ANNUAL REPORT
2004

Consolidated Financial Statements

EDISON
ENERGY FOR A NEW HORIZON

Contents

ANNUAL REPORT

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EDISON

Edison Group
Consolidated Balance Sheet at December 31, 2004

ASSETS (in millions of euros)	See Note	Amounts due within one year **12/31/04**	Amounts due within one year 12/31/03	**12/31/04**	12/31/03
A. Receivables from stockholders				-	-
B. Fixed assets					
I. Intangibles	1				
1) Start-up and expansion costs				6	12
4) Concessions, licenses, trademarks and similar rights				285	317
5) Goodwill				19	23
-) Consolidation difference				3,354	3,588
6) Work in progress and advances				10	12
7) Other intangibles				51	65
Total				**3,725**	**4,017**
II. Property, plant and equipment	2				
1) Land and buildings				397	382
2) Plant and machinery				4,256	4,757
3) Manufacturing and distribution equipment				16	17
4) Other assets				14	16
5) Construction in progress and advances				656	383
Total				**5,339**	**5,555**
III. Financial fixed assets	3				
1) Equity investments in:					
a) Unconsolidated subsidiaries				11	8
b) Affiliated companies				936	983
d) Other companies				169	175
Total				**1,116**	**1,166**
2) Accounts receivable from:					
a) unconsolidated subsidiaries				4	9
d) outsiders				70	58
Total				**74**	**67**
3) Other securities				2	2
Total				**1,192**	**1,235**
Total fixed assets (B)				**10,256**	**10,807**

Edison Group
Consolidated Balance Sheet at December 31, 2004 (continued)

ASSETS (in millions of euros)	See Note	Amounts due after one year 12/31/04	Amounts due after one year 12/31/03	12/31/04	12/31/03
C. Current assets					
I. Inventories	4				
1) Raw materials, auxiliaries and supplies				100	50
3) Contract work in process				2,921	2,416
4) Finished goods and merchandise				266	242
5) Advances				9	62
Total				**3,296**	**2,770**
II. Accounts receivable	5	**12/31/04**	12/31/03		
1) Trade accounts receivable		5	12	1,090	1,030
2) Accounts receivable from unconsolidated subsidiaries				-	2
3) Accounts receivable from affiliated companies				93	67
4) Accounts receivable from controlling companies					
4*bis*) Due from tax authorities		370	395	585	910
4*ter*) Deferred-tax assets				33	52
5) Accounts receivable from outsiders		4	7	246	187
Total		**379**	**414**	**2,047**	**2,248**
II. Financial assets (not held as fixed assets)	6	**12/31/04**	12/31/03		
4) Other equity investments				29	27
5) Treasury stock (total par value 1 million euros)				1	1
6) Other securities				5	2
7) Loans to:					
a) unconsolidated subsidiaries				-	2
c) affiliated companies				2	15
e) other companies			6	22	36
Total			**6**	**24**	**53**
Total			**6**	**59**	**83**
IV. Liquid assets	7				
1) Bank and postal accounts				239	494
Total				**239**	**494**
Total current assets (C)				**5,641**	**5,595**
D. Accrued income and prepaid expenses	8				
1) Accrued income and prepaid expenses				73	91
2) Bond issue discount				4	3
Total accrued income and prepaid expenses				**77**	**94**
TOTAL ASSETS				**15,974**	**16,496**

Edison Group
Consolidated Balance Sheet at December 31, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY (in millions of euros)	See Note	Amounts due after one year 12/31/04	Amounts due after one year 12/31/03	12/31/04	12/31/03
A. Stockholders' equity	9				
Group interest in capital stock and reserves					
I - Capital stock				4,259	4,212
II - Additional paid-in capital				-	80
III - Reserve for inflation adjustments				-	-
IV - Statutory reserve				-	-
V - Reserves under the Bylaws				-	-
VI - Reserve for treasury stock				1	1
VII - Other reserves					
3) Reserve for public grants				4	4
4) Reserve for investments planned under Law No. 488/92				16	16
5) Consolidation reserve				1,348	1,351
Total other reserves				**1,368**	**1,371**
VIII - Retained earnings (Loss carryforward)				(371)	(595)
IX - Group interest in net income (loss)				155	144
Total Group interest in stockholders' equity				**5,412**	**5,213**
Minority interest in stockholders' equity					
- Minority interest in capital stock and reserves				450	710
- Minority interest in net income (loss)				78	90
Total minority interest in stockholders' equity				**528**	**800**
Total stockholders' equity				**5,940**	**6,013**
B. Reserves for risks and charges	10				
1) Reserve for pensions and similar obligations				1	-
2) Reserve for current and deferred taxes				248	262
3) Other reserves				972	1,112
Total reserves for risks and charges (B)				**1,221**	**1,374**
C. Reserve for employee severance indemnities	11			**64**	**62**
D. Liabilities	12				
1) Bonds		2,630	2,030	2,630	2,030
3) Loans payable to stockholders				1	1
4) Due to banks		650	965	1,295	2,454
5) Due to other lenders		67	96	106	146
6) Advances				2,931	2,299
7) Trade accounts payable		2	12	965	943
9) Accounts payable to unconsolidated subsidiaries				32	20
10) Accounts payable to affiliated companies				74	19
11) Accounts payable to controlling companies				9	2
12) Taxes payable				114	363
13) Contributions to pension and social security institutions				17	17
14) Other liabilities		40	8	431	612
Total liabilities (D)		**3,389**	**3,111**	**8,600**	**8,906**
E. Accrued expenses and deferred income	13			**149**	**141**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY				**15,974**	**16,496**

Edison Group
Consolidated Balance Sheet at December 31, 2004

MEMORANDUM ACCOUNTS (in millions of euros)	See Note	12/31/04	12/31/03
1) Guarantees provided			
a) Sureties provided on behalf of:			
- outsiders		2,057	1,319
Total		**2,057**	**1,319**
b) Other guarantees provided on behalf of:			
- outsiders		2,273	2,979
Total		**2,273**	**2,979**
Total guarantees provided		**4,330**	**4,298**
2) Collateral provided for:			
a) borrowings and other obligations of outsiders provided on behalf of outsiders		828	887
b) liabilities listed on the balance sheet		1,496	1,460
c) obligations of the Company		-	1
Total collateral provided		**2,324**	**2,348**
3) Commitments, risks and other memorandum accounts			
a) Forward contracts and derivatives			
- Off-balance-sheet transactions to hedge foreign exchange risks		255	110
- Off-balance-sheet transactions to hedge interest rate risks		2,341	1,933
Total		**2,596**	**2,043**
b) Transactions in the forward commodities markets		138	104
c) Unsecured counterguarantees provided by outsiders to guarantee obligations of Group companies		174	477
d) Other memorandum accounts			
- Purchase commitments		1,028	762
- Offset of VAT credit		6	11
- Assets of Group companies held by outsiders		438	573
- Assets of outsiders held by Group companies		38	24
- Miscellaneous memorandum accounts		2	13
Total		**1,512**	**1,383**
Total commitments, risks and other memorandum accounts		**4,420**	**4,007**
TOTAL MEMORANDUM ACCOUNTS	14	**11,074**	**10,653**

Edison Group
Consolidated Statement of Income at December 31, 2004

(in millions of euros)	See Note	2004	2003
A. Production value	15		
1) Sales and service revenues		5,696	5,426
2) Changes in inventory of work in progress, semifinished goods and finished goods		41	(12)
3) Changes in contract work in process		521	697
4) Increase in company-produced additions to fixed assets		18	9
5) Other revenues and income		280	164
Total production value (A)		**6,556**	**6,284**
B. Cost of production	16		
6) Raw materials, auxiliaries, supplies and merchandise		3,322	3,097
7) Outside services		1,405	1,391
8) Use of property not owned		49	77
9) Personnel:			
a) wages and salaries		179	208
b) social security contributions		55	62
c) provision for employee severance indemnities		11	12
e) other personnel costs		3	3
Total		**248**	**285**
10) Depreciation, amortization and writedowns:			
a) amortization of intangibles		280	293
b) depreciation of property, plant and equipment		358	387
c) writedowns of fixed assets		1	8
d) writedowns of loans included in current assets and liquid assets		20	15
Total		**659**	**703**
11) Change in inventory of raw materials, auxiliaries, supplies and merchandise		(29)	9
12) Provisions for risks		19	22
13) Other provisions		14	21
14) Miscellaneous operating costs		254	264
Total cost of production (B)		**5,941**	**5,869**
Net production value (A-B)		**615**	**415**

Edison Group
Consolidated Statement of Income at December 31, 2004 (continued)

(in millions of euros)	See Note	2004	2003
C. Financial income and expense	17		
15) Income from equity investments:			
b) dividends and other income from affiliated companies		1	4
c) dividends and other income from other companies		10	8
Total		**11**	**12**
16) Other financial income from:			
a) loans included in financial fixed assets:			
4) to outsiders		1	5
Total		**1**	**5**
c) securities included in current assets other than equity investments			1
d) other financial income from:			
2) affiliated companies		-	1
4) outsiders		141	175
Total		**141**	**176**
Total		**142**	**182**
17) Interest and other financial expense paid to:			
a) unconsolidated subsidiaries		1	-
c) controlling companies		-	6
d) outsiders		391	493
Total		**392**	**499**
17*bis*) Currency translation gains (losses)		2	(10)
Total		**2**	**(10)**
Total financial income and expense (C) (15+16-17+ -17bis)		**(237)**	**(315)**
D. Value adjustments on financial assets	18		
18) Upward adjustments of:			
a) equity investments		18	12
c) securities included in current assets other than equity investments		10	-
Total		**28**	**12**
19) Writedowns of:			
a) equity investments		31	41
Total		**31**	**41**
Total value adjustments (D) (18-19)		**(3)**	**(29)**
E. Extraordinary income and expense	19		
20) Extraordinary income:			
a) gains on disposals		59	603
b) other extraordinary income		248	856
Total		**307**	**1,459**
21) Extraordinary expense:			
a) losses on disposals		2	83
b) taxes attributable to prior fiscal years		4	47
c) other extraordinary expense		292	742
Total		**298**	**872**
Total extraordinary items (E) (20-21)		**9**	**587**
INCOME BEFORE TAXES (A–B+–C+–D+–E)		**384**	**658**
22) Current, deferred and prepaid income taxes	20	(151)	(424)
Minority interest in net income (loss)		**78**	**90**
Group interest in net income (loss)		**155**	**144**
Earnings (Loss) per share (in euros)	21		
Basic		**0.0351**	**0.0396**
Diluted		**0.0281**	**0.0327**

Cash Flow Statement (in accordance with IAS 7)

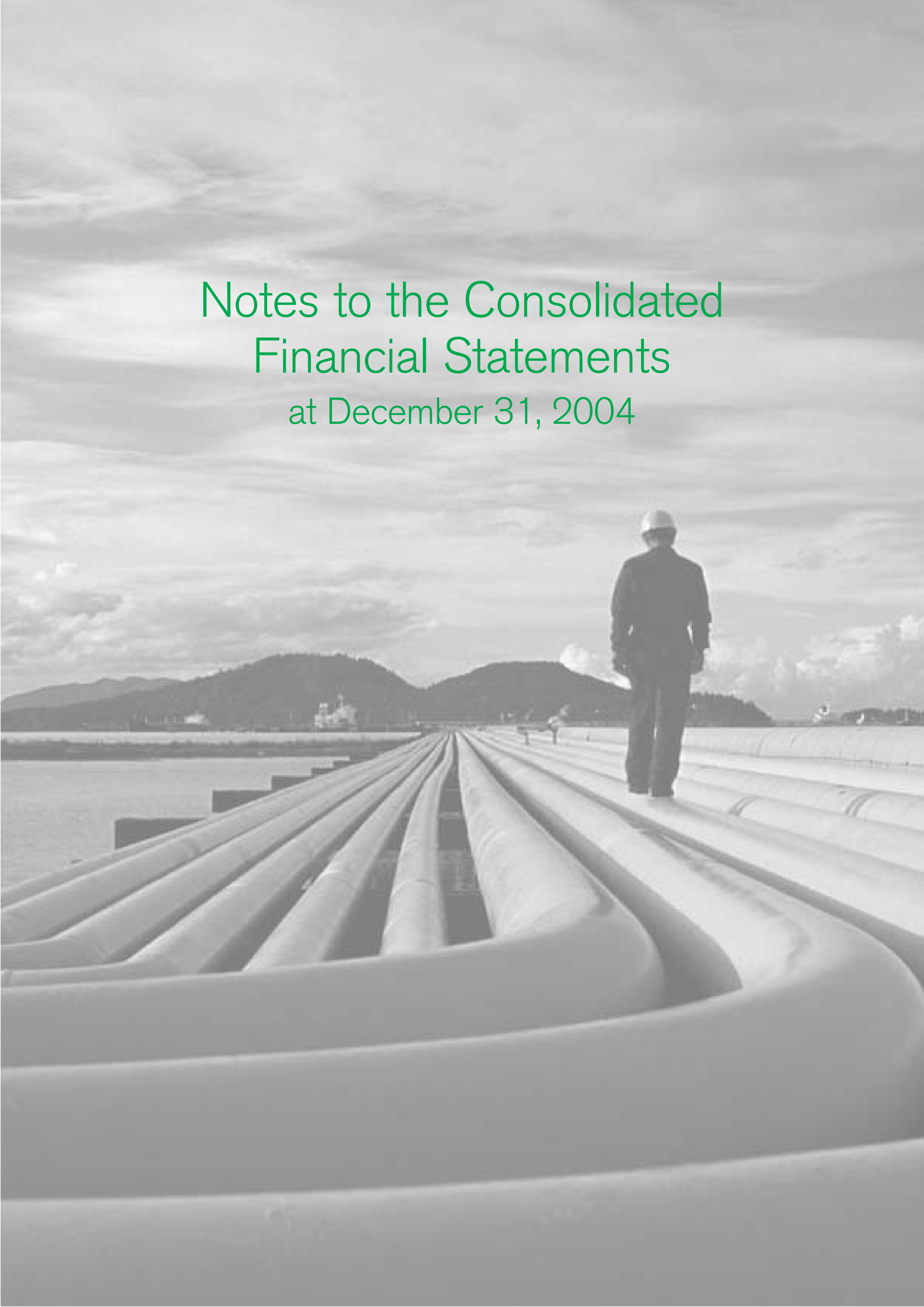
at December 31, 2004

2003	(in millions of euros)	2004
	A. Cash Flow – Operating activities	
144	Group interest in net income (loss)	155
90	Minority interest in net income (loss)	78
680	Amortization and depreciation	639
(11)	Interest in the result of companies valued by the equity method (-)	(18)
8	Dividends received from companies valued by the equity method	14
(516)	(Gains) Losses on the sale of fixed assets	(59)
123	(Upward value adjustments) Writedowns of fixed assets and other equity investments	31
(1)	Change in the reserve for employee severance indemnities	2
343	Change in working capital (excluding financial assets)	(71)
860	**Total cash flow operating activities (A)**	**771**
	B. Cash flow – Investing activities	
(419)	Additions to intangibles and property, plant and equipment (-)	(486)
(520)	Additions to financial fixed assets (-)	(204)
1,742	Proceeds from the sale of intangibles and property, plant and equipment	16
159	Proceeds from the sale of financial fixed assets	226
(33)	Net change in financial assets not held as fixed assets	24
929	**Total cash flow investing activities (B)**	**(424)**
	C. Cash flow – Financing activities	
924	Net change in long-term debt	600
614	Capital contributions provided by controlling companies or other stockholders	52
	Capital grants received during the period	
(2,872)	Redemption of debt (-)	(484)
(26)	Dividends paid to controlling companies or minority stockholders (-)	(82)
(472)	Net change in short-term debt and other changes	(698)
(1,832)	**Total cash flow-financing activities (C)**	**(612)**
(9)	**D. Change in the scope of consolidation**	**7**
(34)	**E. Net currency translation differences**	**-**
(86)	**F. Net cash flow for the period (A+B+C+D+E)**	**(258)**
601	**G. Liquid assets and equivalents at the beginning of the period**	**515**
515	**H. Liquid assets and equivalents at the end of the period (F+G)** [1]	**257**

[1] In addition to the liquid assets appearing in the consolidated balance sheet, this item includes other financial assets that can be readily converted into cash, less bank deposits tied to project financing transactions.
These other financial assets are listed below:

2003		2004
2	- Other securities (C.III.6)	5
47	- Loans receivable due within three months (C.III.7)	24
494	- Liquid assets (C. IV)	239
(28)	- Restricted bank deposits tied to project financing transactions (-)	(11)
515		**257**

Notes to the Consolidated Financial Statements
at December 31, 2004



Form and Content of the Financial Statements

The consolidated financial statements include the consolidated balance sheet, the consolidated statement of income and the respective notes. They have been prepared in accordance with current statutory provisions, as set forth in Legislative Decree No. 127/1991, and present the additional information recommended by the Consob. The valuation criteria used, which meet the requirements of articles 34 and 35 of Legislative Decree No. 127/1991, have been applied consistently with the previous fiscal year.
The consolidated balance sheet and consolidated statement of income are presented in accordance with the format provided in articles 2424 and 2425, respectively, of the Italian Civil Code. Accordingly, the individual items are identified with Arabic numerals. Items with a zero balance in 2004 and 2003 have been omitted.
The financial statements used for consolidation purposes are the latest statutory or consolidated statements of the individual companies or Sectors, approved by respective corporate governance bodies, with the adjustments required to make them consistent with Group accounting principles. For companies with fiscal years that do not coincide with the calendar year, the financial statements used were the annual financial statements approved by the respective Boards of Directors.
Unless otherwise stated, the amounts that appear in the notes to the financial statements are in millions of euros.
The consolidated financial statements have been audited by PricewaterhouseCoopers Spa in accordance with the three-year assignment (from 2002 to 2004) it had received by a resolution of the Stockholders' Meeting of June 28, 2002.

Scope of Consolidation

The consolidated financial statements include the financial statements of Edison Spa and of the companies in which Edison Spa directly or indirectly:
- holds a majority of the votes that may be cast at the Ordinary Stockholders' Meeting, as well as those of companies of which it has sufficient votes to exercise a dominant influence at the Ordinary Stockholders' Meeting;
- companies over which it exerts a dominant influence by virtue of a contract or an article of the Bylaws, when allowed by the pertinent statutes;
- companies with respect to which it independently controls the majority of the votes as a result of a stockholder agreement;
- the consolidated financial statements also include the financial statements of companies that Edison Spa controls jointly with other partners, in accordance with specific agreements. These companies are consolidated by the proportional method or by the equity method.

Companies whose size is not significant and subsidiaries that place a serious and per-

manent restriction on voting rights are not consolidated. Subsidiaries whose operations are such that their inclusion would make the consolidated financial statements no longer adequate to present clearly and fairly the true financial position, financial performance and operating performance of the Group are also not consolidated.
A list of the companies included in the scope of consolidation is provided at the end of the notes to the financial statements, together with a schedule showing the companies that were added to and removed from the scope of consolidation during the fiscal year. The most significant of these entries are reviewed in the Notes to the Financial Statements.

