



STATUTORY FINANCIAL STATEMENTS 2005



CONTENTS

Statutory Financial Statements	
Balance Sheet	178
Statement of income	182
Notes to the Statutory Financial Statements at December 31, 2005	184
Content and Form of the Financial Statements	185
Accounting Principles and Methods	186
Notes to the Balance Sheet – Assets	191
Notes to the Balance Sheet – Liabilities and Shareholders' Equity	204
Notes to the Memorandum Accounts	211
Notes to the Statement of Income	215
Other information	229
Publicly Traded Securities – Comparison of Year-End	233
List of Equity Investments	234
Financial Fixed Assets – Securities	260
Financial Assets not Held as Fixed Assets	260
Annexes to the Financial Statements	263
Financial Highlights of the Principal Subsidiaries	264
Report of the Independent Auditors	267

STATUTORY FINANCIAL STATEMENTS 2005

Edison Spa Balance Sheet at December 31, 2005

ASSETS (in euros)	12/31/05	12/31/04		
A) Receivables from shareholders	-	-		
B) Fixed assets, with leased assets shown separately				
I. Intangibles:				
1) Start-up and expansion costs	-	6,032,105		
2) Research, development and advertising expenses	-	3,395,861		
4) Concessions, licenses, trademarks and similar rights	246,349,890	245,466,714		
5) Goodwill	2,569,443,341	2,724,793,808		
6) Work in progress and advances	1,330,093	8,184,334		
7) Other intangibles	19,370,221	29,272,931		
Total	2,836,493,545	3,017,145,753		
II. Property, plant and equipment:				
1) Land and buildings	270,528,785	278,078,444		
2) Plant and machinery	2,087,369,457	2,050,221,778		
3) Manufacturing and distribution equipment	5,180,774	7,266,146		
4) Other assets	3,799,733	3,780,447		
5) Construction in progress and advances	762,796,765	592,595,481		
Total	3,129,675,514	2,931,942,296		
III. Financial fixed assets:				
1) Equity investments in:				
subsidiaries	1,722,500,719	1,715,456,884		
affiliated companies	887,728,518	931,564,460		
other companies	38,863,862	160,864,553		
Total equity investments	2,649,093,099	2,807,885,897		
2) Long-term loans to:				
a) subsidiaries	6,854,007	6,854,007	30,207,234	24,907,686
b) affiliated companies	-	-	3,876	3,854
c) other companies	-	-	46,615,961	52,294,466
Total long-term loans	6,854,007	6,854,007	76,827,071	77,206,006
3) Other securities			1,923,239	1,923,239
4) Treasury stock			12	12
Total			2,727,843,421	2,887,015,154
Total fixed assets (B)			8,694,012,480	8,836,103,203

Edison Spa

Balance Sheet at December 31, 2005 (continued)

ASSETS (in euros)		12/31/05	12/31/04
C) Current assets			
I. Inventories:			
1) Raw materials, auxiliaries and supplies		37,320,603	31,155,131
3) Contract work in process		590,101	7,947,599
4) Finished goods and merchandise		172,926,235	172,996,388
5) Advances		220,961	211,609
Total		211,057,900	212,310,727
	AMOUNTS DUE AFTER ONE YEAR		
II. Accounts receivable			
	12/31/05	12/31/04	
1) Trade accounts receivable	-	-	712,122,306
2) Accounts receivable from subsidiaries	-	-	298,293,147
3) Accounts receivable from affiliates	-	-	61,201,785
4) Accounts receivable from controlling companies	-	-	32,000
4-bis) Due from the tax authorities	247,927,499	367,902,201	330,443,780
4-ter) Deferred-tax assets	-	-	90,000,000
5) Accounts receivable from outsiders	-	-	136,913,522
Total accounts receivable			1,629,006,540
			1,279,209,702
III. Financial assets not held as fixed assets:			
2) Equity investments in affiliated companies	-	-	400
4) Other equity investments	-	-	79,008,415
6) Other securities	-	-	200
7) Loans to:			
a) subsidiaries	19,859,761	45,279,937	431,272,344
b) affiliated companies	-	-	18,629,301
Total loans receivable	19,859,761	45,279,937	449,901,645
Total financial assets	19,859,761	45,279,937	528,910,660
			288,951,692
IV. Liquid assets:			
1) Bank and postal accounts		15,829,250	9,225,637
3) Cash on hand		34,455	19,286
Total liquid assets		15,863,705	9,244,923
Total current assets (C)		2,384,838,806	1,789,717,043
D) Accrued income and prepaid expenses			
- Accrued income and prepaid expenses		50,535,614	51,770,255
- Bond issue discount		2,890,733	3,603,732
Total accrued income and prepaid expenses (D)		53,426,347	55,373,987
TOTAL ASSETS		11,132,277,633	10,681,194,234

