | - | 400 |
| 40.000 | 300,000 | 400 | - | 400 |
| 35.000 | 807,692 | 807,692 | - | 807,692 |
| 35.000 | 807,692 | 807,692 | - | 807,692 |
|  |  | **881,079,839** | **(11,555,666)** | **869,524,172** |
|  |  | **2,559,049,110** | **(297,842,398)** | **2,262,506,712** |

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# LIST OF EQUITY INVESTMENTS (continued)

## B. Equity Investments Held for Sale Valued at Cost

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Cerset Srl** | **Bari** | | | |
| Balance at 12/31/06 | | EUR | 117,088 | - |
| Balance at 6/30/07 | | EUR | 117,088 | - |
| **Cesi Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 8,550,000 | 2.50 |
| Balance at 6/30/07 | | EUR | 8,550,000 | 2.50 |
| **C.I.S.A. Spa** | **Massafra (TA)** | | | |
| Balance at 12/31/06 | | EUR | 1,560,000 | 5.20 |
| Pledged shares extinction | | EUR | (1,560,000) | - |
| Balance at 6/30/07 | | EUR | - | - |
| **Compagnia Paramatti Finanziaria Spa** | **Milan** | | | |
| Balance at 12/31/06 - common shares | | LIT | 217,631,352 | 3.00 |
| Balance at 6/30/07 - common shares | | LIT | 217,631,352 | 3.00 |
| **Costruttori Romani Riuniti Grandi Opere Spa** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 3,274,429 | 8,186.07 |
| Balance at 6/30/07 | | EUR | 3,274,429 | 8,186.07 |
| **Emittenti Titoli Spa** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 4,264,000 | 0.52 |
| Balance at 6/30/07 | | EUR | 4,264,000 | 0.52 |
| **European Energy Exchange Ag - EEX** | **Leipzig (Germany)** | | | |
| Balance at 12/31/06 | | EUR | 40,050,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 40,050,000 | 1.00 |
| **Finligure Spa (in bankruptcy)** | **Genoa** | | | |
| Balance at 12/31/06 | | LIT | 6,261,874,080 | 3,135 |
| Balance at 6/30/07 | | LIT | 6,261,874,080 | 3,135 |
| **Finutenti Spezia Srl in liquidation** | **La Spezia** | | | |
| Balance at 12/31/06 | | EUR | 575,841 | - |
| Balance at 6/30/07 | | EUR | 575,841 | - |
| **Fornara Spa (under extraordinary administration)** | **Turin** | | | |
| Balance at 12/31/06 - preferred shares | | EUR | 3,235,700 | 0.26 |
| Balance at 6/30/07 - preferred shares | | EUR | 3,235,700 | 0.26 |
| **Gerolimich Spa in liquidation** | **Milan** | | | |
| Balance at 12/31/06 - common shares | | EUR | 62,417,088 | 0.30 |
| Balance at 6/30/07 - common shares | | EUR | 62,417,088 | 0.30 |
| **Idroenergia Scrl** | **Chatillon (AO)** | | | |
| Balance at 12/31/06 | | EUR | 1,548,000 | - |
| Balance at 6/30/07 | | EUR | 1,548,000 | - |
| **Idrovia Ticino Milano Nord Venezia Spa in liquidation** | **Brescia** | | | |
| Balance at 12/31/06 | | LIT | 509,370,000 | 10,000 |
| Balance at 6/30/07 | | LIT | 509,370,000 | 10,000 |