Principal Changes in the Scope of Consolidation Since December 31, 2003

In 2004, the Group continued the corporate streamlining process that started in 2003 merging 19 additional companies (12 consolidated line by line). These companies include:

- Iniziative Sviluppo Energie Spa (ISE), Bussi Termoelettrica Spa, Caffaro Energia Spa, Sogetel Spa Savim Srl and Vega Oil Spa, which were merged into Edison Spa;
- Arcalgas Sud Spa, La Metano Lombarda Spa and Veneta Gestione Servizi Pubblici Metano Spa, which were merged into Edison DG.

Other significant changes in the scope of consolidation are reviewed below:

a) Companies Added to the Scope of Consolidation

Hydrocarbons Operations – In September, following the sale of the Group's natural gas transmission system, Edison Stoccaggio Spa, a company that was established through the demerger of Edison T&S Spa, was removed from the scope of line-by-line consolidation. Asep Gas, a natural gas distributor in which the Group acquired an 80% interest, was added to the scope of line-by-line consolidation.
Engineering – TWS Sa, which previously was valued at cost, was added to the scope of line-by-line consolidation.

b) Companies Removed From the Scope of Consolidation

Electric Power Operations – In February 2004, Stirpex Bv, a wholly-owned subsidiary of Edison Spa, sold its 84.78% interest in Turk Edison Enerji A.S., a company that operates a cogenerating, combined-cycle thermoelectric power plant. This 60-MW facility was sold to Entek A.S., a company of the Koç Group in Turkey. This investment was deconsolidated effective January 1, 2004.
Hydrocarbons Operations – In September, following the sale of the Group's natural gas transmission system, Edison T&S Spa and Società Gasdotti del Mezzogiorno SGM Spa were removed from the scope of line-by-line consolidation, effective as of July 1, 2004.
Diversified Activities, Water – International Water (Highlands) Limited, International Water (Tay) Limited and IWL Moray Montrose Limited were sold and deconsolidated effective as of July 1, 2004.

Principles of Consolidation

The consolidated financial statements include the total amount of assets, liabilities, revenues and expenses of the companies consolidated on a line-by-line basis. For companies consolidated by the proportional method, the abovementioned items are included in proportion to the respective interest held. More specifically:

- The carrying value of equity investments in companies included in the scope of consolidation is offset against the underlying interest in the respective stockholders' equity. The carrying value of equity investments in joint ventures that are consolidated by the proportional method is offset against the corresponding interest in stockholders' equity, in accordance with the proportional method.
- Any excess in the acquisition cost of equity investments over the value of the corresponding interest in stockholders' equity at the date of acquisition is posted as an adjustment to the respective asset account, on the basis of the valuation made at the time of purchase. Any unallocated balance is posted to Consolidation difference. Any deficit is added to the Consolidation reserve for future risks and charges, if attributable to the expectation of poor operating results, or to the Consolidation reserve in other cases.
- The portion of the capital stock and reserves of subsidiaries attributable to minority stockholders is included in Minority interest in capital and reserves. The portion of the consolidated net income attributable to minority stockholders is included in Minority interest in net income.
- Receivables and payables, revenues and expenses arising from transactions between companies included in the scope of consolidation are offset against one another. Gains and losses arising from asset transactions between these companies, except for contract work in process, are eliminated.
- Gains on the transfer of equity investments in, or businesses belonging to, jointly controlled companies under equal ownership over which the Group does not exercise a dominant influence (joint ventures) are treated as realized gains and reflected in the consolidated statement of income in proportion to the interest held in the capital of the joint venture by minority stockholders. The full amount of any loss is reflected in the consolidated statement of income.

Criteria Used to Translate Financial Statements Denominated in Foreign Currencies

In translating financial statements not denominated in euros, year-end exchange rates are used to translate assets and liabilities, while the average rates for the year are applied for the conversion of income and expense items. Any differences between the net income translated at average exchange rates and at year-end rates and in the value of assets and liabilities stemming from different exchange rates at the beginning and at the end of the fiscal year are reflected in the component of Stockholders' Equity called Consolidation reserve. The following exchange rates have been used to translate into euros financial statements denominated in other currencies:

Euro exchange rates for the:	2004		2003	
	Average	Year-end	Average	Year-end
Canadian dollar	1.62	1.64	1.58	1.62
Danish krone	7.44	7.44	7.43	7.44
Hungarian forint	251.66	245.97	253.62	262.50
Japanese yen	134.44	139.65	131.071	135.05
Polish zloty	4.53	4.08	4.39	4.70
Pound sterling	0.68	0.71	0.69	0.70
Swiss franc	1.54	1.54	1.52	1.58
U.S. dollar	1.24	1.36	1.13	1.26

Valuation Criteria

Insofar as Italian law allows it, the valuation criteria used in preparing the consolidated financial statements of the Group are consistent with current statutory requirements and comply with the accounting principles of the International Accounting Standards Board (IASB)

Intangibles

Intangibles are recorded at purchase or internal production cost, including incidentals, and are amortized on a straight-line basis in accordance with the remaining useful life. When there is a permanent loss in value, intangibles are written down to their realizable value. Realizable value is the greater of the proceeds from the sale of an asset or the value generated by the asset's use. The writedown is reversed in subsequent years if the reasons for the adjustment no longer apply. More specifically:

- Start-up and expansion costs are amortized over a period not exceeding five years. Since 2001, these costs are no longer being capitalized and are written off in the year they are incurred.
- Hydrocarbon exploration costs are capitalized and written off in the year in which they are incurred. This item includes costs incurred to secure exploration permits, explore the respective areas, do exploratory drilling and conduct geological and geophysical surveys. Exploration is the reconnaissance work and detailed evaluation of a large region for the purpose of obtaining information on the basis of which exploratory drilling will be conducted. Exploratory drilling is the detailed survey of an area for the purpose of determining if it contains commercial quantities of hydrocarbons. This activity also includes the extraction of a sufficient quantity of hydrocarbons to conduct the preliminary tests necessary to determine the methods and conditions of extraction.
- Industrial patents and intellectual property rights are amortized over the length of their estimated useful lives, which cannot exceed the statutory life or the term of the underlying contract.

- Concessions, licenses, trademarks and similar rights are capitalized and amortized over the length of their estimated useful lives, which cannot exceed the term of the underlying purchase contract. When the estimated useful life of an asset cannot be determined or there is no underlying contract, they are written off over five years.
- Hydrocarbon concessions are recorded at the acquisition cost or at the cost incurred to find the respective deposits. In accordance with the unit of product method, the amortization is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the fiscal year, taking into account any significant change to reserves that occurred during the fiscal year. In addition, a test is made each year to make sure that the carrying value of these assets is not greater than their realizable value computed by discounting future cash flows, which are estimated based on future production programs and market values.
- Goodwill is booked as an asset only when it is acquired for consideration and only for an amount equivalent to the cost actually paid. It is amortized over a period not exceeding 20 years. As required under IAS 36, a test is made each year to make sure that the carrying value of basic units that generate separate cash flows, to which the goodwill can be reasonably allocated, is not greater than their realizable value, estimated taking into account company plans.
- In the preparation of consolidated financial statements, consolidation differences arise when the carrying value of investments are offset for the first time against the underlying interests in the respective stockholders' equities. Any excess which cannot be attributed to the individual assets and liabilities of the companies included in the consolidation that meet the necessary requirements is included under Consolidation difference. This asset item is then amortized over a period not exceeding 20 years. As required under IAS 36, a test is made each year to make sure that the carrying value of basic units that generate separate cash flows, to which the goodwill can be reasonably allocated, is not greater than their realizable value, estimated taking into account company plans.

Property, Plant and Equipment

Property, plant and equipment is recorded at purchase or production cost, including directly attributable costs, incidental costs and indirect costs applicable to internal production. Starting with the current year, expenses incurred to finance the manufacturing process, either internally or through contractors, are no longer capitalized. The historical cost shown in the balance sheet also includes any consolidation difference attributable to the individual assets.

The cost of fixed assets with a limited useful life is written off in the year it is incurred. The depreciation rates applied to property, plant and equipment are determined on the basis of technical and financial considerations and are applied on a straight-line basis over the estimated useful life of the assets, which is assessed on a regular basis to take into account any deterioration or loss in value. Capital equipment appurtenant to hydrocarbon production concessions is depreciated in accordance with the unit-of-product method, which is the method used to amortize the underlying hydrocarbon production

concessions. As a result, depreciation is computed on the value determined by the ratio between the quantities produced during the fiscal year and the estimated remaining available reserves at the beginning of the fiscal year. The depreciation of assets transferable at no cost is taken on a straight-line basis over the remaining term of the respective contracts or their estimated useful lives, whichever is less.
Property, plant and equipment also includes assets held under finance leases. The effect on the balance sheet, cash flow statement and statement of income of the accounting treatment used for these assets is consistent with IAS 17. This international accounting principle requires that assets acquired through financial leases be booked under property, plant and equipment, with an offsetting entry of equal amount entered among loans payable. The liability is gradually extinguished in accordance with the principal repayment schedules of the respective lease agreement. The value of the asset is depreciated on a straight-line basis, on the basis of technical and financial estimates of its useful life. In the event of a sale and leaseback, any gains earned on the disposal of the asset are deferred and amortized over the life of the lease. Losses are charged in full to income in the year the transaction is carried out.
The annual depreciation rates used by the individual sectors are provided below:

	Land and buildings		Plant and machinery		Manuf. and distrib. equipment		Other assets	
	Rate		Rate		Rate		Rate	
	min.	max.	min.	max.	min.	max.	min.	max.
Energy	2.22	7.50	2.70	14.87	5.00	14.87	5.00	25.00
Corporate	3.00	3.00	12.00	30.00	5.00	15.00	12.00	25.00
Water	2.22	7.50	2.70	14.87	5.00	14.87	5.00	25.00
Engineering	3.00	5.00	6.66	6.66	20.00	20.00	20.00	20.00

If at the end of the fiscal year the market value of an asset is significantly less than its depreciable cost, the asset is written down to its market value. When the reasons for the writedown no longer apply, the asset cost is reinstated. As required under IAS 36, a test is made each year to make sure that the carrying value of basic units that generate separate cash flows is not greater than their realizable value, estimated taking into account company plans.

Financial Fixed Assets

Fixed assets consisting of investments in unconsolidated subsidiaries and affiliated companies are valued by the equity method, i.e. an amount equal to the corresponding interest in the stockholders' equity of the respective companies, as shown in their latest available financial statements, adjusted to reflect any difference between the purchase price of the investment and the respective stockholders' equity on the date of purchase, and after making the adjustments required by the principles applied in preparing consolidated financial statements, including the amortization of any goodwill paid upon purchase.
The interest in the net income or loss of subsidiaries and affiliates obtained by applying the equity method is reflected in the statement of income under Upward adjustments on unconsolidated equity investments and Writedowns of unconsolidated

equity investments, respectively. Any foreign exchange differences are directly added to or deducted from stockholders' equity.
Other investments in subsidiaries and affiliated companies of limited value and in other companies are valued at cost, written down for any permanent loss in value. The writedowns are reversed in subsequent years if the reasons for the adjustment no longer apply.
Treasury shares are booked at cost, less any permanent loss in value.

Receivables and Payables

Receivables are carried at their estimated realizable value, obtained by deducting appropriate allowances from their face value. Trade receivables assigned with recourse within the framework of a securitization program adopted by Edison Group companies have been eliminated from the consolidated balance sheet. The deferred consideration still owed is shown under current assets as a receivable from outsiders. Payables are shown at their face value. Receivables and payables denominated in foreign currencies are adjusted to year-end exchange rates. Any resulting gains or losses compared with their original carrying value are credited or debited to the statement of income. When contracts have been executed to hedge foreign exchange risks, any gains or losses are reflected in the statement of income using an accrual period, which is consistent with the life of the hedged assets or liabilities.

Securitization Transactions

Edison Spa and some of its subsidiaries have established a securitization program, as allowed under Law No. 130/99, that involves the assignment with recourse of a portfolio of trade accounts receivable to a company called Edison Treasury Services Srl (ETS), which is not a member of the Group. ETS finances purchases of these receivables by issuing short-term asset-backed securities that are guaranteed by the abovementioned portfolio of receivables. These securities are issued through private placements sold to institutional investors. Edison receives most of the assignment proceeds up front. The remaining portion (deferred consideration) is paid out monthly, after the receivables have been actually collected and handling and interest charges have been deducted. For the Edison Group, the risk is limited to the value of the deferred consideration, which is computed as a lump-sum portion of the entire portfolio, and shown under current assets as a receivable from outsiders. Edison Spa physically collects and recovers past due receivables and is responsible for monitoring payment performance. The collection trend (performance of receivables) of each portfolio is used to determine the percentage of the portfolio that will be withheld as deferred consideration in the next assignment of receivables. On the balance sheet date, the recoverability of the deferred compensation is assessed based on the performance of the assigned receivables and a determination is made as to the need for a writedown. Interest and handling charges are recognized on an accrual basis under Interest and other financial expense.

Inventories

Inventories are valued at the lower of purchase/manufacturing cost, including incidental expenses, or estimated realizable value based on market conditions. Cost is de-

termined primarily by the FIFO method.
Contract work in process is valued on the basis of the fees accrued with reasonable certainty under the respective contracts, using the percentage of completion method. When contracts entail technical or other risks, a provision for any estimated charges is added to an appropriate reserve for risks, which is deducted directly from the value of the respective orders.

Financial Assets not Held as Fixed Assets

Financial assets not held as fixed assets are carried at the lower of cost or estimated realizable value, based on market conditions. Any writedown is reversed when the reasons for the reduction in value no longer apply.

Accruals and Deferrals

Accrued income and prepaid expenses include income attributable to the fiscal year but collectible in subsequent years, and expenses incurred prior to the end of the fiscal year but attributable to subsequent fiscal years. Accrued expenses and deferred income represent costs attributable to the fiscal year, but payable in subsequent years, and income received before the end of the fiscal year but attributable to subsequent fiscal years. These items include only expense and income items attributable to two or more years, the amount of which changes over a period of time.

Reserves for Risks and Charges

Reserves for risks and charges are established to fund quantifiable charges, the existence of which is certain or probable, but the amount or date of occurrence of which could not be determined as of the close of the fiscal year.

Reserve for Employee Severance Indemnities

The reserve for employee severance indemnities covers amounts owed to employees based on their length of service at the end of the fiscal year, determined pursuant to law, collective bargaining agreements and any supplemental company agreements in force in the countries where the consolidated companies operate. Italian companies have deducted the respective tax prepayments from their reserves for employee severance indemnities.

Memorandum Accounts

These accounts are used to record guarantees provided directly or indirectly, listing separately sureties, endorsements and other guarantees, which are booked in an amount equal to the actual value of the commitment, as well as collateral provided, which is shown in an amount equal to the carrying value of the pledged assets or rights.
The heading Commitments, risks and other memorandum accounts includes commitments for derivatives (forward currency purchases, swaps, futures, etc.) that require the exchange of principal or other assets or the differential at maturity, which are recognized at the contract settlement price. Commitments for other types of derivatives (interest rate swaps, etc.) are recognized at their notional amount. Derivatives are used for hedging purposes, not for speculation. These contracts are valued in a fashion that is consistent

with the underlying assets, liabilities and contractual commitments outstanding on the balance sheet date. When the existence of a hedging relationship cannot be proven and adequately documented, all valuation losses are recognized in earnings. Gains are recognized only when they are earned on interest rate or commodity transactions that mature within one year.

Revenues, Income, Costs, Expenses, Dividends and Grants

Revenues and income and costs and expenses are reflected in the financial statements net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of products or the provision of services.
Contract work in process is recorded on the basis of contractual fees accrued with reasonable certainty, based on the percentage of completion method. Financial income is recognized when accrued. Capital grants, which are the amounts disbursed by the Government or other public institutions pursuant to law, are booked and reflected in the statement of income in proportion to the amount of the assets to which they refer.

Income Taxes

Income taxes for the fiscal year are determined on the basis of the taxable income, computed in accordance with the laws of the countries where each consolidated company operates. The resulting liability is recognized in the balance sheet under Taxes payable. Deferred taxes are computed using as a basis the differences between the values attributed to assets and liabilities for statutory and tax purposes and taking into account items that, while not attributable to assets and liabilities, can have a deferred-tax impact (e.g. tax loss carryforward). Deferred taxes attributable to the retained earnings of subsidiaries are recognized only in anticipation of a retained earnings distribution. However, provision is made for the deferred taxes that may be owed on retained earnings of joint ventures and affiliated companies. Deferred-tax assets are determined on the basis of the tax rates in effect in the year when the respective temporary difference arises. In subsequent years, this accrual is adjusted if a different tax rate is in force at the end of each fiscal year. Deferred-tax assets and liabilities are recognized only if their future recoverability is reasonably certain and are written down to reflect any change in recoverability expectations. Taking a conservative approach, valuations of deferred-tax assets are made taking into account the length of Company plans or the length of time for which plans approved by the Company's corporate governance bodies that provide a reasonable expectation of recoverability are available.
Deferred-tax liabilities are recognized only when they stem from taxable temporary differences that give rise to an actual tax liability.
Deferred-tax assets and liabilities are offset only when they are attributable to the same taxpayer, and the taxpayer has the right to make such offsets for tax purposes. The resulting amount is posted to the Reserve for current and deferred taxes, if it is a liability. If the opposite is true, it is posted to an asset account called Deferred-tax assets.

NOTES TO THE BALANCE SHEET

ASSETS

1. Intangibles

Intangibles totaled 3,725 million euros. The decrease of 292 million euros compared with December 31, 2003 is due almost entirely to amortization (280 million euros) and writedowns (38 million euros), which more than offset investments. Investments consist mainly of hydrocarbon research and exploration costs (25 million euros).

The table below provides a breakdown of this item and shows the changes that occurred in 2004:

	B.1) Start-up and expansion costs	B.2) Research, development and advertising expenses	B.4) Concessions, licenses, trade-marks and similar rights	B.5) Goodwill	B.5) Consoli-dation difference	B.6) Work in-progress and advances	B.7) Other intan-gibles	Total
Balance at 12/31/03 (A)	**12**	**0**	**317**	**23**	**3,588**	**12**	**65**	**4,017**
Changes in 2004:								
- Additions	-	25	1	-	-	4	2	32
- Disposals (-)	-	-	-	-	-	-	(1)	(1)
- Writedowns (-)	-	-	(7)	-	(30)	-	(1)	(38)
- Amortization (-)	(6)	(25)	(30)	(5)	(202)	-	(12)	(280)
- Change in the scope of consolidation	-	-	-	-	(2)	-	-	(2)
- Other changes	-	-	4	1	-	(6)	(2)	(3)
Total changes (B)	(6)	0	(32)	(4)	(234)	(2)	(14)	(292)
Balance at 12/31/04 (A+B)	**6**	**0**	**285**	**19**	**3,354**	**10**	**51**	**3,725**
Breakdown:								
- Historical cost	82	420	590	39	4,071	10	154	5,366
- Writedowns (-)	-	(19)	(76)	-	(91)	-	-	(187)
- Amortization (-)	(76)	(401)	(229)	(20)	(626)	-	(102)	(1,454)
- Net carrying value	**6**	**0**	**285**	**19**	**3,354**	**10**	**51**	**3,725**

Intangibles include the following items:

Start-up and Expansion Costs

Start-up and expansion costs (6 million euros) include primarily costs incurred in connection with capital increases, to start up facilities, capitalized expansion costs and the cost of business development studies for the energy operations. As required under Group accounting principles, the Group stopped capitalizing these costs in 2001. The current balance represents the unamortized portion still outstanding.