Edison Spa

Balance Sheet at December 31, 2005 (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY (in euros)	12/31/05	12/31/04		
A) Shareholders' equity				
I. Capital stock	4,273,107,754	4,258,887,966		
II. Additional paid-in capital	3,401,905	-		
III. Reserve for inflation adjustments	-	-		
IV. Statutory reserve	-	-		
V. Reserves under the Bylaws	-	-		
VI. Reserve for treasury stock	-	-		
VII. Other reserves:	-	-		
- Reserve for Government grants	3,770,174	3,770,174		
- Reserve for investments planned under Law No. 488/92	15,993,000	15,993,000		
- Surplus upon merger	-	571,069		
Total other reserves	19,763,174	20,334,243		
VIII. Retained earnings (Loss carryforward)	(58,226,559)	(370,674,041)		
IX. Net income for the year	351,053,527	311,876,413		
Total shareholders' equity (A)	4,589,099,801	4,220,424,581		
B) Reserves for risks and charges				
2) Reserve for current and deferred taxes	52,346,360	60,309,903		
3) Other reserves	845,020,137	918,649,033		
Total reserves for risks and charges (B)	897,366,497	978,958,936		
C) Reserve for employee severance indemnities	39,967,425	37,322,772		
	AMOUNTS DUE AFTER ONE YEAR			
	12/31/05	12/31/04		
D) Liabilities				
1) Bonds	2,629,639,000	2,629,639,000	2,629,639,000	2,629,639,000
3) Loans payable to shareholders	-	-	-	880,607
4) Due to banks	443,070,780	386,591,783	936,294,459	899,606,835
5) Due to other lenders	1,608,441	4,967,000	4,743,317	6,659,913
6) Advances	-	-	15,550,448	16,253,994
7) Trade accounts payable	-	-	834,369,031	555,977,989
9) Accounts payable to subsidiaries	-	-	936,140,780	1,011,852,467
10)Accounts payable to affiliated companies	-	-	5,243,115	1,135,841
11)Accounts payable to controlling companies	-	-	-	4,421,092
12)Taxes payable	-	2,447,343	12,193,355	26,121,386
13)Contributions to pension and social security institutions	-	-	10,007,108	8,401,334
14)Other liabilities	-	-	136,295,796	191,030,488
Total liabilities (D)			5,520,476,409	5,351,980,946
E) Accrued expenses and deferred income				
- Accrued expenses			73,090,019	74,919,632
- Deferred income			12,277,482	17,587,367
Total accrued expenses and deferred income (E)			85,367,501	92,506,999
TOTAL LIABILITIES			6,543,335,832	6,460,769,652
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			11,132,277,633	10,681,194,234

Edison Spa

Balance Sheet at December 31, 2005 (continued)

MEMORANDUM ACCOUNTS (in euros)	12/31/05	12/31/04
1) Guarantees Provided		
Sureties and other guarantees on behalf of:		
- subsidiaries	1,402,262,477	1,767,478,880
- affiliated companies	493,829,534	1,215,076,005
- outsiders	762,075,262	319,170,636
Total	2,658,167,273	3,301,725,521
2) Collateral provided for:		
Borrowings and other obligations of outsiders	926,666,558	966,750,711
Liabilities listed on the balance sheet	421,501,724	377,808,440
Total	1,348,168,282	1,344,559,151
3) Commitments, risks and other memorandum accounts		
- Commitments to purchase fixed assets	285,291,103	823,873,432
- Transactions to hedge interest rate risks	2,021,639,000	2,157,639,000
- Forward transactions and derivatives to hedge foreign exchange risks	295,431,674	98,950,745
- Forward transactions in the commodities markets	52,012,516	404,403
- Commitments to buy equity investments	177,010,000	167,590,000
- Securities deposited with outsiders	228,559,721	288,673,550
- Other company assets held by outsiders	159,779,000	144,400,000
- Offsets of VAT credits	4,264,615	5,674,254
- Obligations toward outsiders for leased assets	2,154,000	215,892
- Assets of outsiders held by the Company	30,084,470	6,987,343
- Guarantees provided by suppliers and customers	154,151,273	120,158,164
- Other memorandum accounts	8,647,501	1,647,501
Total	3,419,024,873	3,816,214,284
TOTAL MEMORANDUM ACCOUNTS	7,425,360,428	8,462,498,956