(1) Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---:|---:|---:|---:|---:|
| 0.060 | 70 | 222 | - | 222 |
| 0.060 | 70 | 222 | - | 222 |
| 1.055 | 36,065 | 142,910 | - | 142,910 |
| 1.055 | 36,065 | 142,910 | - | 142,910 |
| 6.667 | 20,000 | - | - | - |
| (6.667) | (20,000) | - | - | - |
| - | - | - | - | - |
| 0.006 | 3,992 | 1 | - | 1 |
| 0.006 | 3,992 | 1 | - | 1 |
| 0.500 | 2 | 25,823 | - | 25,823 |
| 0.500 | 2 | 25,823 | - | 25,823 |
| 3.890 | 319,000 | 164,263 | - | 164,263 |
| 3.890 | 319,000 | 164,263 | - | 164,263 |
| 0.749 | 300,000 | 660,000 | - | 660,000 |
| 0.749 | 300,000 | 660,000 | - | 660,000 |
| 0.035 | 700 | 1 | - | 1 |
| 0.035 | 700 | 1 | - | 1 |
| 0.448 | 2,582 | 1,937 | - | 1,937 |
| 0.448 | 2,582 | 1,937 | - | 1,937 |
| 0.001 | 63 | 77 | - | 77 |
| 0.001 | 63 | 77 | - | 77 |
| 0.000 | 20 | 4 | - | 4 |
| 0.000 | 20 | 4 | - | 4 |
| 0.067 | 1,032 | 1,032 | - | 1,032 |
| 0.067 | 1,032 | 1,032 | - | 1,032 |
| 2.146 | 1,093 | 1 | - | 1 |
| 2.146 | 1,093 | 1 | - | 1 |

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CHF Swiss franc  EUR euro  NLG Dutch guilder  PTE Portuguese escudo  BRL Brazilian real  GBP British pound  EGP Egyptian pound  LIT Italian lira

# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Immobiliare Caprazucca Spa** | **Parma** | | | |
| Balance at 12/31/06 | | EUR | 7,517,948 | 0.43 |
| Balance at 6/30/07 | | EUR | 7,517,948 | 0.43 |
| **Istituto Europeo di Oncologia Srl** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 79,071,770 | - |
| Balance at 6/30/07 | | EUR | 79,071,770 | - |
| **Istituto Immobiliare di Catania Istica Spa** | **Catania** | | | |
| Balance at 12/31/06 | | EUR | 6,200,000 | 3.10 |
| Balance at 6/30/07 | | EUR | 6,200,000 | 3.10 |
| **Ass. Nazionale per l'Enciclopedia della Banca e della Borsa** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 129,578 | 1.55 |
| Balance at 6/30/07 | | EUR | 129,578 | 1.55 |
| **I.SV.E.UR. Spa** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 2,500,000 | 1,000.00 |
| Balance at 6/30/07 | | EUR | 2,500,000 | 1,000.00 |
| **Mandelli Spa (under extraordinary administration)** | **Piacenza** | | | |
| Balance at 12/31/06 | | EUR | 10,200,000 | 0.51 |
| Balance at 6/30/07 | | EUR | 10,200,000 | 0.51 |
| **Nomisma - Società di Studi Economici Spa** | **Bologna** | | | |
| Balance at 12/31/06 | | EUR | 5,345,328 | 0.37 |
| Balance at 6/30/07 | | EUR | 5,345,328 | 0.37 |
| **Pro.Cal Scrl (in bankruptcy)** | **Naples** | | | |
| Balance at 12/31/06 | | LIT | 500,000,000 | - |
| Balance at 6/30/07 | | LIT | 500,000,000 | - |
| **R.E.A. (Regional Energy Agency) Spa in liquidation** | **Florence** | | | |
| Balance at 12/31/06 | | EUR | 518,000 | 518.00 |
| Payment for subscribed shares | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 518,000 | 518.00 |

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(1) Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---|---|---|---|---|
| 0.003 | 546 | 1 | | 1 |
| 0.003 | 546 | 1 | | 1 |
| 4.365 | 3,451,632 | 4,074,528 | (550,686) | 3,523,842 |
| 4.365 | 3,451,632 | 4,074,528 | (550,686) | 3,523,842 |
| 0.058 | 1,150 | 1 | - | 1 |
| 0.058 | 1,150 | 1 | - | 1 |
| 1.435 | 1,200 | 8,615 | - | 8,615 |
| 1.435 | 1,200 | 8,615 | - | 8,615 |
| 1.000 | 25 | 5,620 | - | 5,620 |
| 1.000 | 25 | 5,620 | - | 5,620 |
| 0.000 | 11 | 13 | - | 13 |
| 0.000 | 11 | 13 | - | 13 |
| 2.215 | 320,000 | 479,473 | (372,000) | 107,473 |
| 2.215 | 320,000 | 479,473 | (372,000) | 107,473 |
| 4.348 | 21,739,000 | 11,228 | - | 11,228 |
| 4.348 | 21,739,000 | 11,228 | - | 11,228 |
| 1.000 | 10 | 1,295 | - | 1,295 |
| - | - | 3,885 | - | 3,885 |
| 1.000 | 10 | 5,180 | - | 5,180 |