Research, Development and Advertising Expenses

This item includes primarily hydrocarbon research costs, which are written off entirely in the year they are incurred. The costs incurred in 2004 totaled 25 million euros.

Concessions, Licenses, Trademarks and Similar Rights

This item, which totaled 285 million euros, consists primarily of concessions for the production of hydrocarbons (275 million euros) and includes 226 million euros in consolidation difference allocated to these assets in 2001. This item was written down by 7 million euros in 2004, when it was determined the value of some hydrocarbon deposits could no longer be recovered in full.

Goodwill

Goodwill of 19 million euros refers almost entirely to the former Caffaro Energia Srl, which was booked in connection with acquisitions completed in previous years. The amortization for the period totaled 5 million euros.

Consolidation Difference

The consolidation difference totaled 3,354 million euros, compared with 3,588 million euros at December 31, 2003. The decrease of 234 million euros was caused by the amortization for the period (202 million euros), writedowns (30 million euros) and the deconsolidation of certain companies of the IWH Group (2 million euros).

In order to provide more complete disclosure, the table below shows changes in the consolidation difference amounts still allocated to the consolidated assets.

The balance at June 30, 2004 includes 4,084 million euros in consolidation difference recognized by the new Edison (formerly Italenergia Spa) as a result of the acquisitions of 96.9% of Montedison, 34% of Edison and 100% of Fiat Energia in 2001. The consolidation difference recognized at that time, amounting to 7,151 million euros, was allocated part to the Group's core businesses (based on the opinion of independent experts) and part to the divested operations, taking into account the latent tax liability that arises because such items are not tax deductible.

For the sake of greater clarity, the table below, which shows in detail the allocation of the entire consolidation difference (referred to below as goodwill), including the difference generated by the acquisitions mentioned above, lists separately the amounts generated by the Italenergia acquisition and the preexisting balances.

	2004 Group interest	2004 Minority interest	2004 Total	2003 Group interest	2003 Minority interest	2003 Total
Total goodwill	**5,198**	**341**	**5,539**	**6,277**	**363**	**6,640**
Portion attributable to Italenergia (*)	4,175	341	4,516	5,160	363	5,523
Changes:						
- Divestitures	-	-	-	(627)	-	(627)
- Amortization	(314)	(13)	(327)	(323)	(22)	(345)
- Writedowns	(41)	(2)	(43)	(79)	-	(79)
- Other changes and differences in scope of consolidation	95	(217)	(122)	(50)	-	(50)
Net goodwill	**4,938**	**109**	**5,047**	**5,198**	**341**	**5,539**
Portion attributable to Italenergia	3,975	109	4,084	4,175	341	4,516
Breakdown:						
-Allocated to fixed assets	1,584	109	1,693	1,610	341	1,951
- Consolidation difference allocated to the energy operations	3,353	-	3,353	3,585	-	3,585
- Consolidation difference allocated to diversified activities	1	-	1	3	-	3

(*) Goodwill generated upon the initial consolidation of the investments in Montedison, Edison and Fiat Energia by Italenergia (now Edison).

A breakdown of the consolidation difference by type of business is as follows:

	12/31/04	12/31/03
Energy:	3,353	3,585
- Electric Power operations	2,881	3,073
- Hydrocarbons operations	472	512
Discontinuing operations	1	3
Edison Group	**3,354**	**3,588**

The consolidation difference generated by the Italenergia acquisition that was allocated to the electric power and hydrocarbons operations amounted to 2,039 million euros and 352 million euros, respectively.

Other Intangible Assets

The main components of the balance of 51 million euros include contributions paid as consideration for commitments to build the substations needed to allow direct grid feed of the power generated by the Taranto CET 3 power plant (12 million euros), a fee for the pipeline that delivers natural gas to the power plant (9 million euros) and costs incurred to develop application software, which account for the balance.

Impairment test of the value of intangibles and property, plant and equipment

The value of the consolidation difference, which is recognized for an amount equal to the cost incurred and includes the difference upon first consolidation that was not allocated to specific assets, is amortized over the period during which it is expected to produce economic benefits, but not more than 20 years. The carrying value is reviewed annually by an independent appraiser to make sure that it is not greater than the estimated recoverable value (either value in use or realizable value), taking into account corporate plans. The same valuation test is applied to all intangibles and property, plant and equipment items that entail the risk of impairment. The test conducted in 2004 required writedowns of 45 million euros, including 20 million euros for hydrocarbon deposits that are expected to produce lower benefits than originally anticipated and 25 million euros for electric production assets. The total writedowns booked in 2004 also include deductions from the consolidation difference (30 million euros), plant and machinery (8 million euros) and hydrocarbon concessions (7 million euros).

2. Property, Plant and Equipment

Property, plant and equipment totaled 5,339 million euros, or 216 million euros less than at December 31, 2003, as the net result of a change in the scope of consolidation (286 million euros) and the amortization for the period (358 million euros), offset in part by new investments (454 million euros).

A breakdown of the changes that occurred in 2004 is shown in the table below:

	B.1) Land and buildings	B.2) Plant and machinery	B.3) Manufact. and distrib. equipment	B.4) Other assets	B.5) Construction in progress and advances	Total
Balance at 12/31/03 (A)	**382**	**4,757**	**17**	**16**	**383**	**5,555**
Changes in 2004:						
- Additions	14	54	3	5	378	454
- Disposals (-)	(1)	(12)	-	-	(2)	(15)
- Writedowns (-)	-	(8)	-	-	-	(8)
- Depreciation (-)	(21)	(330)	(3)	(4)	-	(358)
- Change in scope of consol.	(1)	(281)	2	(3)	(3)	(286)
- Other changes	24	76	(3)	-	(100)	(3)
Total changes (B)	15	(501)	(1)	(2)	273	(216)
Balance at 12/31/04 (A+B)	**397**	**4,256**	**16**	**14**	**656**	**5,339**
Breakdown:						
- Historical cost	560	6,965	43	45	659	8,272
- Upward adjustments	17	80	-	-	-	97
- Writedowns (-)	(5)	(121)	-	-	(3)	(129)
- Accumulated depreciation (-)	(175)	(2,668)	(27)	(31)	-	(2,901)
Net carrying value	**397**	**4,256**	**16**	**14**	**656**	**5,339**

Additions do not include capitalized financial expense.

Additions, which totaled 454 million euros are the result of the following capital expenditures:

- The investments of the electric power operations, which totaled 381 million euros, were primarily used for the construction of new thermoelectric power plants in Altomonte (CS) (131 million euros), Torviscosa (UD) (85 million euros), Candela (FG) (83 million euros) and Simeri Crichi (CZ) (6 million euros). Additional resources were used to increase by about 40 MW the installed capacity of the Group's wind farms (18 million euros), repower the Sesto San Giovanni cogenerating power plant (4 million euros) and carry out the usual incremental maintenance activities at the Marlengo, Mezzocorona and Taio power plants.

- The hydrocarbons operations invested 60 million euros. Investments in Italy included 7 million euros to expand the Collalto gas storage facility, 6 million euros to complete the Naiade platform in the Adriatic and 2 million euros to develop the Regina and Montegranaro offshore fields. Investments outside Italy focused on the Rosetta concession in Egypt (13 million euros).

Depreciation included 313 million euros for the electric power operations, 39 million euros for the hydrocarbons operations and 6 million euros for other operations.

The negative **change in the scope of consolidation**, which amounted to 286 million euros, reflects the deconsolidation of Edison T&S Spa and SGM Spa following the divestiture of the natural gas transmission network (127 million euros), the sale of Turk Edison Enerji Sa in Turkey (51 million euros) and a decrease of the portion of the consolidation difference allocated to the facilities of ISE Spa (113 million euros) following the acquisition by Edison Spa of a 55% interest in this subsidiary. The inclusion of new companies in the scope of consolidation added 5 million euros.

The net carrying value of property, plant and equipment at December 31, 2004 includes assets transferable at no cost valued at 418 million euros, compared with 454 million euros at the end of 2003. This decrease reflects the depreciation booked in 2004.

Assets transferable at no cost	Historical cost	Depreciation and writedowns	Carrying value **12/31/04**	Carrying value 12/31/03
Buildings and other assets	4	(1)	3	3
Plant and machinery	891	(476)	415	451
Total	**895**	**(477)**	**418**	**454**

Property, plant and equipment includes lease asset acquired under finance leases totaling 260 million euros (274 million euros at December 31, 2003), which are recognized in accordance with the IAS 17 (revised) method. The balance outstanding on these leases, which is shown under Due to other lenders, amounts to 61 million euros. Moreover, the finance lease for the building at 31 Foro Buonaparte 31, which currently houses the headquarters of Edison Spa expired on December 31, 2004. The Company bought back this property, which is now listed on the balance sheet under Buildings and is valued at 39 million euros.

Assets under finance leases	Historical cost	Depreciation and writedowns	Carrying value **12/31/04**	Carrying value 12/31/03
Land and buildings	65	(14)	49	56
Plant and machinery	245	(47)	188	203
Total	**310**	**(61)**	**237**	**259**

3. Financial Fixed Assets

1) Equity Investments

At December 31, 2004, equity investments amounted to 1,116 million euros, a decrease of 50 million euros from the balance at the end of 2003.
The following changes occurred in 2004:

	a) Subsidiaries	b) Affiliated cos.	c) Other cos.	Total
Balance at 12/31/03 (A)	**8**	**983**	**175**	**1,166**
Changes in 2004:				
- Additions	-	-	2	2
- Disposals (-)	-	(66)	-	(66)
- Changes in capital stock	6	12	8	26
- Upward adjustments	-	17	-	17
- Dividends and reversals of upward adjustments (-)	-	(5)	-	(5)
- Writedowns (-)	(3)	(3)	(18)	(24)
- Coverage of losses	-	-	-	-
- Change in the scope of consolidation	6	-	-	6
- Currency translation differences and other changes	(6)	(2)	2	(6)
Total changes (B)	**3**	**(47)**	**(6)**	**(50)**
Balance at 12/31/04 (A+B)	**11**	**936**	**169**	**1,116**
Breakdown:				
- Historical cost	145	953	317	1,415
- Upward adjustments	-	38	-	38
- Writedowns (-)	(134)	(55)	(148)	(337)
Net carrying value	**11**	**936**	**169**	**1,116**

The main changes that occurred in 2004 include the following:

- **Disposals** of 66 million euros include the sale of the Açucar Guarani Sa affiliate for 36 million euros and the divestitures of Monteshell Bitumi, Aquila Spa and Silone Srl for an aggregate amount of 27 million euros. These transactions had no impact on the statement of income.
- The **changes in capital stock**, which totaled 26 million euros, include statutory recapitalizations of companies operating at a loss (mainly Silone Srl for 5 million euros, Aquila Spa for 6 million euros and Nuova Cisa Spa for 4 million euros) and advances on future capital contributions, the largest of which (8 million euros) went to IPSE 2000.
- **Upward adjustments** of 17 million euros refer mainly to companies valued by the equity method. The largest of these adjustments (7 million euros) refers to the Edipower Spa affiliate.
- **Writedowns** totaled 24 million euros. They were booked mainly to adjust the carrying values of these investments to the corresponding pro rata interest in the underlying stockholders' equity. The largest writedown (16 million euros) concerns the investment in IPSE Spa. It was offset in part by utilizing existing reserves for risks and charges and the balance (8 million euros) was charged against the reserve for dormant companies and companies in liquidation.

2) Long-term Loans

Long-term loans receivable totaled 74 million euros. This amount includes 52 million euros in loans provided to IPSE 2000 Spa and 17 million euros in loans to engineering joint ventures. In view of the limited expectations of recovery, the loan to IPSE 2000 Spa and commitments to future financing to this affiliate are covered by a reserve of of the same amount.

A breakdown of long-term loans is as follows:

	a) Unconsolidated subsidiaries	b) Affiliated companies	c) Other companies	Total
Balance at 12/31/03 (A)	**9**	**-**	**58**	**67**
Changes in 2004:				
- New loans	1	-	20	21
- Repayments (-)	-	-	(7)	(7)
- Writedowns (-)	-	-	-	-
- Reversals of writedowns	-	-	-	-
- Other changes	(6)	-	(1)	(7)
Total changes (B)	(5)	-	12	7
Balance at 12/31/04 (A+B)	**4**	**-**	**70**	**74**

At December 31, 2004 there were no loans due in more than five years.

3) Other Securities

Other securities totaled 2 million euros, the same as in 2003. They represent securities that are held as long-term investments pursuant to commitments provided to liquidated companies.

Current Assets

The table below provides a breakdown of current assets, which totaled 5,641 million euros, or 46 million euros more than at December 31, 2003.

		12/31/04	12/31/03	Change
C.I)	Inventories	3,296	2,770	526
C.II)	Accounts receivable	2,047	2,248	(201)
C.III)	Financial assets not held as fixed assets	59	83	(24)
C.IV)	Liquid assets	239	494	(255)
Total		**5,641**	**5,595**	**46**

The amounts and the items listed in the table are discussed on the following pages.

4. Inventories

Inventories, which are shown net of the reserve for inventory writedowns, amounted to 3,296 million euros. A breakdown is as follows:

	12/31/04	12/31/03	Change
1) Raw materials, auxiliaries and supplies	100	50	50
3) Contract work in process	2,921	2,416	505
4) Finished goods and merchandise	266	242	24
5) Advances	9	62	(53)
Total	**3,296**	**2,770**	**526**

Contract work in process of the engineering operations represents the lion's share of this item and accounts for most of the increase (526 million euros) compared with 2003.

5. Accounts Receivable

Accounts receivable totaled 2,047 million euros. A breakdown is as follows:

		12/31/04	12/31/03	Change
C.1)	Trade accounts receivable	1,090	1,030	60
C.2)	Accounts receivable from unconsolidated subsidiaries	-	2	(2)
C.3)	Accounts receivable from affiliated companies	93	67	26
C.4 *bis*)	Due from the tax authorities	585	910	(325)
C.4 *ter*)	Deferred-tax assets	33	52	(19)
C.5)	Accounts receivable from outsiders	246	187	59
Total accounts receivable		**2,047**	**2,248**	**(201)**
Gross value of trade and other receivables		2,062	2,251	(189)
Reserve for writedowns of trade and other receivables		(48)	(55)	7
Net carrying value at 12/31/04		2,014	2,196	(182)

The table below provides a breakdown of accounts receivable by type and maturity. It does not include deferred-tax assets:

	12/31/04	12/31/03	Change
Accounts receivable due within one year	1,635	1,782	(147)
Broken down as follows:			
- Trade receivables	1,178	1,083	95
- Due from the tax authorities	215	515	(300)
- Other receivables	242	184	58
Accounts receivable due after one year	379	414	(35)
Broken down as follows:			
- Trade receivables	5	12	(7)
- Due from the tax authorities	370	395	(25)
- Other receivables	4	7	(3)
Total	**2,014**	**2,196**	**(182)**
Accounts receivable due after five years	-	-	

The main components of this account are reviewed below:

- A breakdown of **trade accounts receivable** totaling 1,183 million euros is as follows: electric power operations 709 million euros, hydrocarbons operations 294 million euros, engineering operations 160 million euros and water operations 14 million euros. Corporate activities account for the balance.
- The **amount due from tax authorities** (585 million euros, 370 million euros of which is due after one year) includes accrued interest through December 31, 2004. It reflects overpayments of 473 million euros for direct taxes, 82 million euros for indirect taxes and 30 million euros for other taxes. The significant reduction compared with 2003 (325 million euros) reflects primarily the transfer of tax credits to Group companies and is offset by a corresponding reduction in taxes payable.
- **Deferred-tax assets** of 33 million euros reflect a tax loss carryforward of 16 million euros and reserves for risks booked for tax purposes totaling 10 million euros.
- The main components of **accounts receivable from outsiders** of 246 million euros include amounts owed by partners and associates in hydrocarbon exploration projects (50 million euros), amounts owed by joint venture partners in engineering projects (31 million euros), and deferred consideration (DPP) receivable in connection with securitization transactions (50 million euros).

Securitization Transactions Pursuant to Law No. 130/99

The turnover of assigned receivables amounted to 1,827 million euros in 2004. Outstanding assigned receivables totaled 66 million euros. The deferred portion of assigned receivables (DPP) recognized in the financial statements under accounts receivable from outsiders amounted to 50 million euros. Consequently, the securitization transaction generated a financial benefit of about 16 million euros in 2004 (outstanding amount less DPP). The value of the deferred portion of assigned receivables (DPP) has been written down by 1 million euros to reflect estimated realizable value.

6. Financial Assets (Not Held as Fixed Assets)

A breakdown of this item, which totaled 59 million euros, is provided below.

		12/31/04	12/31/03	Change
C.III.4)	Equity investments not held as fixed assets	29	27	2
C.III.5)	Treasury shares	1	1	-
C.III. 6)	Other securities	5	2	3
C.III 7)	Loans receivable from:			
-	unconsolidated subsidiaries	-	2	(2)
-	affiliated companies	2	15	(13)
-	other companies	22	36	(14)
Total financial assets		**59**	**83**	**(24)**

All of the items reviewed above, with the exception of equity investments not held as fixed assets and treasury shares, are included in the computation of the net financial position.

Equity Investments Not Held as Fixed Assets

Equity investments not held as fixed assets totaled 29 million euros. They consist mainly of investments in publicly traded companies, the largest investments being those in AMGA Spa (14 million euros), ACEA Spa (3 million euros), ACEGAS Spa (7 million euros) and ACSM Spa (4 million euros). Marking to market these investments, which required reversing writedowns booked in 2003, produced a gain of 10 million euros. The value of the investments in Fondiaria SAI Spa warrants and a portion of the Acea Spa shares was adjusted upward in 2004, generating a gain of 2 million euros. The carrying value of the securities discussed above is equal to their market value on the balance sheet date.

Loans receivable

Loans receivable from other companies totaled 22 million euros. Most of these loans are owed to the engineering operations. There are no loans due after five years.

7. Liquid Assets

Liquid assets totaled 239 million euros, or 255 million euros less than at December 31, 2003. They consist almost exclusively of short-term bank deposits.
The account balance listed above includes about 11 million euros in restricted bank deposits tied to project financing transactions.

8. Accrued Income and Prepaid Expenses

Accrued income and prepaid expenses totaled 77 million euros. The main components of this item are:

- **Financial accrued income and prepaid expenses** of 32 million euros almost entirely related to derivatives that hedge interest risks on outstanding debt securities.
- **Trade and other accrued income and prepaid expenses** of 41 million euros, which includes 14 million euros for prepaid insurance and 4 million euros for hydroelectric license fees.
- **Bond issue discounts** of 4 million euros.