Edison Spa Statement of Income at December 31, 2005

(in euros)	FY 2005	FY 2004
A) Production value		
1) Sales and service revenues	4,065,155,159	3,302,566,339
2) Changes in invent. of work in progress, semifinished goods and finished goods	20,570,652	41,022,002
3) Changes in contract work in process	(7,357,498)	7,183,833
4) Increase in Company-produced additions to fixed assets	6,499,492	16,243,842
5) Other revenues and income		
- Operating grants	1,154,258	1,354,735
- Miscellaneous	142,426,137	79,200,902
Total other revenues and income	143,580,396	80,555,637
Total production value (A)	4,228,448,201	3,447,571,653
B) Cost of production		
6) Raw materials, auxiliaries, supplies and merchandise	2,762,182,146	2,004,846,371
7) Outside services	512,206,661	469,409,021
8) Use of property not owned	38,338,726	46,293,712
9) Personnel:		
a) Wages and salaries	91,410,769	84,037,343
b) Social security contributions	28,869,390	26,131,874
c) Provision for employee severance indemnities	6,830,920	6,218,786
e) Other personnel costs	1,139,651	1,135,513
Total personnel costs	128,250,730	117,523,516
10) Depreciation, amortization and writedowns:		
a) Amortization of intangibles	207,111,306	205,766,727
b) Depreciation of property, plant and equipment	194,285,375	189,080,786
c) Writedowns of fixed assets	6,928,745	171,089
d) Writedowns of loans included in current assets	4,552,714	8,135,368
Total depreciation, amortization and writedowns	412,878,140	403,153,970
11) Change in invent. of raw materials, auxiliaries, supplies and merchandise	20,769,583	1,562,071
12) Provisions for risks	50,610,426	20,538,119
14) Miscellaneous operating costs	92,110,138	68,658,389
Total cost of production (B)	4,017,346,550	3,131,985,169
Net production value (A-B)	211,101,651	315,586,484

Edison Spa

Statement of Income at December 31, 2005 (continued)

(in euros)	FY 2005	FY 2004
C) Financial income and expense		
15) Income from equity investments:		
- Subsidiaries	213,531,082	358,103,833
- Affiliated companies	6,931,698	6,730,219
- Other companies	7,590,990	9,476,014
Total	228,053,770	374,310,066
16) Other financial income:		
a) Loans included in financial fixed assets		
- Subsidiaries	899,352	1,700,232
- Affiliated companies	25	2,557,275
- Other companies	1,407,519	30,891
c) Securities included in current assets other than equity investments	73,457	86,399
d) Other financial income from:		
- Subsidiaries	15,734,835	13,870,095
- Affiliated companies	3,013,735	86,400
- Controlling companies	701	-
- Other companies	88,322,705	114,926,200
Total	109,452,329	133,257,492
17) Interest and other financial expense paid to:		
- Subsidiaries	21,172,098	13,988,395
- Affiliated companies	7,191	18,097
- Controlling companies	112,008	55,095
- Other companies	253,314,939	328,034,363
Total	274,606,236	342,095,950
17-bis) Currency translation gains (losses)	(8,775)	(1,801,141)
Total financial income and expense (15+16-17±17-bis) (C)	62,891,087	163,670,467
D) Value adjustments on financial assets		
18) Upward adjustments of:		
a) securities included in current assets other than equity investments	2,071,565	9,739,829
Total	2,071,565	9,739,829
19) Writedowns of:		
a) equity investments	29,695,744	226,151,259
b) financial fixed assets other than equity investments	8,054,822	-
c) securities included in current assets other than equity investments	2,247,325	6,700
Total	39,997,891	226,157,959
Total value adjustments (18-19) (D)	(37,926,326)	(216,418,130)
E) Extraordinary income and expense		
20) Extraordinary income:		
- Gains on disposals	89,330,144	54,291,445
- Other extraordinary income	224,730,684	280,349,016
Total	314,060,828	334,640,461
21) Extraordinary expense:		
- Losses on disposals	10,669,922	1,798,985
- Taxes attributable to prior fiscal years	740,863	3,852,189
- Other extraordinary expense	221,039,361	272,989,532
Total	232,450,146	278,640,706
Total extraordinary items (20-21) (E)	81,610,682	55,999,755
INCOME BEFORE TAXES (A-B+-C+-D+-E)	317,677,093	318,838,576
22) Current, deferred and prepaid income taxes	(33,376,434)	6,962,163
Net income	351,053,527	311,876,413

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

at December 31, 2005

CONTENT AND FORM OF THE FINANCIAL STATEMENTS

Dear Shareholders:

We submit for your approval the financial statements at December 31, 2005, which include the Balance Sheet, the Statement of Income and the respective Notes.