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# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **Reggente Spa** | **Lucera (FG)** | | | |
| Balance at 12/31/06 | | EUR | 260,000 | 0.52 |
| Balance at 6/30/07 | | EUR | 260,000 | 0.52 |
| **Sago Spa** | **Florence** | | | |
| Balance at 12/31/06 | | EUR | 1,162,961 | 2.07 |
| Balance at 6/30/07 | | EUR | 1,162,961 | 2.07 |
| **Sirio - Sicurezza Industriale Scpa - Sirio Scpa** | **Turin** | | | |
| Balance at 12/31/06 | | EUR | 120,000 | 1.00 |
| Balance at 6/30/07 | | EUR | 120,000 | 1.00 |
| **Sistemi Formativi Confindustria Scpa** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 236,022 | 516.46 |
| Balance at 6/30/07 | | EUR | 236,022 | 516.46 |
| **Sistema Permanente di Servizi Spa (in bankruptcy)** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 154,950 | 51.65 |
| Balance at 6/30/07 | | EUR | 154,950 | 51.65 |
| **Trentino Servizi Spa - T.S. Spa** | **Rovereto (TN)** | | | |
| Balance at 12/31/06 | | EUR | 224,790,159 | 1.00 |
| Balance at 6/30/07 | | EUR | 224,790,159 | 1.00 |
| **Unione Manifatture Spa in liquidation** | **Milan** | | | |
| Balance at 12/31/06 | | EUR | 117,248,793 | 1.57 |
| Balance at 6/30/07 | | EUR | 117,248,793 | 1.57 |
| **Terminale GNL Adriatico Srl** | **Rome** | | | |
| Balance at 12/31/06 | | EUR | 200,000,000 | - |
| Advance on future capital contributions | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 200,000,000 | - |
| **3R Associati Srl in liquidation** | **Bergamo** | | | |
| Balance at 12/31/06 | | EUR | 10,000 | - |
| Balance at 6/30/07 | | EUR | 10,000 | - |
| **Total B(1). Equity investments held for sale valued at cost** | | | | |

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(1) Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---:|---:|---:|---:|---:|
| 5.209 | 26,043 | 13,450 | - | 13,450 |
| 5.209 | 26,043 | 13,450 | - | 13,450 |
| 0.997 | 5,600 | 15,260 | - | 15,260 |
| 0.997 | 5,600 | 15,260 | - | 15,260 |
| 0.259 | 311.00 | 27 | - | 27 |
| 0.259 | 311.00 | 27 | - | 27 |
| 6.565 | 30 | 15,494 | - | 15,494 |
| 6.565 | 30 | 15,494 | - | 15,494 |
| 12.600 | 378 | 1 | - | 1 |
| 12.600 | 378 | 1 | - | 1 |
| 0.010 | 22,250 | 25,823 | - | 25,823 |
| 0.010 | 22,250 | 25,823 | - | 25,823 |
| 0.000 | 12 | 7 | - | 7 |
| 0.000 | 12 | 7 | - | 7 |
| 10.000 | 20,000,000 | 84,437,688 | - | 84,437,688 |
| - | - | 29,800,000 | - | 29,800,000 |
| 10.000 | 20,000,000 | 114,237,688 | - | 114,237,688 |
| 0.180 | 17.98 | 387,343 | (387,342) | 1 |
| 0.180 | 17.98 | 387,343 | (387,342) | 1 |
| | | **120,276,023** | **(1,310,028)** | **118,965,995** |

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# LIST OF EQUITY INVESTMENTS (continued)

| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **B. Equity Investments Held for Sale Valued at Fair Value** | | | | |
| **RCS Mediagroup Spa** | **Milan** | | | |
| Balance at 12/31/06 - common shares | | EUR | 732,669,457 | 1.00 |
| Free stock dividend | | EUR | - | - |
| Adjustment to market value | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 732,669,457 | 1.00 |
| **Total B(2). Equity investments held for sale valued at fair value** | | | | |
| **Total B. Equity investments held for sale** | | | | |