Analysis of Receivables and Payables by Geographic region

A breakdown of receivables and payables by geographic region is as follows:

	Long-term loans receivable	Receivables included in current assets	Short-term loans receivable	Total Receivables at **12/31/04**	Loans payable	Trade and other payables	Total Payables at **12/31/04**
Italy	57	1,707	8	1,722	2,184	1,490	3,674
France	17	74	9	100	5	60	65
Luxembourg	-	-	-	0	1,800	20	1,820
Other euro-zone countries	-	41	-	41	-	374	374
Total euro-zone countries	**74**	**1,822**	**17**	**1,913**	**3,889**	**1,944**	**5,924**
Other EU countries	-	37	-	37	-	236	236
Eastern Europe	-	8	7	15	-	18	18
Asia	-	82	-	82	-	1,639	1,639
Other countries	-	65	-	65	73	701	774
Total	**74**	**2,014**	**24**	**2,112**	**4,062**	**4,538**	**8,600**

LIABILITIES AND STOCKHOLDERS' EQUITY

9. Stockholders' Equity

The Group interest in stockholders' equity amounted to 5,412 million euros, or 199 million euros more than at December 31, 2003. The table below shows a breakdown of this item and the changes to its components.

	Capital stock	Additional paid-in capital	Reserve for treasury stock	Reserve for stockholder advances on future cap. incr.	Reserve for public grants	Surplus upon merger	Reserve for investm. planned under Law No. 488/92	Consolidation reserve	Retained earnings (Loss carry-forward)	Group interest in net income (loss) for the year	Group interest in stock-holders' equity
Balance at December 31, 2002	**2,095**	**81**	**1**	**1,503**	**4**			**1,489**		**(697)**	**4,476**
Appropriation of the 2002 result								(102)	(595)	697	
Impact of the mergers of Edison Termoelettrica Spa, Edison Gas Spa, Termica Narni, Espec, Montecatini						15		(15)			
Contributory capital increase	2,095			(1,503)							592
Capital increase due to warrant conversions	22										22
Difference from translation of financial statements in foreign currencies and other items								(21)			(21)
Reclassifications		(1)				(15)	16				
Group interest in 2003 net income										144	144
Balance at December 31, 2003	**4,212**	**80**	**1**	**-**	**4**	**-**	**16**	**1,351**	**(595)**	**144**	**5,213**
Appropriation of the 2003 result		(80)							224	(144)	
Capital increase due to warrant conversions	47										47
Difference from translation of financial statements in foreign currencies and other items								(3)			(3)
Reclassifications											
Group interest in 2004 net income										155	155
Balance at December 31, 2004	**4,259**	**-**	**1**	**-**	**4**	**-**	**16**	**1,348**	**(371)**	**155**	**5,412**

The amounts listed for Capital stock, Additional paid-in capital, Reserve for public grants, Surplus upon merger, Reserve for investments planned under Law No. 488/92 and Retained earnings (Loss carryforward) are the same as the amounts shown for the corresponding items in the financial statements of Edison Spa, the Group's Parent Company.

A breakdown at December 31, 2004 of the capital stock totaling 4,259 million euros, which consists of shares with a par value of 1 euro each, all with regular dividend ranking, is as follows:

Share class	Number of shares	Millions of euros
Common shares	4,148,295,546	4,148
Nonconvertible savings shares	110,592,420	111
Total shares	**4,258,887,966**	**4,259**

The capital stock increased by 47 million euros during 2004, as 46,808,705 shares were issued in connection with the exercise of an equal number of warrants. A total of 1,025,610,224 warrants were outstanding at December 31, 2004. Each warrant can be exercised, between September 2003 and December 2007, to subscribe one new share at a price of 1 euro per share.

Reconciliation of the Net Income of Edison Spa and Group Interest in Net Income

	2004	2003
Net income of Edison Spa	**312**	**144**
• Intra-Group dividends eliminated in the consolidated financial statements	(363)	(861)
• Results of subsidiaries not shown in the financial statements of Edison Spa, as the carrying value of the investments is lower than the corresponding interest in the underlying stockholders' equity or has been determined with different valuation criteria	21	7
• Net income (loss) of subsidiaries not reflected in the financial statements of Edison Spa	324	234
• Effect of the different carrying value attributed to divested assets in the consolidated financial statements	(3)	655
• Reversal of eliminations of items booked exclusively for tax purposes	(69)	-
• Other consolidation adjustments	(67)	(35)
Group interest in net income	**155**	**144**

Reconciliation of the Stockholders' Equity of Edison Spa and Group Interest in Stockholders' Equity

	12/31/04	12/31/03
Stockholders' Equity of Edison Spa	**4,220**	**3,861**
• Elimination of carrying values of investments consolidated in the financial statements of Edison Spa	(1,726)	(2,024)
• Entries to record the stockholders' equities of companies consolidated by Edison Spa	2,871	3,350
• Valuation by the equity method of the investments held by Edison Spa	17	6
• Other consolidation adjustments	30	20
Group interest in consolidated stockholders' equity	**5,412**	**5,213**

Minority Interest in Stockholders' Equity

Minority interest in stockholders' equity decreased to 528 million euros (800 million euros at December 31, 2003) due to the following changes:

	Minority interest in capital and reserves	Minority interest in net income (loss)	Minority interest in stockholders' equity
Balance at 12/31/02	**584**	**160**	**744**
Appropriation of net income (loss)	134	(160)	(26)
Change in the scope of consolidation	(8)		(8)
2003 net income (loss)		90	90
Balance at 12/31/03	**710**	**90**	**800**
Appropriation of net income (loss)	8	(90)	(82)
Change in the scope of consolidation	(273)	-	(273)
Other changes	5		5
2004 net income (loss)	-	78	78
Balance at 12/31/04	**450**	**78**	**528**

The change in the scope of consolidation reflects the purchases of 55% of ISE (258 million euros) and 3.32% of Serene (6 million euros) by Edison Spa and, for the balance, the deconsolidation of divested companies. Other changes include a capital stock contribution by minority stockholders of Termica Celano.

10. Reserves for Risks and Charges

The reserves for risks and charges, which are established to cover contingent liabilities, totaled 1,221 million euros at December 31, 2004, a decrease of 153 million euros compared with 2003. The table below provides a breakdown of these reserves and shows the changes that occurred in 2004.

	B.1) Reserve for pension and similar obligations	B.2) Reserve for taxes, including deferred taxes	B.3) Other reserves	Total
Balance at 12/31/03 (A)	**-**	**262**	**1,112**	**1,374**
Changes in 2004:				
- Provisions (+)	-	23	118	141
- Utilizations (-)	-	(19)	(267)	(286)
- Changes in the scope of consolidation (±)	-	(7)	-	(7)
- Other changes	1	(11)	9	(2)
Total changes (B)	**1**	**(14)**	**(140)**	**(153)**
Balance at 12/31/04 (A+B)	**1**	**248**	**972**	**1,221**

The main components of this account are reviewed below:

B.2) Reserve for Current and Deferred Taxes

The balance of 248 million euros at December 31, 2004 includes deferred taxes totaling 203 million euros and 45 million euros set aside for disputed tax items.

The **Reserve for disputed tax items**, which decreased by 6 million euros due mainly to the settlement of certain disputes, provides coverage for future charges that may arise in connection with disputes involving direct and indirect taxes.

The Reserve for deferred taxes refers to consolidated companies with deferred-tax liabilities that are greater than their deferred-tax assets. The following table shows a breakdown of this reserve by type of underlying temporary difference.

	12/31/04	12/31/03	Change
Deferred-tax liabilities			
- Accelerated or supplemental depreciation and amortization	159	168	(9)
- Gains with deferred taxation	1	1	-
- Impact of the finance lease accounting principle (IAS 17)	61	49	12
- Other	8	8	-
Total deferred-tax liabilities (A)	**229**	**226**	**3**
Deferred-tax assets			
- Taxed reserves	17	3	14
- Tax loss carryforward	5	-	5
- Other	4	12	(8)
Total deferred-tax assets (B)	**26**	**15**	**11**
Reserve for deferred taxes (A-B)	**203**	**211**	**(8)**

B.3) Other Reserves for Risks and Charges

Other reserves decreased to 972 million euros, or 140 million euros less than at December 31, 2003.

Provisions of 118 million euros included:

- 32 million euros booked for contingent liabilities under guarantees provided in connection with the sale of certain businesses;
- 18 million euros booked to writedown certain Company buildings to their realizable value;
- 15 million euros added to the Reserve for risks on equity investments, 5 million euros of which refer to IWH;
- 11 million euros added to the Reserves for closures of mineral properties, which cover the cost of removing equipment and capping production wells at the end of their useful life;
- 10 million euros booked to cover future environmental remediation costs at certain industrial sites;
- 8 million euros added to certain reserves as inflation adjustments;
- additional provisions booked to cover other contingent risks account for the balance.

Utilizations of 267 million euros included:

- 91 million euros drawn from the reserve for the Porto Marghera dispute, which were used to offset environmental remediation costs;
- 39 million euros used in connection with the settlement of several disputes, the largest of which refer to the Val di Stava and Val Martello events;

- 37 million euros drawn from a reserve for a tax dispute involving the 1997 tax return of Finel Spa, which was closed out when the Milan Provincial Tax Commission ruled favorably on the appeal filed by the Company;
- 26 million euros drawn from reserves established in connection with companies that were sold or liquidated, which include Aquila Spa (18 million euros), Sogene Spa (4 million euros) and Aifa Holding Sa (2 million euros);
- 16 million euros drawn from the reserve for risks established for IPSE 2000 Spa;
- 10 million euros in utilizations for charges under contractual guarantees on the sale of companies, upon the expiration of the guarantees.

The table below provides a breakdown, with the respective changes, of other reserves for risks and charges:

	12/31/03	Provisions	Utilizations	Other changes	**12/31/04**
Risk for contractual disputes	209	8	(39)	-	178
Charges for contractual guarantees on the sale of equity investments	299	32	(10)	-	321
Charges for closures of mineral properties	91	11	-	-	102
Risks on equity investments	28	15	(26)	4	21
Asset writedowns	18	18	-	(3)	33
Other risks and charges	467	36	(192)	6	317
Total	**1,112**	**120**	**(267)**	**7**	**972**

The largest components of this item are reviewed below:
- Charges for contractual guarantees on the sale of equity investments include reserves set aside in the current year and in previous years in connection with asset divestitures;
- Other risks and charges includes a reserve of 181 million euros established in connection with environmental remediation projects at the Venice/Porto Marghera facility;
- Risks for contractual disputes include 117 million euros set aside for the arbitration of the Enimont dispute with Eni-Enichem.

Additional information about the developments that support the current make up of the Reserves for risks is provided on the section of the Report on Operations that deals with the status of legal disputes.

11. Reserve for Employee Severance Indemnities

This reserve, which reflects the accrued liabilities owed to employees at December 31, 2004, amounted to 64 million euros, or 2 million euros more than at the beginning of the year. The changes for the period, which include 2 million euros from the deconsolidation of businesses divested in 2004, are summarized in the table below:

	12/31/04	12/31/03
Balance at 1/1/04	**62**	**76**
Changes in 2004:		
- provisions	11	12
- utilizations (-)	(8)	(11)
- change in the scope of consolidation (±)	(1)	(15)
Total changes	**2**	**(14)**
Total	**64**	**62**

At December 31, 2004, the companies of the Group that are consolidated line by line had 3,857 employees, or 113 less than at the end of 2003.

A breakdown of the Group's payroll by type of business is as follows:

	2004	2003	Change
Electric Power operations	1,317	1,328	(11)
Hydrocarbons operations	416	463	(47)
Corporate activities	539	551	(12)
Total core businesses	2,272	2,342	(70)
Water	7	18	(11)
Engineering	1,578	1,610	(32)
Total	**3,857**	**3,970**	**(113)**

A breakdown of the Group's payroll by employee category is as follows:

	Number on 1/1/04	Joined the company in 2004	Left the company in 2004	Other Changes	Number on 12/31/04	Average number of employees
Executives	330	13	(18)	3	328	326
Middle managers and office staff	3,043	84	(151)	42	3,017	2,980
Production staff	597	55	(95)	(45)	512	572
Total	**3,970**	**152**	**(265)**	**-**	**3,857**	**3,878**

12. Liabilities

A breakdown of this item, which totaled 8,600 million euros, is as follows:

		12/31/04	12/31/03	Change
D.1)	Bonds	2,630	2,030	600
D.3)	Loans payable to stockholders	1	-	1
D.4)	Due to banks	1,295	2,454	(1,159)
D.5)	Due to other lenders	106	146	(40)
D.6)	Downpayments and advances	2,931	2,299	632
D.7)	Trade accounts payable	965	943	22
D.9 a)	Accounts payable to unconsolidated subsidiaries	32	20	12
D.10)	Accounts payable to affiliated companies	74	19	55
D.11)	Accounts payable to controlling companies	4	3	1
D.12)	Taxes payable	114	363	(249)
D.13)	Contributions to pension and social security institutions	17	17	0
D.14)	Other liabilities	431	612	(181)
Total		**8,600**	**8,906**	**(306)**
Broken down as follows:				
Liabilities due within one year		5,211	5,795	(584)
	- Financial liabilities	715	1,559	(844)
	- Trade accounts payable	3,970	3,507	463
	- Other liabilities	526	729	(203)
Liabilities due after one year		3,389	3,111	278
	- Financial liabilities	3,347	3,091	256
	- Trade accounts payable	2	12	(10)
	- Other liabilities	40	8	32
Total		**8,600**	**8,906**	**(306)**

At 4,159 million euros, financial liabilities, which include accrued expenses and deferred income of 97 million euros, are the largest component of total liabilities.

Loans payable due after one year (3,347 million euros) include the following amounts that are due after five years:

	12/31/04	12/31/03
Bonds	1,200	600
Due to banks	282	218
Due to other lenders	15	-
	1,497	**818**

The main components of this item are reviewed below:

Bonds

Bonds (2,630 million euros) includes the following four issues floated by Edison Spa:

- **600 million euros in Edison 2000-2007 bonds** issued in July 2000 by Edison Spa and its Selm Holding International and Edison Termoelettrica (now Edison Spa) subsidiary within the framework of a 1.5-billion-euro Medium Term Notes Program. As a result of the downgrading of the Group's credit rating from A-/A2 to BBB+/Baa3 in 2001, the coupon rate was increased to 7.375% as allowed under the protection provided to the bondholders by the Stockholders' Meeting in December 2001, as amended by the Stockholders' Meeting in February 2004. These bonds are traded on the Luxembourg Stock Exchange.
- **830 million euros in ITALENERGIA 2002-2007 bonds**, placed with retail investors. This bond issue matures in five years and has a mixed fixed/floating structure. For the first two years it paid interest semiannually at a fixed coupon rate of 4.70%. For the remaining three years it will pay interest at a variable rate equal to the six-month Euribor rate plus 75 basis points. In 2001, following the downgrading of the Group's credit rating from BBB/Baa2 to BBB+/Baa3, the coupon rate was increased by 25 basis points, bringing the fixed coupon rate to 4.95% and the spread of the variable coupon rate to 100 basis points.
- **700 million euros in Edison 2003-2010 bonds.** These bonds, which were issued in December 2003 in the amount of 600 million euros by Edison Spa and its Selm Holding subsidiary within the framework of a 2-billion-euro Medium Term Notes Program, pay coupon interest at a fixed rate of 5.125%. An additional 100 million euros in bonds with the same coupon interest were issued in January 2004. These bonds, which are not subject to step up/step down adjustments for changes in credit ratings, are listed on the Luxembourg Stock Exchange.
- **500 million euros in Edison 2004-2011 bonds**, issued in July 2004 by Edison Spa and Selm Holding. These bonds, which were issued within the framework of a 2-billion-euro Medium Term Notes Program mentioned above, pay interest quarterly based on a variable coupon rate equal to the three-month Euribor rate plus 60 basis points. These bonds, which are not subject to step up/step down adjustments for changes in credit ratings, are listed on the Luxembourg Stock Exchange.

The following table shows in detail the main characteristics of these bond issues.

Amount	600 million euros	830 million euros	700 million euros	500 million euros
Issue price	99.753	At par (100)	99.576 / 102.842 (*)	99.807
Issue date	July 20, 2000	August 26, 2002	December 12, 2003	July 9, 2004
Redemption	Lump sum at par	Lump sum at par	Lump sum at par	Lump sum at par
Maturity date	July 19, 2007	August 26, 2007	December 10, 2010	July 19, 2011
Current rate	7.375 %	3.173%	5.125%	2.746%
Coupon	End of year	End of six months	Annual	End of quarter

(*) Issue price for the supplemental 100-million-euro bond issue floated on January 26, 2004.

Loans Payable to Stockholders

The amount of 1 million euros represents the balance in a current account held on market terms with the controlling company Italenergia Bis Spa.

Due to Banks

At December 31, 2004, the Group owed banks 1,295 million euros (including 650 million euros after one year), down from 2,454 million euros at December 31, 2003. The decrease of 1,159 million euros reflects mainly the repayment of loans using mainly the proceeds of bond issues.
At December 31, 2004, available and unused lines of credit, which totaled 1,678 million euros, include 1,600 million euros in standby facilities that expire in 2009.

Due to other Lenders

This item, which totaled 106 million euros (67 million euros due after one year), includes 61 million euros owed to leasing companies booked in accordance with IAS 17 revised, 37 million euros in loans payable to minority stockholders of unconsolidated subsidiaries and a 4-million-euro loan from the European Coals and Steel Commission that matures in 2007.

Accounts Payable to Unconsolidated Subsidiaries

This item, which totaled 32 million euros at December 31, 2004, reflects balances in current accounts held on market terms with unconsolidated subsidiaries. In 2004, these balances accrued 1 million euros in interest payable.

Accounts Payable to Affiliated Companies

The balance of 74 million euros includes 71 million euros owed to Edipower Spa for commercial transactions carried out under a tolling contract.

Accounts Payable to Controlling Companies

The amount of 4 million euros is owed to the controlling company Italenergia Bis Spa for the rebilling of expenses attributable to seconded employees.

Advances

Advances totaled 2,931 million euros at December 31, 2004, including 2,915 million euros received by the engineering operations as advances on work in progress and an advance of 15 million euros paid by Falck Spa within the framework of an agreement to settle a dispute concerning the sale of 100% of Tecnimont Spa.

The **other items grouped under the Liabilities heading** include:
- **Trade accounts payable** of 965 million euros, 148 million euros of which represent amounts owed for facilities construction, refer mainly to purchases of electric power and natural gas. Amounts owed for services received in connection with the ordinary and extraordinary maintenance of facilities account for the balance. A breakdown by type of business is as follows: electric power operations 508 million euros,

hydrocarbons operations 239 million euros, engineering operations 193 million euros, water operations 5 million euros and corporate activities 20 million euros.

- **Taxes payable** of 114 million euros, which were down sharply compared with 2003, consist mainly of unpaid income taxes.
- **Contributions to pension and social security institutions** of 17 million euros, reflect the Group's obligations toward pension and social security institutions
- **Other liabilities** of 431 million euros include the following:

	12/31/04	12/31/03	Change
Advances on contract work in process	127	254	(127)
Amounts payable to Eni Enichem	50	150	(100)
Amounts owed to joint holders of permits and concessions for the production of hydrocarbons	47	13	34
Amounts payable to employees	28	28	0
Amounts payable to government agencies	8	23	(15)
Rentals payable	3	0	3
Dividends payable to stockholders	1	1	0
Miscellaneous liabilities	167	143	24
Total	**431**	**612**	**(181)**

13. Accrued Expenses and Deferred Income

Accrued expense and deferred income totaled 149 million euros (141 million euros at December 31, 2003).