The financial statements have been prepared in accordance with current statutory requirements, as set forth in Articles 2423 and following of the Italian Civil Code. They also provide the additional disclosures recommended by the Consob and required by Legislative Decree No. 58/98 and its implementation decrees.

The financial statements are presented in accordance with the format provided in Articles 2424 and 2425 of the Italian Civil Code. Line items identified with Arabic numerals in the abovementioned form that have a zero balance both for the current and the previous year have been omitted.

The Notes to the Financial Statements are supplemented by the schedules required by the provisions of the relevant statutes.

The special schedules required pursuant to Resolution No. 61/99, as amended, and Resolutions No. 310 and No. 311 of 2001, with which the Electric Power and Gas Authority ordered the accounting and administrative separation of the electric power operations (the so-called unbundling), are annexed to the Report on Operations.

The statutory financial statements were audited by PriceWaterhouseCoopers, in accordance with the three-year (2005-2007) assignment it had received pursuant to a resolution of the Shareholders' Meeting of April 19, 2005.

ACCOUNTING PRINCIPLES AND METHODS

The valuation criteria used by the Company are consistent with current statutory requirements, as interpreted and supplemented by the accounting principles published by the Italian Accounting Organization of the Italian Board of Certified Public Accountants and Bookkeepers. Insofar as Italian law allows it, the valuation criteria are consistent with those provided by the International Accounting Standards Board (IASB).

The criteria used in 2005 are the same as those used in 2004.

The valuation criteria used are reviewed below.

Intangibles

Intangibles are recorded at purchase or production cost, including incidental costs and any allocated loss upon merger.

Intangibles are amortized on a straight-line basis in accordance with their remaining useful lives. 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 capitalized in previous years 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, perform test 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 life, which cannot exceed the statutory life or the term of the underlying contract. When the estimated useful life cannot be determined, they are written off over five years.
- 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 contracts. When the estimated useful life cannot be determined, the asset is written off over five years.
- Hydrocarbon concessions are recorded at the acquisition cost or at the cost incurred to find or purchase 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. When the estimated useful life cannot be determined they are written off over five years. As required under IAS 36, a test is made each year to make sure that the carrying value of the cash generating unit, to which the goodwill can be reasonably allocated, is not greater than its 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 year ended December 31, 2004, expenses incurred to finance the manufacturing process, either internally or through contractors, are no longer capitalized. The cost of assets received as the result of a transfer of business operations is determined by independent expert appraisers, as required by Article 2343 of the Italian Civil Code. The historical cost shown in the balance sheet also includes any consolidation difference attributable to the individual assets.

The cost of assets is adjusted upwards only when required by specific laws that cover inflation adjustments on property, plant and equipment, but the adjusted value of the assets cannot exceed their market value. Gains on inflation adjustments are reflected in shareholders' equity under Reserve for inflation adjustments.

Ordinary maintenance expenses that serve the purpose of preserving the assets are charged to income in the year they are incurred. Those that enhance the value of property, plant and equipment are added to the respective assets, insofar as they extend their useful life or upgrade their technology.

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 lives 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 contract or their estimated useful life, whichever is less.

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.

Financial Fixed Assets

Fixed assets consisting of investments in subsidiaries, affiliated companies and other companies are carried at cost, determined using the LIFO method with annual increments, plus incidental expenses. They are written down to reflect any permanent loss in value. The writedowns are reversed in subsequent fiscal years if the reasons for the adjustments no longer apply. Value adjustments may not reduce the carrying value of an investment to less than the shareholders' equity of the investee company or the estimated realizable value, when the sale of the respective company is being negotiated. Usually, the carrying value of an equity investment in a subsidiary or affiliated company may never exceed the interest in the underlying shareholders' equity, determined taking into account goodwill and any unrealized gains or losses attributable to the assets of the investee companies. When the Parent Company prepares the consolidated financial statements, the valuation is made based on the pro rata share of the subgroup's interest in consolidated shareholders' equity. Historical cost includes the original purchase price and subsequent charges, additional investments in connection with capital increases, the allocated portion of any loss upon merger and reductions in carrying value due to disposals or reductions in capital stock resulting from shareholder approved distributions. Reductions in capital stock carried out to offset losses, followed by replenishments of the same magnitude, do not result in a change in historical cost.

If at the end of the year subsidiaries or affiliated companies have a negative net worth and Edison intends to defray the cost of recapitalizing these companies, the Parent Company recognizes in its financial statements an amount equivalent to its interest in the negative net worth by means of an addition to the Reserves for risks and charges.