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[1] Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost (1) | Revaluations (Writedowns) | Net carrying value (1) |
|---:|---:|---:|---:|---:|
| 1.011 | 7,406,487 | 29,781,484 | (1,614,614) | 28,166,870 |
| - | 148,129 | 591,623 | - | 591,623 |
| - | - | - | 2,457,180 | 2,457,180 |
| 1.031 | 7,554,616 | 30,373,107 | 842,566 | 31,215,673 |
| | | **30,373,107** | **842,566** | **31,215,673** |
| | | **150,640,515** | **(467,462)** | **150,181,668** |

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# LIST OF EQUITY INVESTMENTS (continued)

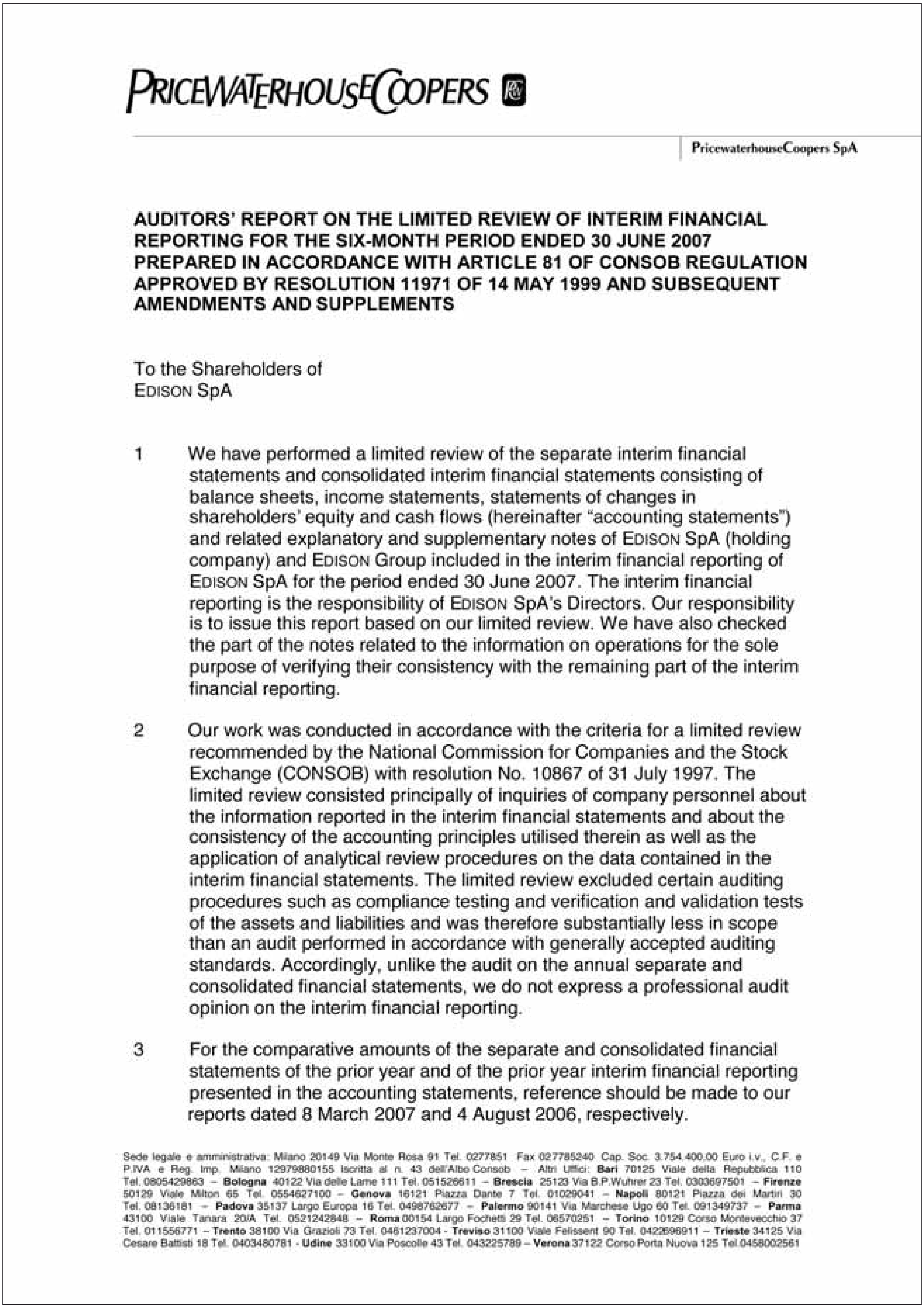
| Company | Head office | Share capital | | |
|---|---|---|---|---|
| | | Currency | Amount | Par value per share |
| **C. Equity Investments Held for Trading** | | | | |
| **Acegas - APS Spa** | **Trieste** | | | |
| Balance at 12/31/06 | | EUR | 282,983,213 | 5.16 |
| Adjustment to market value | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 282,983,213 | 5.16 |
| **ACSM Spa** | **Como** | | | |
| Balance at 12/31/06 | | EUR | 46,870,625 | 1.00 |
| Adjustment to market value | | EUR | - | - |
| Balance at 6/30/07 | | EUR | 46,870,625 | 1.00 |
| **American Superconductor Corp.** | **Westborough (USA)** | | | |
| Balance at 12/31/06 | | USD | 19,128,000 | 1.00 |
| Adjustment to market value | | USD | - | - |
| Balance at 6/30/07 | | USD | 19,128,000 | 1.00 |
| **Total C. Equity investments held for trading** | | | | |