The main components of this item are:

- Financial accrued expenses of 87 million euros, which refer primarily to outstanding bond issues (34 million euros) and charges related to derivatives executed to hedge foreign exchange and commodity commitments (40 million euros).
- Financial deferred income of 10 million euros, which refer to derivatives executed in connection with the ITALENERGIA 2002-2007 bond issue;
- 30 million euros in government grants received in advance by the wind power and Hydrocarbons operations but attributable to subsequent years.

14. Memorandum Accounts and Commitments and Risks Not Reflected in the Memorandum Accounts

At December 31, 2004, memorandum accounts totaled 11,074 million euros, or 421 million euros more than at December 31, 2003. A breakdown of this item is as follows:

	12/31/04	12/31/03	Change
Guarantees provided	4,330	4,298	32
Collateral provided	2,324	2,348	(24)
Commitment, risks and other memorandum accounts	4,420	4,007	413
	11,074	**10,653**	**421**

1) Guarantees Provided

Guarantees provided totaled 4,330 million euros; the item consists of sureties and other guarantees provided. Other guarantees include:

- 719 million euros in guarantees provided to the Milan VAT office on behalf of subsidiaries for offsetting VAT credits and those provided to subsidiaries in connection with the intra-Group assignment of tax credits.
- 598 million euros for guarantees provided to customers of Tecnimont Spa (564 million euros) and Protecma Srl (34 million euros) for the performance of supply contracts.
- 300 million euros for a guarantee provided on behalf of the Edipower Spa affiliate to secure a junior loan facility granted to Edipower. This guarantee was cancelled on February 22, 2005, when Edipower began restructuring its financing facilities.
- 250 million euros for a commitment to contribute capital and/or provide the subordinated financing needed by the Edipower Spa affiliate for its repowering program. This commitment was reduced to 25 million euros, effective February 23, 2005.
- 50 million euros for a surety provided to Edipower Spa to secure the contractual obligations of Edison Trading, a wholly owned subsidiary of Edison Spa.
- 55 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 capital stock of Edipower Spa). This option is exercisable starting on the fifth year after the signing of the Coinvestment Agreement. If Bluefare Ltd fails to perform its obligation, the industrial stockholders of Edipower can be held jointly responsible, but they retain the right to pursue Bluefare Ltd.

In addition, as part of the refinancing of Edipower Spa, Edison Spa has agreed to provide this affiliate with sufficient additional capital and/or subordinated financing to cover cost overruns, defects liability costs and underperformances that Edipower Spa may incur in connection with its repowering program (250 million euros). This commitment was reduced to 100 million euros, effective February 23, 2005, when Edipower began restructuring its financing facilities.

Moreover, pursuant to a tolling contract and a power purchasing agreement, Edison Spa has guaranteed the commercial obligations undertaken by Edison Trading Spa (a wholly owned subsidiary of Edison Spa) toward Edipower Spa, but only in the event of serious default or insolvency by Edison Trading Spa (300 million euros).

2) Collateral Provided

Collateral provided came to 2,324 million euros. This item includes collateral for liabilities and other obligations of outsiders (828 million euros), with the carrying value of Edipower shares (813 million euros) pledged to a pool of banks to secure a loan provided to Edipower representing the largest entry. It also includes collateral for liabilities listed on the balance sheet (1,496 million euros), which generally consist of electrical equipment mortgages granted to secure equipment loans. A total of 450 million euros refers to mortgages that have not yet been cancelled even though the underlying loans had been repaid by December 31, 2004.

3) Commitment, Risks and Other Memorandum Accounts

The main components of the balance of 4,420 million euros (413 million euros more than at December 31, 2003) are:

- 2,596 million euros in notional amounts of forward financial transactions and derivatives. These transactions refer to foreign exchange hedges (2,341 million euros) and interest rate hedges (255 million euros). The computation of their fair value, carried out by estimating the discounted cash flow provided under each contract, determined a net outflow of about 45 million euros. Most contracts expire in 2005 (25%), 2006 (23%), 2007 (23%) and 2008 (12%). The balance expires in subsequent years.

	Carrying value **12/31/04**	Fair value **12/31/04**	Carrying value 12/31/03	Fair value 12/31/03
Hedging contracts	(10)	(24)	3	(22)
Contracts that do not qualify as hedges under IAS 39	(21)	(21)	(12)	(12)
Total	**(31)**	**(45)**	**(9)**	**(34)**

- 1,028 million euros for commitments to purchase new equipment within the framework of existing capital investment programs. Purchase commitments includes 168 million euros for the potential exercise of the put option held by each financial stockholder of Edipower Spa. The put is enforced against the industrial stockholders. In the case of Edison Spa, the liability is equivalent to 7.5% of the Edipower shares. The put options are exercisable starting from 2007.
- 174 million euros (477 million euros at December 31, 2003) for counterguarantees provided to outsiders to secure obligations of Group companies.
- 138 million euros for off-balance-sheet transactions in the forward commodities markets. These transactions are executed by the Electric Power operations to hedge the risk of fluctuations in the prices of certain commodities.

Commitments and Risks Not Reflected in the Memorandum Accounts

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. When fully operational, the import contracts that are currently being implemented with Russia, Libya and Norway will provide annual supplies of 7.4 billion cubic meters of natural gas a year. In 2004, the Group signed an import contract with Qatar that will become effective when the North Adriatic LNG terminal is built. When this agreement is fully operational, Qatar will supply a total of 6 billion cubic meters of natural gas a year. Edison Spa is in the final stage of negotiations to increase to 6.6 billion cubic meters of natural gas per year the volume supplied under this contract.
Payments required as a result of the take-or-pay clause are made on the basis of a price that reflects the contract price but is indexed to current market terms. These contracts have terms ranging between 10 and 25 years. When all of the contracts are fully operational, the annual supply of natural gas will amount to 13.4 billion cubic meters a year (14 billion cubic meters a year when the supplemental import contract from Qatar is finalized).

Insofar as the **electric power** operations are concerned, the agreements governing loans received by Parco Eolico San Giorgio and Parco Eolico Foiano, which are secured by a special lien on existing equipment and facilities, entail additional commitments and risks that are not reflected in the borrowers' memorandum accounts. These commitments and risks include the assignment to the Agent, who acts as representative of the assignee banks, of existing or future receivables generated by supply contracts and a special lien for the benefit of the lending banks on assets of any kind that may be owned by the borrower companies in the future and on any receivables generated by the sale of such assets.

Loans received by Termica Milazzo and Termica Celano are secured by a negative pledge of Edison Spa shares and, for Termica Celano, a pledge commitment toward the lender bank, should certain noncompliance conditions occur. Termica Celano Srl granted to its lender banks a special pledge on the equipment of its cogenerating power plant. Termica Milazzo Srl granted to its lender banks a mortgage and special pledge on all of the production facilities it owns.

Pursuant to a stockholder agreement relative to **Finel Spa**, which governs the relationship between EDF International Sa (EDFI), a subsidiary of EDF Sa that owns 40% of Finel Spa, and Edison Spa, which own the remaining 60%, starting on July 1, 2005, EDFI has the right to sell its Finel shares to Edison upon issuing a written request for a consideration that can be paid either with Edison shares (if Edison's

Stockholders' Meeting allows it) or with cash. In any case, the value of the Edison shares paid as consideration for the interest in Finel may not be less than 300 million euros (after deducting dividends and any reserves or capital distributed after the date of the relevant agreement). If EDFI and Edison fail to reach an agreement on the terms of sale, upon a request by EDFI, Edison will be required to grant EDFI a put option exercisable at any time. If Electricité de France Sa ceases to be directly or indirectly a stockholder of Edison before July 1, 2005, Edison agrees to grant EDFI a put option on the Finel shares in question, exercisable at a price that may not be less than 300 million euros (after deducting dividends and any reserves or capital distributed after the date of the relevant agreement).

As guarantee for financing received for the construction of two combined-cycle power plants in Altomonte and Candela, Edison has agreed not to provide as collateral or otherwise encumber in any way the assets that are the subject of the respective capital investment programs and to maintain ownership and possession of those assets.

In another development, the equity investments formerly held by Società Immobiliare Assago in Iniziativa Universitaria 1991 Spa , a company based in Varese, has been attached. Currently, the lawsuit pending before the Court of Varese has been interrupted, due to the merger of Immobiliare Assago into Come Iniziative Immobiliari.

A temporary business combination (abbreviated as ATI in Italian), of which Tecnimont is the managing partner, was awarded a contract to build a regasification terminal in Brindisi that will be owned by Brindisi LNG. In order to secure the commitments that the ATI has undertaken thus far, as well as those that it will undertake upon the signing of the final contract, Brindisi LNG has asked the companies that are part of the ATI to agree to make their best efforts to provide parent company guarantees (PCGs) within a certain date in the future and provided certain conditions are met.
On February 2, 2005, Edison provided its PCG to Brindisi LNG for the obligations of the ATI up to a maximum amount of 146.1 million euros, which covers the scope of work of Tecnimont and Sofregaz.
Because the PCGs entail a joint liability, the parties signed a guarantor's cross indemnity agreement, whereby a guarantor is indemnified in the event a PCG is enforced due to a failure to perform by ATI members other than those specifically guaranteed by the guarantor in question (Tecnimont and Sofregaz for Edison).

NOTES TO THE STATEMENT OF INCOME

After deducting the minority interest, the Edison Group's net income totaled 155 million euros in 2004, compared with net income of 144 million euros in 2003. This year's earnings benefited mainly from a positive performance by the Group's core businesses, which increased unit sales and average prices, a sizable drop in financial expense made possible by the reduction in indebtedness that resulted from the divestitures completed in 2003, and a lower cost of money made possible by the Group's improved standing in the financial markets.
This improvement is even more impressive considering that the 2003 earnings included several extraordinary items, such as the sale of the West Delta Deep Marine hydrocarbon reserves in Egypt and the divestiture of EdionTel, which generated a net gain of 270 million euros.
The Group's interest in net income also increased due to the acquisition of the remaining interest in ISE Spa, which is consolidated in full as of July 1, 2004.

In order to provide a better feel for the cumulative amount at December 31, 2004, a breakdown by quarter is provided below:

	1st quarter 2004	2nd quarter 2004	3rd quarter 2004	4th quarter 2004
Net revenues	1,706	1,481	1,445	1,865
EBITDA	358	268	283	345
as a % of net revenues	21.0%	18.1%	19.6%	18.5%
Depreciation, amortization and writedowns	(161)	(152)	(157)	(169)
EBIT	197	116	126	176
as a % of net revenues	11.5%	7.8%	8.7%	9.4%
Group interest in net income	**39**	**14**	**28**	**74**

15. Production Value

Production value amounted to 6,556 million euros, or 4.3% more than in 2003. Restated on a comparable consolidation basis, the production value of the core businesses was up 11.5%.
Production value includes the following:

	2004	2003	Change
Production value			
A.1) Sales and service revenues	5,696	5,426	270
A.2) Changes in inventory of work in progress, semifinished goods and finished goods	41	(12)	53
A.3) Change in contract work in process	521	697	(176)
A.4) Increase in Company-produced additions to fixed assets	18	9	9
A.5) Other revenues and income	280	164	116
Total	**6,556**	**6,284**	**272**

As shown in the table above, net revenues totaled 6,497 million euros (6,287 million euros in 2003). A breakdown by type of business and by geographic region is provided below:

Net Revenues by Type of Business

	2004				2003			
	Sales and service revenues	Change in contract work in process	Other revenues and income	Total net revenues	Sales and service revenues	Change in contract work in process	Other revenues and income	Total net revenues
Electric Power operations	4,398	-	183	4,581	3,827	(1)	63	3,888
Hydrocarbons operations	2,227	8	56	2,291	2,023	-	74	2,097
Corporate activities	62	-	15	77	58	-	19	77
Eliminations	(1,274)	-	(7)	(1,281)	(907)	-	(15)	(922)
Core businesses	**5,413**	**8**	**247**	**5,668**	**5,001**	**(1)**	**141**	**5,141**
Water	27	-	-	27	30	-	2	32
Engineering	256	513	33	802	169	698	17	884
Other operations	**283**	**513**	**33**	**829**	**199**	**698**	**19**	**916**
Divested operations (*)	**-**	**-**	**-**	**0**	**226**	**-**	**4**	**230**
Total	**5,696**	**521**	**280**	**6,497**	**5,426**	**697**	**164**	**6,287**

(*) The operations divested in 2003 include Health-Care Chemicals (3 months) and Telecommunications (6 months).

Net Revenues by Geographic Region of Destination and Production

	Revenues by region of destination		Revenues by region of production	
	2004	2003	**2004**	2003
Italy	5,596	5,179	6,049	5,748
France	72	53	85	45
Spain	6	7	-	26
Other euro-zone countries	70	192	12	1
Total euro-zone countries	**5,744**	**5,431**	**6,146**	**5,820**
Other EU countries	143	25	92	21
Eastern Europe	10	61	3	35
North America	-	4	-	-
Other countries	600	766	256	411
Total	**6,497**	**6,287**	**6,497**	**6,287**

An analysis of the main components of Production value is provided below:

A.1) Sales and Service Revenues

Sales and service revenues totaled 5,696 million euros in 2004. On a comparable consolidation basis, i.e., excluding divested operations, sales and service revenues were up 9.5%, or 496 million euros, over the figure for 2003.

A breakdown of this item is provided on the table on the following page:

	2004	2003	Change
Revenues from the sales of:			
- Electric power	3,823	3,259	564
- Natural gas	975	1,115	(140)
- Oil	47	47	-
- Steam	123	128	(5)
- Water and other utilities	30	33	(3)
- Engineering services	257	167	90
- Other revenues	109	62	47
Recovery of excise taxes	116	135	(19)
Recovery of transmission fees	198	223	(25)
Recovery of costs of work done on behalf of outsiders	18	31	(13)
	5,696	**5,200**	**496**
Revenues from divested operations (*)	-	226	(226)
Total	**5,696**	**5,426**	**270**

(*) See the note to the table entitled Net Revenues by Type of Business.

The 10.3% rise in core business revenues reflects primarily gains by the electric power operations (+17.8%), which used the increased availability of electricity provided by Edipower after the tolling contract became fully operational to expand unit sales to deregulated customers. An additional boost was provided by the higher prices that could be charged to customers

The revenues reported by the Hydrocarbons operations were up 9.3% compared with 2003, thanks to a rise in unit sales (+14%, compared with +4% for the market as a whole), despite the negative impact of changes in the scope of consolidation related to the sale of the West Delta fields and the divestiture of the natural gas transmission network.

A.3) Change in contract work in process

This item, which had a balance of 521 million euros (176 million euros less than in 2003), represents the value assigned to contract work being carried out by the engineering operations.

A.5) Other Revenues and Income

Other revenues and income totaled 280 million euros, or 116 million euros more than in 2003. It includes the following:

- 113 million euros for rebilling of costs incurred to purchase fuel in accordance with the tolling contract with Edipower, which became effective on January 1, 2004.
- 60 million euros in miscellaneous revenues, which include the recovery of costs incurred to provide services.
- 31 million euros in utilizations of reserves for risks established in previous years and charged as operating costs.
- 30 million euros in out-of-period income related mainly to transmission charges.
- 23 million euros in recoveries of costs from partners in mineral rights and rebilling of operating expenses incurred at hydrocarbon fields operated jointly with other owners. The corresponding charge is recognized under the heading B.7) - Outside services.

- 9 million euros for swaps of natural gas and oil carried out with ENI to optimize gas logistics. The corresponding charge is recognized under the heading B.6) - Raw materials, auxiliaries, supplies and merchandise.

16. Cost of Production

Cost of production totaled 5,941 million euros, or 1.2% more than in 2003. A breakdown of this item is as follows:

	2004	2003	Change
Cost of production			
B.6) Raw materials, auxiliaries, supplies and merchandise	3,322	3,097	225
B.7) Outside services	1,405	1,391	14
B.8) Use of property not owned	49	77	(28)
B.9) Personnel	248	285	(37)
B.10) Depreciation, amortization and writedowns	659	703	(44)
B.11) Change in inventory of raw materials, auxiliaries, supplies and merchandise	(29)	9	(38)
B.12) Provisions for risks	19	22	(3)
B.13) Other provisions	14	21	(7)
B.14) Miscellaneous operating costs	254	264	(10)
Total5,941	**5,869**	**72**	
Breakdown by type of business			
Electric Power operations	4,110	3,587	523
Hydrocarbons operations	2,130	1,842	288
Corporate activities	176	187	(11)
Adjustments	(1,281)	(921)	(360)
Total core businesses	5,135	4,695	440
Water	24	32	(8)
Engineering	782	862	(80)
Divested operations (*)	-	280	(280)
Total 5,941	**5,869**	**72**	

(*) See the note to the table entitled Net Revenues by Type of Business.

On a comparable consolidation basis, the cost of production shows an increase of 6.3%, compared with 2003, mirroring the trend that characterized production value and has been discussed in the note to that item.
The main components of the cost of production are reviewed below.

B.6) Raw Materials, Auxiliaries, Supplies and Merchandise

A breakdown of this item, which totaled 3,322 million euros, is as follows:

	2004	2003	Change
Production costs			
Purchases and swaps of natural gas	1,956	1,733	223
Purchases and swaps of electric power	320	606	(286)
Blast furnace, recycled and coke furnace gas	201	198	3
Purchases of oil and other fuels	300	30	270
Purchases of industrial and demineralized water	31	30	1
Purchases of engineering and maintenance materials	15	21	(6)
Purchases of other materials and utilities	499	435	64
	3,322	**3,053**	**269**
Divested operations (*)	-	44	(44)
Total	**3,322**	**3,097**	**225**

(*) See the note to the table entitled Net Revenues by Type of Business.

This expense item consists almost exclusively of purchases of natural gas, electric power and other raw materials used in manufacturing processes and, in the case of the Engineering operations, to build production facilities.
Starting on January 1, 2004, purchases of natural gas and fuel oil, which were used mainly to fire thermoelectric power plants, include the amounts supplied to Edipower pursuant to a tolling contract and the increased volumes sold in the deregulated market.

B.7) Outside Services

Outside services amounted to 1,405 million euros. A breakdown by type of business is as follows:

	2004	2003	Change
Cost of outside services			
Facilities design, construction and maintenance	418	421	(3)
Transmission of electric power	296	378	(82)
Transmission and treatment of natural gas	212	211	1
Tolling fee	300	-	300
Professional services	80	119	(39)
Insurance services	33	37	(4)
Royalties paid on hydrocarbon production	8	12	(4)
Other services	58	73	(15)
	1,405	**1,251**	**154**
Divested operations (*)	-	140	(140)
Total	**1,405**	**1,391**	**14**

(*) See the note to the table entitled Net Revenues by Type of Business.