[1] Amounts in euros.

| % interest held in share capital | No. of shares or face value of capital interests held | Cost | Adjustment to market value | Net (1) carrying value |
|---:|---:|---:|---:|---:|
| 1.298 | 712,000 | 7,466,306 | (1,405,050) | 6,061,256 |
| - | - | - | 360,272 | 360,272 |
| 1.298 | 712,000 | 7,466,306 | (1,044,778) | 6,421,528 |
| 3.175 | 1,488,000 | 5,360,000 | (1,669,760) | 3,690,240 |
| - | - | - | (5,952) | (5,952) |
| 3.175 | 1,488,000 | 5,360,000 | (1,675,712) | 3,684,288 |
| 0.836 | 160,000 | 4,975,111 | (3,783,312) | 1,191,800 |
| - | - | - | 1,095,946 | 1,095,946 |
| 0.836 | 160,000 | 4,975,111 | (2,687,366) | 2,287,745 |
| | | **17,801,416** | **(5,407,855)** | **12,393,561** |

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

CHF Swiss franc    EUR euro    NLG Dutch guilder    PTE Portuguese escudo    BRL Brazilian real    GBP British pound    EGP Egyptian pound    LIT Italian lira



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PricewaterhouseCoopers SpA

## AUDITORS' REPORT ON THE LIMITED REVIEW OF INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2007 PREPARED IN ACCORDANCE WITH ARTICLE 81 OF CONSOB REGULATION APPROVED BY RESOLUTION 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND SUPPLEMENTS

To the Shareholders of
EDISON SpA

1 We have performed a limited review of the separate interim financial statements and consolidated interim financial statements consisting of balance sheets, income statements, statements of changes in shareholders' equity and cash flows (hereinafter "accounting statements") and related explanatory and supplementary notes of EDISON SpA (holding company) and EDISON Group included in the interim financial reporting of EDISON SpA for the period ended 30 June 2007. The interim financial reporting is the responsibility of EDISON SpA's Directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying their consistency with the remaining part of the interim financial reporting.

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

3 For the comparative amounts of the separate and consolidated financial statements of the prior year and of the prior year interim financial reporting presented in the accounting statements, reference should be made to our reports dated 8 March 2007 and 4 August 2006, respectively.