In 2004, the largest components of this item were:

- for the Electric Power operations, a tolling fee of 300 million euros paid to Edipower as consideration for access to its production capacity and transmission costs totaling 296 million euros;
- for the Hydrocarbons operations, gas and oil transportation charges of 212 million euros;
- for the Engineering operations, technical services used for contract work in process (274 million euros).

B.9) Personnel

At 248 million euros, personnel costs were significantly lower (-37 million euros) than the 285 million euros reported in 2003, due mainly to changes in the scope of consolidation.

Accordingly, the Group's payroll totaled 3,857 employees (counting the companies consolidated by the proportional method), or 113 fewer than at December 31, 2003. The average number of employees decreased even more, falling from 4,513 employees in 2003 to 3,878 in 2004.

B.10) Depreciation, Amortization and Writedowns

A breakdown of depreciation, amortization and writedowns, which totaled 659 million euros in 2004, is provided below:

	2004	2003	Change
Amortization of intangibles	280	293	(13)
Depreciation of property, plant and equipment	358	387	(29)
Writedowns of intangibles	1	3	(2)
Writedowns of property, plant and equipment	-	5	(5)
Writedowns of loans included in current assets	20	15	5
Total	**659**	**703**	**(44)**
Breakdown by type of business			
Electric power operations	515	522	(7)
Hydrocarbons operations	123	118	5
Corporate activities	13	13	-
Water	5	2	3
Engineering	3	7	(4)
Divested operations (*)	-	41	(41)
Total	**659**	**703**	**(44)**

(*) See the note to the table entitled Net Revenues by Type of Business.

As shown in the notes to fixed assets, which should be consulted for greater detail, the amortization amount shown above includes the amortization of the goodwill stemming from the acquisition of Italenergia (now Edison) in 2001 for a total of 270 million euros.

Writedowns of loans included in current assets refer mainly to the restatement to realizable value of trade receivables of the electric power operations.

B.14) Miscellaneous Operating Costs

A breakdown of miscellaneous operating costs, which totaled 254 million euros, is provided below:

	2004	2003	Change
Excise taxes on natural gas and electric power	117	138	(21)
Out-of-period expenses	24	18	6
Membership dues	3	4	(1)
Fines and miscellaneous charges	10	7	3
Indirect taxes and miscellaneous fees	34	39	(5)
Compensation paid to Directors and Statutory Auditors	10	8	2
Other operating costs	56	50	6
Total	**254**	**264**	**(10)**

The charge for excise taxes is offset by a corresponding revenue item under A.1) Sales and service revenues.

Corporate costs include the compensation provided to the Directors and the fee awarded to the Group's Statutory Auditors. Insofar as the Group's Parent Company is concerned, this issue is discussed in the Corporate Governance section of the Report on Operations, as required by law.

17. Financial Income and Expense

Net financial expense came to 237 million euros, for a decrease of 78 million euros compared with 2003. This improvement reflects a reduction in indebtedness made possible by the proceeds of the divestitures and the capital increase carried out last year by the Parent Company, coupled with the reduction in the cost of funds that resulted from a boost in credit ratings.

This item also includes the financial impact of transactions executed to hedge risks from fluctuations in interest rates, foreign exchange rates and prices of commodities. The effectiveness of these hedges from an accounting standpoint was measured using the methods suggested in IAS 39. When these methods could not be fully implemented, in keeping with a conservative valuation approach, the derivatives were marked to market. Losses were always recorded, irrespective of the type of hedge used. Gains were recognized only when they arose from foreign exchange or commodity transactions maturing within one year.

Income from equity investments totaled 11 million euros, including 9 million euros in dividend income received mainly from publicly traded companies (5 million euros from AEM Spa) and 2 million euros in gains on the sale of investments in publicly traded Italian companies, namely Fondiaria SAI Spa and Acea Spa.

The main components of **financial income**, which totaled 142 million euros were:
- 119 million euros in gains on derivatives executed to hedge the risk of fluctuations in interest rates and market prices, mainly in connection with the issuance of debt securities and forward purchases and sales of energy and natural gas.

- 8 million euros in interest on amounts due by the tax administration.
- 7 million euros in interest earned on bank deposits.
- 8 million euros earned on long-term loans.

Financial expense, which amounted to 392 million euros, consists of interest and fees paid to banks and other lenders (123 million euros), derivative losses (145 million euros) and interest paid on bond issues (124 million euros).

Foreign exchange gains and losses of 2 million euros include gains of 28 million euros and losses of 26 million euros. Both stem mainly from derivative contracts executed to hedge interest rates and commodities risks.

18. Value Adjustments on Financial Assets

The negative balance of 3 million euros is the net result of the following items:
- 28 million euros for upward value adjustments, including 10 million euros recognized to adjust to market value of the investments in publicly traded companies by reversing writedowns booked in previous years and 18 million euros to recognize the net income earned in 2004 by companies valued by the equity method, including in particular Sel Edison Spa (4 million euros), Intergen Sidi Krir Generating Co. (3 million euros) and Edipower Spa (7 million euros).
- 31 million euros for writedowns. These include a writedown of 16 million euros of the investment in IPSE 2000, which was covered by the utilization of a reserve, and charges stemming from the valuation at cost or by the equity method of affiliated companies. The main writedowns were booked for IWH (5 million euros) and Intergen Sidi Krir Operating (3 million euros).

19. Extraordinary Income and Expense

Net extraordinary income totaled 9 million euros, compared with the sizable net extraordinary gains earned last year, when this item included the gain earned on the sale of hydrocarbon reserves and the settlement of positions in connection with the sale of equity investments.

Extraordinary income totaled 307 million euros. In addition to items discussed in the note commenting the utilizations of the Reserves for risks (which should be reviewed for additional information), it includes the following:
- 59 million euros in gains on the sale of equity investments, 49 million euros of which is attributable to the divestiture of the gas transmission network operated by T&S and SGM;
- 24 million euros in out-of-period income, including insurance settlements (7 million euros) and tax refunds (10 million euros);

- utilizations of the reserve for risks upon the settlement of legal disputes in 2004 accounts for the balance.

Extraordinary expense, which totaled 298 million euros, includes the following:
- 91 million euros representing the costs attributable to Edison Spa for environmental remediation projects at the Venice-Porto Marghera facility (a corresponding item was booked under extraordinary income);
- 45 million euros for writedowns of intangibles and property, plant and equipment to their realizable value following the performance of the annual impairment test;
- 38 million euros for charges paid by Edison Spa to settle the disputes related to the Val di Stava and Val Martello floods (a corresponding item was booked under extraordinary income).
- 32 million euros in provisions set aside for contingent liabilities from guarantees provided upon the sale of equity investments;
- 18 million euros in charges booked to adjust to realizable value the carrying value of certain Company buildings;

20. Income Taxes

The income taxes reflected in the statement of income for 2004 totaled 151 million euros (424 million euros in the 2003), broken down as follows:

	2004	2003
- Current taxes	264	407
- Tax credits on dividends	(100)	(88)
Total current taxes	164	319
- Net deferred-tax liabilities (assets)	(13)	105
Total	**151**	**424**

Current taxes include liabilities of 205 million euros for corporate income taxes (Ires) and 52 million euros for local taxes (Irap). The limited tax credit on dividends refer to the Finel Spa subsidiary, which has a fiscal year that does not coincide with the calendar year and, therefore, could still apply the old rules to dividend income.

This item includes 12 million euros in deferred-tax liabilities generated by applying to finance leases the method required under IAS 17. Deferred-tax assets totaled 33 million euros. They include 23 million euros set aside by Edison Spa in connection with reserves that are relevant for tax purposes and other deferred-tax assets. Reversals of deferred-tax assets booked by Group companies in previous years totaled 7 million euros.

	2004 Tax effect
Deferred-tax liabilities:	
- Excess depreciation and amortization	159
- Impact of IAS 17 on finance lease	61
- Gains with deferred taxation	9
Total	**229**
(-) Write downs	-
Total deferred tax liabilities (A)	**229**
Deferred - tax assets:	
- Tax loss carry forward	168
- Reserves for risks and charges	98
- Other	24
Total	**290**
(-) Write downs	(231)
Total deferred tax assets (B)	**59**
Deferred - tax assets on the Financial Statements (A–B)	**170**

No deferred taxes were credited or debited directly to stockholders' equity. The valuation of deferred tax assets was made based on estimates of actual utilization and taking into account the official plans of the Group. More specifically, no deferred-tax assets were recognized for tax losses, which, at December 31, 2004, amounted to about 130 million euros for Edison Spa alone.

The table below, which shows a breakdown of the tax liability by type of business, is provided for the sake of greater disclosure.

	2004			2003		
	RBT (*)	Taxes	%	RBT (*)	Taxes	%
Core businesses	352	(134)	38.07%	715	(409)	57.20%
Other continuing operations	32	(17)	53.13%	8	(16)	n.m.
Divested operations (**)	-	-	n.m.	(65)	1	n.m.
Total	**384**	**(151)**	**39.32%**	**658**	**(424)**	**64.44%**

(*) RBT = Result before taxes.
(**) See the note to the table entitled Net Revenues by Type of Business.

The tax rate is affected by the inability to deduct the amortization of the consolidation difference and the goodwill allocated to fixed assets.

21. Earnings per Share

The table below provides a breakdown of the computation of earnings or loss per share in accordance with IAS 33.

	2004	2003
Group interest in net income	155	144
Net income attributable to convertible and nonconvertible savings shares [1]	(3)	(3)
Group interest in net income attributable to the common shares (A)	152	141
Weighted average number of shares outstanding (common and savings) determined for the purpose of computing earnings per share:		
- basic (B)	4,233,223,651	3,561,174,231
- diluted (C) [2]	5,289,999,075	4,311,035,792
Earnings per share (in euros)		
- basic (A/B)	0.0358	0.0396
- diluted (A/C) (2)	0.0287	0.0327

(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.

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.

Milan, March 16, 2005

The Board of Director
The Chairman
Umberto Quadrino

31. Additional Information on Oil and Gas (Unaudited)

The following information on the Edison Group is provided in accordance with Statement of Financial Accounting Standard No. 69 "Disclosures About Oil and Gas Producing Activities."
The figures below do not include amounts relating to minority interest.

1) Natural Gas and Oil Reserves

Proven oil and gas reserves are estimated quantities of natural gas and crude oil for which, based on available geological and engineering data, there is reasonable certainty of future production from the known deposits at current economic and operating conditions, using the prices and costs prevailing at the time when the estimate is made.
Proven developed reserves are the hydrocarbon volumes which are deemed to be recoverable from existing wells with current equipment and operating methods.
Proven undeveloped reserves are the estimated volumes of hydrocarbons which may be recovered in future years from known wells with new investments to develop and drill new wells and construct the respective production facilities.
The estimates of proven developed and undeveloped reserves of natural gas and crude oil at December 31, 2004 were certified in February 2005 by the consultants SIM (Studio di Ingegneria Mineraria).
The methods used to estimate proven reserves, production forecasts and the timetables of the capital investments required contain a margin of risk. The accuracy of the estimate of reserves is predicated on the quality of the information available and is based on engineering and geological evaluations. Subsequent drilling results and production checks occurring after the estimate is made may result in upward or downward adjustments to the original estimate. Changes in the price of natural gas and oil can also have an effect on the quantities of proven reserves, since the estimates of these reserves are based on the prices and costs prevailing on the date when they were made.
The following table shows the changes that occurred in 2004 in estimated proven developed and undeveloped reserves of natural gas and oil.

Proven developed and undeveloped reserves of natural gas and oil (*)	Total Gas	Total Oil	Italy Gas	Italy Oil	Egypt Gas	Egypt Oil	Other Gas	Other Oil
Reserves at 12/31/03	18.79	17.67	14.38	17.67	4.35	-	0.06	-
Changes in 2004:								
- revisions of previous estimates	0.32	4.48	0.25	4.48	0.05	-	0.02	-
- purchases or disposals of mineral rights	-	-	-	-	-	-	-	-
- extensions, discoveries and other increases	1.74	4.97	0.24	4.97	-	-	1.50	-
- production	(1.36)	(2.42)	(1.08)	(2.42)	(0.27)	-	(0.01)	-
Total change for the year	**0.70**	**7.03**	**(0.59)**	**7.03**	**(0.22)**	**-**	**1.51**	**-**
Reserves at 12/31/04	**19.49**	**24.70**	**13.79**	**24.70**	**4.13**	**-**	**1.57**	**-**
Proven developed reserves								
- Reserves at 12/31/03	9.34	17.67	8.23	17.67	1.05	-	0.06	-
- Reserves at 12/31/04	9.98	17.87	7.62	17.87	2.29	-	0.07	

(*) Reserves of natural gas are stated in billions of cubic meters; reserves of oil are stated in millions of barrels.

2) Capitalized Costs Attributable to Hydrocarbon Production Activities

The capitalized costs represent the total costs of property, plant and equipment and leases attributable to proven reserves and other support assets used in the production of hydrocarbons, showing the respective accumulated depreciation, amortization and writedowns.

Capitalized costs attributable to hydrocarbon production activities at 12/31/04 (in millions of euros)	Total	Italy	Egypt	Other
Total gross capitalized costs	1,518.7	1,361.2	135.3	22.2
Accumulated depreciation, amortization and writedowns	(956.7)	(906.7)	(30.6)	(19.4)
Total net capitalized costs	**562.0**	**454.5**	**104.7**	**2.8**

3) Costs Incurred During the Year to Acquire, Explore and Develop Deposits of Natural Gas and Oil

The costs incurred include the amounts capitalized during the fiscal year insofar as they are incurred in connection with the acquisition of reserves, hydrocarbon exploration and development of deposits.

Costs incurred in 2004 to acquire, explore and develop deposits of natural gas and oil (in millions of euros)	Total	Italy	Egypt	Other
Acquisition of reserves	-	-	-	-
Exploration costs	25.4	6.8	-	18.6
Development costs	40.7	27.8	12.3	0.6
Total costs	**66.1**	**34.6**	**12.3**	**19.2**

4) Results of Hydrocarbon Exploration and Production Activities

The results of hydrocarbon exploration and production activities represent the difference between the revenues and expenses incurred in connection with this activity. They do not include any interest expense or indirect overhead incurred by head office staff and, therefore, are not necessarily indicative of the contribution provided to the net consolidated results of the Edison Group.

Estimated income taxes have been computed by applying the official tax rate of the host country to income before taxes generated by hydrocarbon exploration and production activities

Results of hydrocarbon exploration and production activities in 2004 (in millions of euros)	Total	Italy	Egypt	Other
Revenues	215.8	193.2	21.0	1.6
Production costs	(59.3)	(55.3)	(3.0)	(1.0)
Exploration costs	(25.4)	(6.8)	(0.0)	(18.6)
Other (charges) / income	-	-	-	-
Depreciation, amortization, writedowns and provisions for closing down mineral properties	(75.4)	(68.2)	(6.7)	(0.5)
Income from hydrocarbon exploration and production activities before taxes	**55.7**	**62.9**	**11.3**	**(18.5)**
Estimated income taxes	(24.1)	(24.1)	-	-
Result from hydrocarbon exploration and production activities	**31.6**	**38.8**	**11.3**	**(18.5)**

5) Standard Present Value of Future net Cash Flow

The information on net future cash flow has been determined on the assumption that the economic and operating conditions existing at the end of the fiscal year will continue over the entire production period for the reserves. No allowance has been made for possible future price changes or for foreseeable changes in technology and operating methods.

The standard value is computed as a present value obtained by applying a standard discounting rate of 10% to the surplus of cash inflows generated by proven reserves over future production and development costs related to the same reserves and taxes on future income.

Future cash inflows represent revenues which could be realized through the production of the reserves that are proven as of the end of the fiscal year, assuming that future production will be sold at the prices prevailing at the end of the fiscal year. Future production costs include the estimated expenses needed to produce proven reserves, without taking into account the effect of future inflation. Future development costs include the estimated cost of drilling development wells and installing production equipment, as well as the net cost of dismantling and abandoning the wells and related equipment, based on the cost levels prevailing at the end of the fiscal year and without taking into account future inflation. Taxes on future income have been computed taking into account the tax laws of the countries where the Edison Group operates.

Standard present value of future net cash flow (in millions of euros)	Total	Italy	Egypt	Other
Future cash inflows	3,135.9	2,813.4	314.0	8.5
Future production costs	(854.9)	(813.5)	(36.9)	(4.5)
Future development and abandonment costs	(481.3)	(402.9)	(76.7)	(1.7)
Net future cash flow before income taxes	**1,799.7**	**1,597.0**	**200.4**	**2.3**
Future income taxes	(385.8)	(385.8)	0.0	0.0
Net future cash flow before discounting	**1,413.9**	**1,211.2**	**200.4**	**2.3**
Present value discounted at 10%	(631.3)	(542.2)	(89.1)	(0.0)
Standard present value of future cash flow	**782.6**	**669.0**	**111.3**	**2.3**

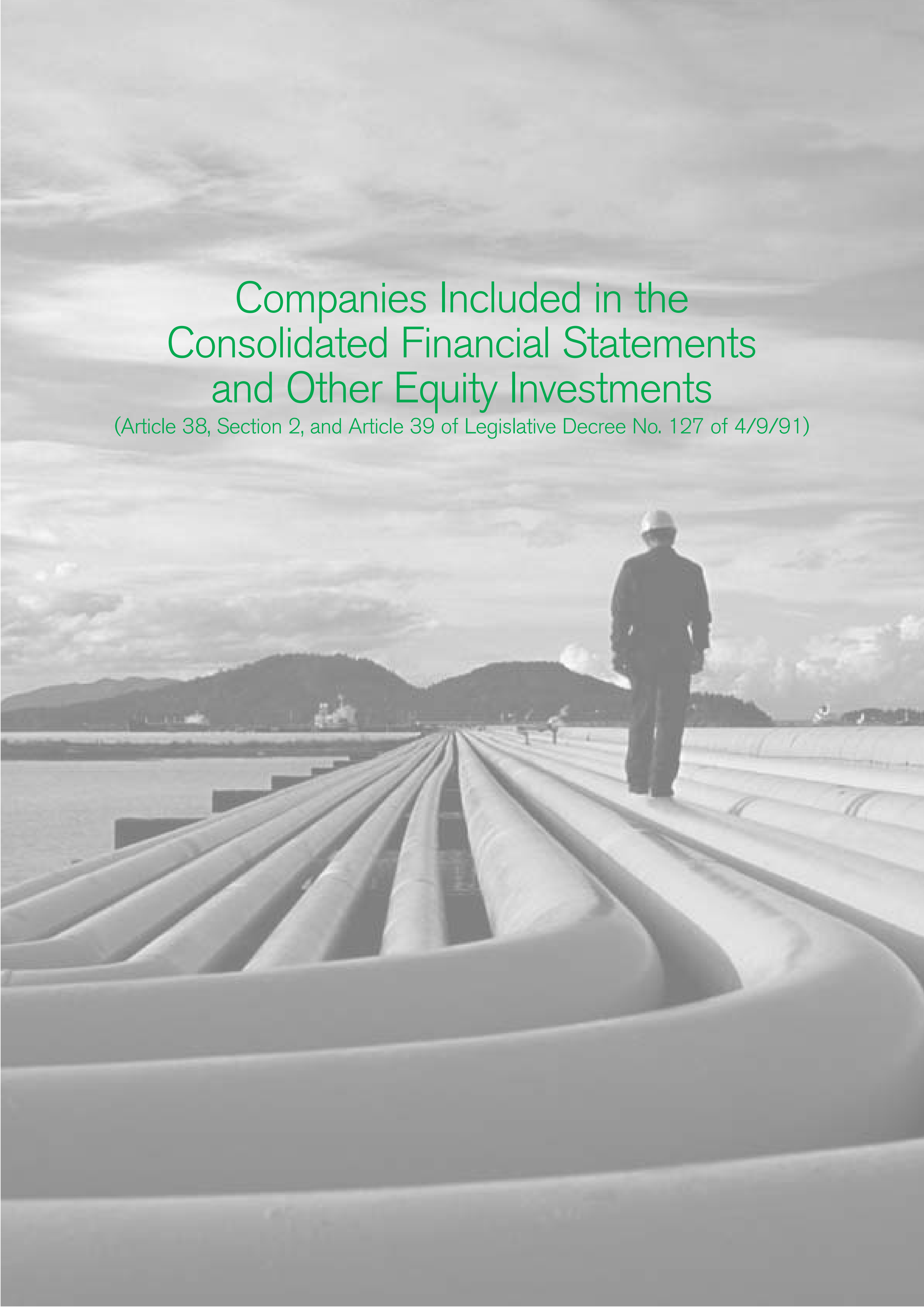
The standard value does not correspond to an estimate of an adequate market value or of the proven reserves of the Edison Group. An estimate of market value takes into account, among other things, the discovery of additional reserves, expected changes in future costs and prices, a discounting factor that represents the prevailing conditions in the financial markets in terms of capital cost/opportunity and the risks that are inherent in hydrocarbon exploration and production activities.

6) Changes in the Standard Value of Discounted Net Future Cash Flow

(in millions of euros)	
Value at 12/31/03	**759.0**
Increases (Decreases):	
- net changes in selling and transfer prices and in production (extraction) costs which apply to future production	240.4
- changes in the estimate of future development costs	(95.4)
- sales and transfers of oil and gas produced during the year	(164.5)
- net changes due to extensions, new discoveries and improved recovery methods	1.6
- net change attributable to purchases and/or sales of mineral rights	0
- revision of estimated quantities	100.0
- development costs estimated in prior periods but incurred during the year	40.7
- change in the discounting effect	(45.5)
- net change in income taxes	(53.7)
Value at 12/31/04	**782.6**

Companies Included in the Consolidated Financial Statements and Other Equity Investments

(Article 38, Section 2, and Article 39 of Legislative Decree No. 127 of 4/9/91)



A) Scope of Consolidation

Name	Head office	Currency	Capital stock	Consolidated Group interest % (a) 12/31/04	12/31/03
Parent Company					
Edison Spa	Milano	EUR	4,258,887,966		
Core Businesses – Electric Power Business Unit					
Electric Power					
Consorzio di Sarmato Soc. Cons. Pa	Milan (IT)	EUR	200,000	52.500	52.500
Edison Energie Speciali Spa (single stockholder)	Milan (IT)	EUR	4,200,000	100.000	100.000
Edison France Sarl	Paris (FR)	EUR	7,700	100.000	100.000
Edison Rete Spa (single stockholder)	Milan (IT)	EUR	106,778,200	100.000	100.000
Flandres Energies Snc	Paris (FR)	EUR	37,500	50.000	50.000
Gever Spa	Milan (IT)	EUR	10,500,000	51.000	51.000
Ibiritermo Sa	Ibiritè - Estado de Minas Gerais (BR)	BRL	7,651,814	50.000	50.000
Jesi Energia Spa	Milan (IT)	EUR	5,350,000	70.000	70.000
Megs Srl (single stockholder) (form. Megs Mediterranean Eletric Generating Services Srl)	Sesto San Giovanni (Mi) (IT)	EUR	260,000	100.000	51.000
Parco Eolico Castelnuovo Srl	Castelnuovo di Conza (Sa) (IT)	EUR	10,200	50.000	50.000
Parco Eolico Faeto Srl (single stockholder)	Milan (IT)	EUR	11,300	100.000	100.000
Parco Eolico Foiano Srl (single stockholder)	Milan (IT)	EUR	683,000	100.000	100.000
Parco Eolico Montemignaio Srl (single stockholder)	Milan (IT)	EUR	40,000	100.000	100.000
Parco Eolico San Bartolomeo Srl (single stockholder)	Milan (IT)	EUR	10,200	100.000	100.000
Parco Eolico San Giorgio Srl (single stockholder)	Milan (IT)	EUR	8,911,200	100.000	100.000
Parco Eolico Vaglio Srl (single stockholder)	Milan (IT)	EUR	10,200	100.000	100.000
Sarmato Energia Spa	Milan (IT)	EUR	14,420,000	61.000	61.000
Serene Spa	Milan (IT)	EUR	25,800,000	66.316	63.000
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
Core Businesses – Hydrocarbons Business Unit					
Hydrocarbons					
Edison International Spa	Milan (IT)	EUR	17,850,000	100.000	100.000
Edison Lng Spa (single stockholder)	Milan (IT)	EUR	10,000,000	100.000	100.000
Edison Stoccaggio Spa (single stockholder)	Milan (IT)	EUR	81,497,301	100.000	-
Euroil Exploration Ltd	London (GB)	GBP	9,250,000	100.000	100.000
Core Businesses – Energy Management Business Unit					
Energy Management					
Edison Trading Spa (single stockholder)	Milan (IT)	EUR	30,000,000	100.000	100.000

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
				L
52.500	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
50.000	Edison France Sarl	-	-	P
51.000	Edison Spa	-	-	L
50.000	Edison Spa	-	-	P
70.000	Edison Spa	-	-	L
100.000	Edison Spa	- (h)	-	L
50.000	Edison Energie Speciali Spa (single stockholder)	-	-	P
100.000	Edison Energie Speciali Spa (single stockholder)	- (h)	-	L
100.000	Parco Eolico San Giorgio (single stockholder)	- (h)	-	L
100.000	Edison Energie Speciali Spa (single stockholder)	- (h)	-	L
100.000	Edison Energie Speciali Spa (single stockholder)	- (h)	-	L
100.000	Edison Energie Speciali Spa (single stockholder)	- (h)	-	L
100.000	Edison Energie Speciali Spa (single stockholder)	- (h)	-	L
61.000	Edison Spa	-	-	L
66.316	Edison Spa	-	-	L
100.000	Montedison Finance Europe Nv	-	-	L
70.000	Edison Spa	- (h)	-	L
70.000	Edison Spa	- (h)	-	L
65.000	Edison Spa	- (h)	-	L
60.000	Edison Spa	- (h)	-	L
70.000	Edison Spa	- (h)	-	L
30.000	Selm Holding International Sa	-	-	
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
0.000	Edison Spa	-	-	L
100.000	Selm Holding International Sa	-	-	
100.000	Edison Spa	- (h)	-	L

A) Scope of Consolidation (continued)

Name	Head office	Currency	Capital stock	Consolidated Group interest % (a) 12/31/04	12/31/03
Core Businesses – Marketing and Distribution Business Unit					
Asep Gas Srl	Porto Mantovano (Mn) (IT)	EUR	221,000	80.000	-
Edison D.G. Spa (single stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	460,000	100.000	100.000
Edison Energia Spa (single stockholder)	Milan (IT)	EUR	22,000,000	100.000	100.000
Edison Per Voi Spa (single stockholder)	Selvazzano Dentro (Pd) (IT)	EUR	3,592,000	100.000	96.770
Core Businesses – Corporate Activities					
Italian Holding Companies					
Finanziaria di Partecipazioni Elettriche Finel Spa	Milan (IT)	EUR	194,000,000	60.000	60.000
Foreign Holding Companies					
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 Companies					
Come Iniziative Immobiliari Srl (single stockholder)	Milan (IT)	EUR	2,583,000	100.000	100.000
Other Operations					
Water					
Internat. Water Serv. (Guayaquil) Interagua C. Ltda	Guayaquil (EC)	USD	10,000,000	26.550	26.550
International Water (Adelaide I) Sarl	Luxembourg (LU)	EUR	15,098	50.000	50.000
International Water (Adelaide II) Sarl	Luxembourg (LU)	EUR	36,295	50.000	50.000
International Water (Bulgaria) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Czech Republic) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (District Heating) Bv	Amsterdam (NL)	EUR	18,000	50.000	50.000
International Water (Estonia) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Highlands) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Moray Montrose) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Mwc) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Mwc) Sarl	Luxembourg (LU)	EUR	13,248,194	50.000	50.000
International Water (Poland) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Riverland) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Tay) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Tunari) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water (Tunari) Sarl	Luxembourg (LU)	EUR	559,157	50.000	49.990
International Water (Uk) Limited	London (GB)	GBP	1,001	50.000	50.000
International Water Consulting Ag	Schweiz (CH)	CHF	100,000	50.000	50.000
International Water Development Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water Enterprises Bv	Amsterdam (NL)	EUR	20,000	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	29.500	29.500
International Water Services (Philippines) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
80.000	Edison Per Voi Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	- (h)	-	L
100.000	Edison D.G. Spa (single stockholder)	- (h)	-	L
60.000	Edison Spa	- (h)	-	L
100.000	Edison Spa	-	-	L
0.050	Come Iniziative Immobiliari Srl (single stockholder)	-	-	L
99.950	Edison Spa	-	-	
100.000	Edison Spa	- (h)	-	L
90.000	International Water Services (Guayaquil) Bv	-	-	P
100.000	International Water (Riverland) Bv	-	-	P
100.000	International Water (Riverland) Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water (Mwc) Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water (Tunari) Bv	-	-	P
0.100	International Water Services Limited	-	-	P
99.900	Iwl Corporate Limited	100.000	100.000	
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Development Bv	-	-	P
50.000	Edison Spa	-	-	P
59.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P

A) Scope of Consolidation (continued)

Name	Head office	Currency	Capital stock	Consolidated Group interest % (a) 12/31/04	12/31/03
International Water Services Ag	Zug (CH)	CHF	100,000	50.000	50.000
International Water Services Holdings Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
International Water Services Limited	George Town Grand Cayman (KY)	USD	45,100	49.890	49.890
International Water Uu (Prague) Bv	Amsterdam (NL)	EUR	20,000	50.000	50.000
Iwl (Asia Pacific) Pte Ltd	Singapore (SG)	SGD	2	50.000	50.000
Iwl Adelaide Pty Ltd	Chippendale (AU)	AUD	1,020,460	50.000	50.000
Iwl Corporate Limited	London (GB)	GBP	1	50.000	50.000
Iwl Services (USA) Inc.	Wilmington - Delaware (USA)	USD	1	50.000	50.000
Iwl Services Holdings (Uk) Limited	London (GB)	GBP	2	50.000	50.000
Moravska Vodarenska Spolecnost As (in liq.)	Breclav (CZ)	CZK	2,100,000	50.000	50.000
Engineering					
Emp. Madrilena de Ing. Y Costr. Sa	Madrid (ES)	EUR	60,110	100.000	100.000
Engineering & Designs Tecnimont Icb Pvt Ltd	Mumbai (IN)	IDR	100,000	50.000	49.990
Finewell Limited	Nicosia (CY)	CYP	1,000	100.000	99.670
Guandong Contractor	Montigny-Le-Bretonneux (FR)	EUR	1,000	25.000	25.000
Icb Contractors Private Limited	Mumbai (IN)	IDR	3,000,000	50.000	50.000
Imm. Lux. Sa	Luxembourg (LU)	EUR	780,000	100.000	99.670
Jts Contracting Company Limited	Floriana, La Valletta (M)	EUR	100,000	41.600	41.600
Protecma Srl (single stockholder)	Milan (IT)	EUR	3,000,000	100.000	100.000
Sofregaz Sa	Paris (FR)	EUR	17,500,000	66.000	66.000
Stts	Montigny-Le Bretonneux (FR)	EUR	1,000	34.900	34.900
Tecnimont Arabia Limited	Jeddah (SA)	SAR	5,500,000	51.000	51.000
Tecnimont Benelux Sa	Bruxelles (BE)	EUR	250,000	100.000	99.700
Tecnimont Chile Ltda	Santiago (CL)	CLP	277,934,149	100.000	99.920
Tecnimont do Brasil Ltda	São Paulo (BR)	BRL	1,000,000	100.000	100.000
Tecnimont Icb Private Limited	Kalina, Mumbay (IN)	IDR	13,886,700	50.000	50.000
Tecnimont International Sa	Luxembourg (LU)	EUR	200,000	100.000	99.670
Tecnimont Nigeria Ltd	Ikoyi - Lagos (NG)	NGN	5,000,000	70.000	70.000
Tecnimont Poland Sp.zo.o	Warsaw (PL)	PLZ	50,000	100.000	99.000
Tecnimont Spa (Socio Unico)	Milan (IT)	EUR	52,000,000	100.000	100.000
Tpi-Tecnimont Planung und Industrieanlagenbau Gmbh	Grimma (DE)	EUR	260,000	100.000	100.000
Tws Sa	Lugano (CH)	CHF	100,000	100.000	-

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Method of consolidation or valuation (e)
100.000	International Water Holdings Bv	-	-	P
100.000	International Water Holdings Bv	-	-	P
99.780	International Water Holdings Bv	-	-	P
100.000	International Water (Czech Republic) Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
1.000	International Water (Adelaide I) Sarl	-	-	P
99.000	International Water (Adelaide II) Sarl	-	-	
100.000	Iwl Services Holdings (Uk) Limited	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water Services Holdings Bv	-	-	P
100.000	International Water (Czech Republic) Bv	-	-	P
100.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tecnimont Icb Private Limited	-	-	P
100.000	Tecnimont International Sa	-	-	L
25.000	Emp. Madrilena de Ing. Y Costr. Sa	-	-	P
15.000	Icogas Tecnologia 2000 Sl	-	-	
100.000	Tecnimont Icb Private Limited	-	-	P
100.000	Tecnimont International Sa	-	-	L
10.000	Sofregaz Sa	-	-	P
35.000	Tecnimont Spa (single stockholder)	-	-	
100.000	Tecnimont Spa (single stockholder)	-	-	L
66.000	Tecnimont Spa (single stockholder)	-	-	L
15.000	Sofregaz Sa	-	-	P
25.000	Tecnimont Spa (single stockholder)	-	-	
51.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tecnimont Spa (single stockholder)	-	-	L
50.000	Tecnimont Spa (single stockholder)	- (g)	-	P
0.000	Tpi-Tecnimont Planung und Industrieanlagenbau Gmbh	-	-	
100.000	Tecnimont Spa (single stockholder)	-	-	L
70.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Edison Spa	-	-	L
100.000	Tecnimont Spa (single stockholder)	-	-	L
100.000	Tpi-Tecnimont Planung und Industrieanlageinbau Gmbh	-	-	L

B) Equity Investments in Unconsolidated Subsidiaries and Affiliates

Name	Head office	Currency	Capital stock	Consolidated Group interest % 12/31/03
Core Businesses – Electric Power Business Unit				
Electric Power				
Biomasse Emilia Romagna Srl (in liq.)	Cesena (Fo) (IT)	EUR	10,000	
Bluefare Ltd	London (GB)	GBP	1,000	
Consorzio Barchetta	Jesi (An) (IT)	EUR	2,000	
Consorzio Montoro	Narni (Tr) (IT)	EUR	4,000	
Consorzio Vicenne	Celano (Ag) (IT)	EUR	1,000	
Ecofuture Srl (single stockholder)	Milan (IT)	EUR	10,200	
Edipower Spa	Milan (IT)	EUR	1,441,300,000	
Gti Dakar Ltd	George Town Grand Cayman (KY)	EUR	14,686,479	
Intergen Sidi Krir Generating Company	Giza (EG)	EGP	408,000,000	
Kraftwerke Hinterrhein Ag	Thusis (CH)	CHF	100,000,000	
Megs Akdeniz Elektrik Uretim Hizmetleri Ltd (in liq.)	Kosekoy - Izmit (TR)	TRL	30,000,000,000	
Pluriservizi Nord Italia Scarl P.N.I. (in liq.)	Milan (IT)	EUR	516,000	
Roma Energia Srl	Rome (IT)	EUR	50,000	
Sel - Edison Spa	Castelbello (Bz) (IT)	EUR	84,798,000	
Sidi Krir Operating Company Bv	Rotterdam (NL)	NLG	100,000	
Sistemi di Energia Spa	Milan (IT)	EUR	10,500,000	
Stel Spa	Milan (IT)	EUR	1,000,000	
Core Businesses – Hydrocarbons Business Unit				
Hydrocarbons				
Auto Gas Company SAE (in liq.)	Cairo (EG)	EGP	5,000,000	
Ed-Ina DOO	Zagabria (HR)	HRK	20,000	
Nile Valley Gas Company (NVGC) SAE	Cairo (EG)	EGP	50,000,000	
Soc. Stud. Prom. Gasdot. Alg-Ita V. Sardeg. Galsi Spa	Milan (IT)	EUR	3,100,000	
Core Businesses – Energy Management Business Unit				
Energy Management				
Edison Hellas Sa	Athens (GR)	EUR	263,700	
Volta Spa	Milan (IT)	EUR	130,000	
Core Businesses – Marketing and Distribution Business Unit				
Marketing and Distribution				
Edison Gas Espana Sa	Barcelona (ES)	EUR	60,200	
Estgas Spa	Udine (IT)	EUR	750,000	
Eta 3 Spa	Arezzo (IT)	EUR	2,000,000	
Gasco Spa	Bressanone (Bz) (IT)	EUR	500,000	
Prometeo Spa	Osimo (An) (IT)	EUR	1,938,743	
SAT - Servizi Ambiente Territorio Spa	Sassuolo (Mo) (IT)	EUR	27,752,560	
Styrija Plin DOO	Slovenska Bistrica (SI)	SIT	7,000,000	

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Method of consolidation or valuation (e)
51.000	Edison Spa	- (h)	-		C
50.000	Edison Spa	-	-		C
50.000	Jesi Energia Spa	-	-		C
25.000	Edison Spa	-	-		C
50.000	Termica Celano Srl	-	-		C
100.000	Edison Spa	- (h)	-		C
40.000	Edison Spa	-	-	813	EM
30.000	Sondel Dakar Bv	-	-	6	C
39.000	Edison Spa	-	-	33	EM
20.000	Edison Spa	-	-	16	EM
1.000	Edison Spa	-	-		C
99.000	Megs Srl (single stockholder)	-	-		
0.500	Come Iniziative Immobiliari Srl (single stockholder)	- (h) (i)	-		C
99.500	Edison Spa	-	-		
35.000	Edison Spa	-	-	1	C
42.000	Edison Spa	-	-	34	EM
39.000	Edison Spa	-	-		C
37.890	Edison Spa	-	-	3	C
75.000	Edison Spa	- (h)	-	1	C
30.000	Edison International Spa	-	-		C
50.000	Edison International Spa	-	-		C
37.500	Edison International Spa	-	-	3	EM
18.000	Edison Spa	-	-	1	C
100.000	Edison Spa	-	-		C
51.000	Edison Spa	-	-		C
100.000	Edison Spa	-	-		C
22.000	Edison Spa	-	-	1	C
33.010	Edison Spa	-	-	1	C
40.000	Edison Spa	-	-	1	C
21.000	Edison Spa	-	-	1	C
40.000	Edison Spa	-	-	23	EM
100.000	Edison DG Spa (Socio Unico)	-	-		C