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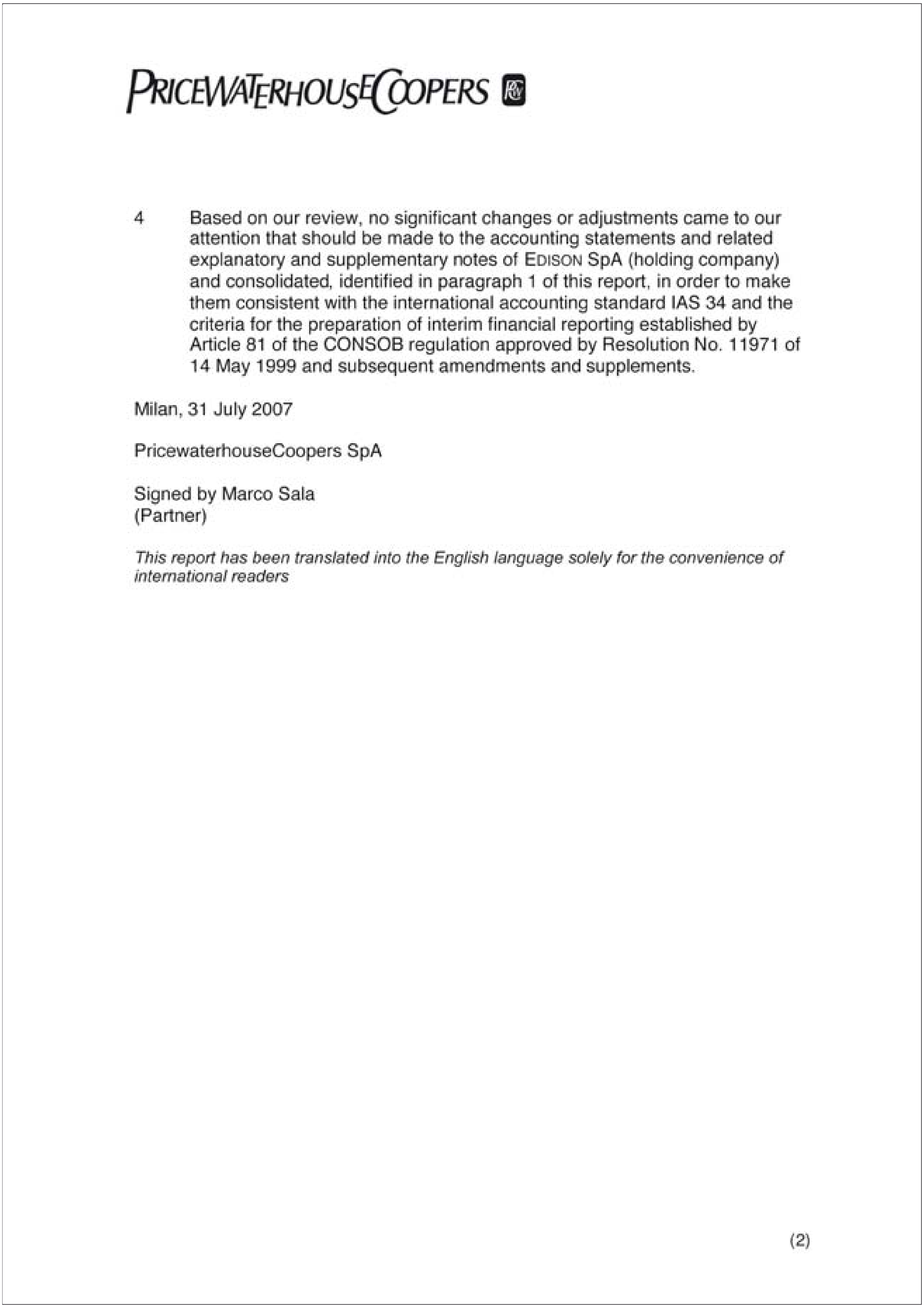

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4 Based on our review, no significant changes or adjustments came to our attention that should be made to the accounting statements and related explanatory and supplementary notes of Edison SpA (holding company) and consolidated, identified in paragraph 1 of this report, in order to make them consistent with the international accounting standard IAS 34 and the criteria for the preparation of interim financial reporting established by Article 81 of the CONSOB regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments and supplements.

Milan, 31 July 2007

PricewaterhouseCoopers SpA

Signed by Marco Sala
(Partner)

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

(2)

This document is also available on the
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