B) Equity Investments in Unconsolidated Subsidiaries and Affiliates (continued)

Name	Head office	Currency	Capital stock	Consolidated Group interest % 12/31/03
Core Businesses – Corporate Activities				
Italian Holding Companies				
Finimeg Spa (single stockholder)	Milan (IT)	EUR	2,425,200	
Foreign Holding Companies				
Atema Limited	Dublin - 2 (IE)	EUR	1,500,000	
Real Estate Companies				
Iniziativa Universitaria 1991 Spa	Varese (IT)	EUR	16,120,000	
Nuova Alba Srl (single stockholder)	Milan (IT)	EUR	2,016,457	
Soc. per la Gest. del Palazzo Centro Congressi Srl	Assago Milanofiori (Mi) (IT)	EUR	10,200	
Dormant and Sundry Companies				
Codest Srl	Pavia di Udine (Ud) (IT)	EUR	15,600	
Syremont Spa	Messina (IT)	EUR	750,000	
Companies in Liquidation or Otherwise Restricted				
CDS Scarl (in liq.)	Milan (IT)	EUR	10,200	
CFC Consorzio Friulano Costruttori (in liq.)	Udine (IT)	ITL	100,000,000	
Calbiotech Srl (in bankruptcy)	Ravenna (IT)	ITL	90,000,000	
Calcestruzzi Palermo Spa in Amm. Giud. (single stockholder)	Palermo (IT)	EUR	108,360	
Calcestruzzi Pozzallo Srl (in liq.)	Pozzallo (Rg) (IT)	EUR	26,000	
Cempes Scrl (in liq.)	Villa Adriana-Tivoli (Rm) (IT)	EUR	15,492	
Ci.Far. Scarl (in bankruptcy)	Udine (IT)	ITL	20,000,000	
Compania Emiliana De Exportacion Sa (in liq.)	Buenos Aires (AR)	ARP	200,000	
Compo Chemical Company (in liq.)	Wilmington, Delaware (USA)	USD	1,000	
Compo Shoe Machinery Corp. of Canada (in liq.)	Montreal, Quebec (CA)	CAD	500	
Coniel Spa (in liq.)	Rome (IT)	EUR	1,020	
Convolci Scnc (in liq.)	Rome (IT)	EUR	5,165	
Ferruzzi Trading France Sa (in liq.)	Paris (FR)	EUR	7,622,451	
Finsavi Srl in receivership	Palermo (IT)	EUR	18,698	
Frigotecnica Srl (single stockholder) in receivership (in liq.)	Palermo (IT)	EUR	76,500	
Gerinia Srl (in liq.)	Milan (IT)	EUR	52,132	
Groupement Gambogi-CISA (in liq.)	Dakar (Sn)	Xaf	1,000,000	
Inica Sarl (in liq.)	Lisbon (PT)	PTE	1,000,000	
La Generale Finanz. e Imm. Srl (single stockholder) (in liq.)	Milan (IT)	EUR	130,000	
Livenza Scrl (in liq.)	Milan (IT)	EUR	11,000	
Montecatini Srl (single stockholder) (in liq.) (ex Società Nordelettrica Srl - Sondel) (single stockholder)	Milan (IT)	EUR	60,000	
Montedison Srl (single stockholder) (in liq.)	Milan (IT)	EUR	60,000	
Nuova CISA Spa (in liq.) (single stockholder)	Ravenna (IT)	EUR	1,549,350	
Nuova Isi Impianti Selez. Inerti Srl (in bankruptcy)	Vazia (Ri) (IT)	ITL	150,000,000	
Opi.Fer Scrl (in liq.)	Milan (IT)	EUR	10,200	
Poggio Mondello Srl (single stockholder) in receivership	Palermo (IT)	EUR	364,000	
Ponte Giulio Scrl	Udine (IT)	EUR	10,200	
Rosfid Srl (in liq.)	Milan (IT)	ITL	46,000,000	

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Method of consolidation or valuation (e)
100.000	Edison Spa	- (h)	-	2	EM
100.000	Edison Spa	-	-	2	EM
32.258	Come Iniziative Immobiliari Srl (single stockholder)	- (n)	-		EM
100.000	Edison Spa	- (h)	-		EM
44.820	Come Iniziative Immobiliari Srl (single stockholder)	-	-		C
33.330	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
40.000	Edison Spa	-	-		EM
40.000	Nuova CISA Spa (in liq.) (single stockholder)	- (i)	-		C
20.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
55.000	Edison Spa	-	-		C
100.000	Edison Spa	- (l)	-		C
50.000	Edison Spa	-	-		C
33.330	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
60.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
100.000	Edison Spa	- (i)	-		EM
100.000	Nuova Alba Srl (single stockholder)	-	-		C
100.000	Nuova Alba Srl (single stockholder)	-	-		C
35.250	Edison Spa	-	-		C
27.370	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
100.000	Edison Spa	-	-	6	C
50.000	Edison Spa	- (l)	0.000		C
100.000	Edison Spa	- (l)	0.000		C
31.000	Come Iniziative Immobiliari Srl (single stockholder)	-	-		C
50.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
20.000	Edison Spa	-	-		C
100.000	Montedison Finance Europe NV	- (h)	-		C
85.800	Nuova CISA Spa (in liq.) (single stockholder)	- (i)	-		C
100.000	Edison Spa	- (h)	-		C
100.000	Edison Spa	- (h)	-		C
100.000	Edison Spa	- (h)	-		C
33.330	Come Iniziative Immobiliari Srl (single stockholder)	-	-		C
50.000	Nuova CISA Spa (in liq.) (single stockholder)	- (i)	0.000		C
100.000	Finimeg Spa (single stockholder)	- (l)	-		C
50.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
42.280	Edison Spa	- (i)	-		C

B) Equity Investments in Unconsolidated Subsidiaries and Affiliates (continued)

Name	Head office	Currency	Capital stock	Consolidated Group interest % 12/31/03
Rumianca Spa (in liq.)	Milan (IT)	EUR	100,000	
SIE Srl (in liq.)	Acquaviva delle Fonti (Ba) (IT)	EUR	46,800	
Soc. Gen per Progr. Cons. e Part. Spa (under extraord. admin.)	Rome (IT)	ITL	300,000,000	
Sorrentina Scarl (in liq.)	Rome (IT)	EUR	46,480	
Trieste Tre Srl (in liq.)	Ravenna (IT)	EUR	10,400	
Other Operations				
Water				
Aguas Del Tunari Sa	La Paz (BO)	BOB	146,500,000	
Engineering				
Consorzio per L'ambiente Rurale (in liq.)	Rome (IT)	EUR	5,165	
Consorzio Progetti Trasporto	Rome (IT)	ITL	100,000,000	
Gazintek	Kiev (UA)	UAH	477,495	
Icogas Tecnologia 2000 Sl	Donastia (ES)	ESP	500,000	
Polymer Technology Inc.	Wilmington, Delaware (USA)	USD	200	
Studio Geotecnico Italiano Srl	Milan (IT)	EUR	1,550,000	
Svincolo Taccone Scarl (in liq.)	Bari (IT)	ITL	20,000,000	

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Method of consolidation or valuation (e)
100.000	Edison Spa	- (h) (m)	-		C
50.000	Edison Spa	- (i)	-		C
59.330	Edison Spa	-	-		C
25.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
50.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
55.000	International Water (Tunari) Sarl	-	-	2	C
40.000	Tecnimont Spa (single stockholder)	-	-		C
40.000	Tecnimont Spa (single stockholder)	-	-		EM
70.000	Sofregaz Sa	-	-		EM
100.000	Sofregaz Sa	-	-		EM
30.000	Tecnimont Spa (single stockholder)	-	-		EM
25.500	Tecnimont Spa (single stockholder)	-	-	1	EM
80.000	Tecnimont Spa (single stockholder)	-	-		C

C) Equity Investments of More Than 10% or 2% of the Capital Stock, Respectively, of Unlisted and Listed Unaffiliated Companies

(Pursuant to Article 126 of Consob Resolution 11971 of 5/14/1999)

Name	Head office	Currency	Capital stock	Consolidated Group interest % 12/31/03
Core Businesses – Marketing and Distribution Business Unit				
Marketing and Distribution				
Blumet Spa	Reggio Emilia (IT)	EUR	7,600,000	
Core Businesses – Corporate Activities				
Dormant and Sundry Companies				
Acsm Spa	Como (IT)	EUR	37,496,500	
Azienda Mediterranea Gas e Acqua Spa	Genoa (IT)	EUR	169,525,200	
Consorzio Carnia	Sesto San Giovanni (Mi) (IT)	EUR	51,645	
Consorzio Friulano per il Tagliamento	Udine (IT)	EUR	10,330	
Companies in Liquidation or Otherwise Restricted				
Consorzio Carnia Scrl (in liq.)	Rome (IT)	EUR	45,900	
Pro.Cla.Mi Srl (in liq.)	Milan (IT)	EUR	51,000	
Sant'Angelo Srl (in liq.)	Padua (IT)	EUR	10,200	
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome (IT)	EUR	154,950	
Investments in Publicly traded Companies Held as Long-term Investments				
AEM Spa	Milan (IT)	EUR	936,024,648	

Other Equity Investments of Less Than 2% or 10% of the Capital Stock, Respectively, of Listed and Unlisted Companies

Core Businesses – Corporate Activities			
Dormant and Sundry Companies			
Ipse 2000 Spa	Rome (IT)	EUR	150,500,000
Other equity investments of less than 2% or 10% of the capital stock, respectively, of listed and unlisted companies			
Total			

Interest held in capital stock % (b)	by	Voting securities held % (c)	Exercisable voting rights % (d)	Carrying value (in millions of euros) (f)	Method of consolidation or valuation (e)
19.700	Edison Spa	-	-	1	C
3.970	Edison Spa	-	-		C
3.000	Edison Spa	-	-		C
17.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
16.300	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
17.000	Nuova CISA Spa (in liq.) (single stockholder)	-	-		C
15.330	Edison Spa	-	-		C
16.670	Edison Spa	-	-		C
12.600	Edison Spa	-	-		C
5.100	Edison Spa	-	-	139	C
7.910	Edison Spa	-	-		C
		-	-	25	
		-	**-**	**1,116**	

Companies Added to the Scope of Consolidation During the year ended December 31, 2004

Name	Head office	Currency	Capital stock at 12/31/04	Consolidated Group interest
Companies that were bought				
Asep Gas Srl	Porto Mantovano (Mn) (IT)	EUR	221,000	77.42
Newly established companies				
Edison Stoccaggio Spa (single stockholder)	Milan (IT)	EUR	81,497,301	100
Companies previously valued at cost				
Tws Sa	Lugano (CH)	CHF	100,000	100.00

Companies Removed From the Scope of Consolidation During the Year Ended December 31, 2004

Name	Head office	Currency	Capital stock at 12/31/03	Consolidated Group interest at 12/31/04	Consolidated Group interest al 12/31/03
Companies that were sold					
Edison T&S Spa (single stockholder)	Milan (IT)	EUR	175,424,000	100	100
International Water (Highlands) Limited	London (GB)	GBP	1	50	50
International Water (Tay) Limited	London (GB)	GBP	1	50	50
IWL Moray Montrose Limited	London (GB)	GBP	1	50	50
Società Gasdotti del Mezzogiorno-SGM Spa	Frosinone (IT)	EUR	780,000	83.34	71.34
Turk Edison Enerji As	Kosekoy/Izmit (TR)	TRL	37,190,885,000,000	84.78	84.78
Companies that were merged					
Arcalgas Sud Spa (single stockholder)	Selvazzano di Dentro (Pd) (IT)	EUR	1,716,000	100	100
Bussi Termoelettrica Spa (single stockholder)	Milan (IT)	EUR	15,600,000	100	100
Caffaro Energia Srl (single stockholder)	Milan (IT)	EUR	25,822,846	100	100
Iniziative Sviluppo Energie Spa-Ise Spa	Milan (IT)	EUR	100,000,000	100	45
Ise Rete Srl (single stockholder)	Milan (IT)	EUR	4,922,207	100	45
La Metano Lombarda Spa (single stockholder)	Selvazzano di Dentro (Pd) (IT)	EUR	312,000	100	100
Savim Srl (single stockholder)	Milan (IT)	EUR	260,000	100	100
Società Immobiliare Assago Spa (single stockholder)		Milan (IT)	EUR	7,905,000	100
100					
Sogetel Spa (single stockholder)	Torino (IT)	EUR	8,192,749	100	100
Stirpex Bv	Amsterdam (NL)	NLG	100,000	100	100
Vega Oil Spa	Milan (IT)	EUR	104,000	100	100
Veneta Gestione Servizi Pubblici Metano Spa (single stockholder)	Selvazzano di Dentro (Pd) (IT)	EUR	517,000	100	100

(a) The consolidated Group interest is computed on the basis of the interest held in the respective capital stock 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 capital stock is equivalent to the ratio between the aggregate par value of all equity securities held directly and the total capital stock. In this computation, the denominator (total capital stock) 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 capital stock. 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 Stockholders' Meeting and the total number of votes that can be cast at an Ordinary Stockholders' Meeting. The common shares of some companies confer the right to cast more than one vote at Ordinary Stockholders' Meetings (multiple-vote shares). The percentage is shown only if it is different from the overall interest held.

(e) L = Line-by-line consolidation; P = Consolidation by the proportional method; EM = Valuation by the equity method; C = Valuation at cost.

(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) Pursuant to contractual agreements, an outside stockholder has undertaken to vote 1 Tecnimont ICB Private Ltd share in accordance with the instructions received from Tecnimont Spa, provided that such instructions are not detrimental to the interests of the Company or those of minority stockholders.

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

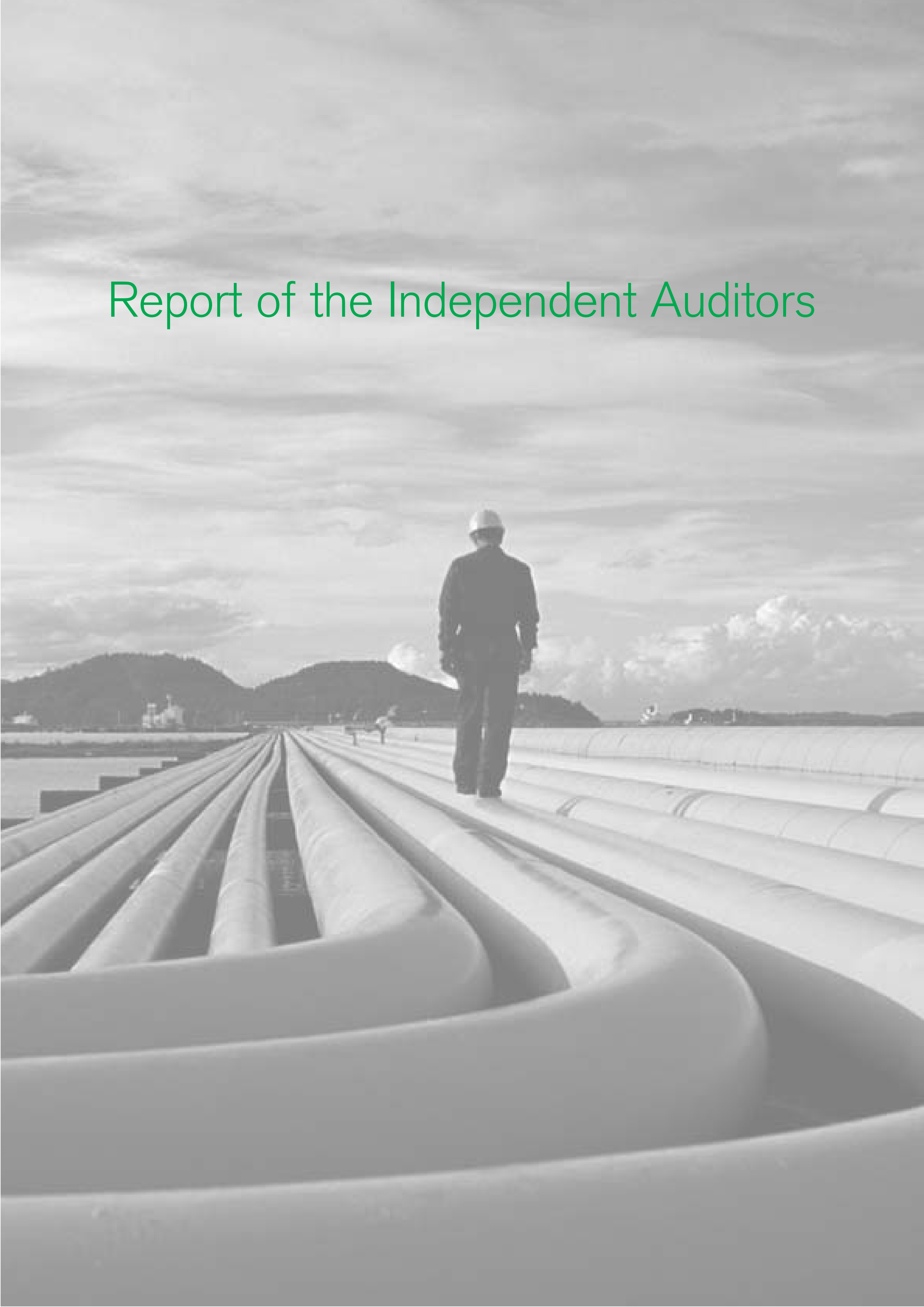
(i) An application has been filed requesting the deletion of this company from the Company Register, but the cancellation is not yet effective.

(l) The assets, partnership interests or shares of this company were seized on 7/7/98 and the respective voting rights attributed to a Receiver appointed by the Court of Palermo – Protective Measures Section.

(m) Pursuant to a resolution of the Stockholders' Meeting held on December 15, 2004, Edison subscribed in full the new capital stock, leaving the portion available to minority stockholders (3 shares, par value 0.05 euro each) open for exercise of option rights until January 27, 2005.

(n) This investment is encumbered by an attachment, for a maximum amount of 1,900,000 euros, ordered by the Court of Varese on June 14, 2004.

Report of the Independent Auditors



PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the shareholders of
EDISON S.p.A.

1. We have audited the consolidated financial statements of EDISON S.p.A. as of 31 December 2004. These consolidated financial statements are the responsibility of EDISONS's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of some subsidiaries and associated companies, representing about 4.6% of consolidated assets and 3.5% of consolidated revenues, have been examined by other auditors who provided us with their reports. Our opinion, expressed in this report, as to the values of those companies included in the consolidation is based also on the audit performed by other auditors.

   For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 13 April 2004.

3. In our opinion, the consolidated financial statements of EDISON SpA as of 31 December 2004 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the consolidated financial position and of the consolidated result of operations of the Company.

Milan, 4 April 2005

PricewaterhouseCoopers SpA

Marco Sala
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. We have not examined the translation of the consolidated financial statements referred to in this report.

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

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