If an investee company prepares its financial statements in a currency other than the euro, all valuations are made based on the reporting currency of the investee company. All losses are converted into euros at the historical exchange rate used to determine the cost of the investment. The historical exchange rate used to determine the cost of an investment can be changed only when exchange rate fluctuations produce a permanent loss in value. In such a case, the historical exchange rate is replaced with the new exchange rate, and the carrying value of the investment is written down accordingly.

Treasury shares and other securities are shown at cost determined using the LIFO method with annual increments, but are written down for lasting losses in value.

Receivables and Payables

Receivables are carried at their estimated realizable value obtained by deducting from their face value the necessary allowances. Trade receivables assigned with recourse have been eliminated from the balance sheet. The deferred consideration still owed is shown under current assets as a receivable from outsiders. Payables are shown at their face value. Tax liabilities for the fiscal year are computed by applying the tax rates in force on the balance sheet date to a realistic estimate of the taxable income. If the taxes payable during the fiscal year are less than the tax credits, tax prepayments and taxes withheld, the resulting credit difference is shown as an asset on the balance sheet. 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. Starting with the fiscal year ended December 31, 2004, any currency translation gain that is reflected in the statement of income is set aside as a separate reserve, which may not be distributed until the gain is realized.

Securitization Transactions

Edison Spa 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. The cost of raw materials, auxiliaries and supplies is determined using the LIFO method with annual increments. The cost of finished goods and merchandise (fluxing gasoil, diesel fuel and natural gas) is determined using the FIFO method. Real estate property held for resale is valued by identifying the relevant specific costs. Inventories of other finished goods and merchandise are valued by the LIFO method with annual increments. Any difference compared with the inventory values determined at year-end market prices must be disclosed in the Notes to the Financial Statements only if it is material.

Financial Assets not Held as Fixed Assets

Financial assets not held as fixed assets are carried at the lower of cost, determined using the LIFO method with annual increments, or estimated realizable value, based on market conditions. Any write-down 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 at the end of the fiscal year. Tax prepayments have been deducted directly from the reserve 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 are booked net of returns, discounts, allowances, bonuses and any taxes directly related to the sale of the products and the provision of the services in question. Revenues from sales of products are recognized when title to the goods is transferred, which generally occurs upon delivery or shipment of the goods. Service revenues are recognized when the services are provided in accordance with the respective contracts. Financial income and expense are entered on an accrual basis. Dividends are entered in the year when the investee company convenes the Shareholders' Meeting that approves the distribution of earnings and reserves. If the Shareholders' Meeting of a subsidiary approves a dividend distribution prior to the approval of the financial statements by the Board of Directors, the dividends are recognized in the financial statements of the subsidiary on an accrual basis. Capital grants, i.e., amounts disbursed by the Government or by public agencies pursuant to law, are booked when they are collected or upon receipt of the formal resolution authorizing their payment, whichever occurs first. At the end of the year, they 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 currently in force. Starting with the fiscal year just ended and the 2006 and 2007 tax years, Edison Spa elected to file a national consolidated tax return. This decision required the formal adoption of specific regulations governing the relationship between the Group and the subsidiaries included in the consolidated tax return.

The accrued tax 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, accelerated and supplemental depreciation and amortization, maintenance expenses in excess of allowed ceilings and deductible in subsequent years, provisions for doubtful accounts, etc.). Deferred-tax assets and liabilities 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 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 Board of Directors that provide a reasonable expectation of recoverability are available. Deferred-tax liabilities are recognized only when they arise from taxable temporary differences that produce an actual tax liability. Deferred-tax liabilities are offset only when, under the tax laws, 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, otherwise it is posted to an asset account called Deferred-tax assets.

In order to avoid that the deduction only for tax purposes of negative income components from a company's earnings results in the distribution of untaxed earnings, companies are required to set up restricted reserves, other than the Statutory reserve, for an amount equal to that of the negative income components deducted for tax purposes but not for reporting purposes, net of the portion of the reserve for deferred taxes attributable to the deducted amounts.

NOTES TO THE BALANCE SHEET – ASSETS

B) Fixed Assets

Fixed assets totaled 8,694,012,000 euros. The net decrease of 142,091,000 euros compared with December 31, 2004 is the net result of additions for the year, depreciation and amortization expense and disposals of financial fixed assets. The table below presents a breakdown of fixed assets and the changes that occurred in 2005:

Fixed assets	2005	2004	Change
B.I.) Intangibles	2,836,493	3,017,146	(180,653)
B.II.) Property, plant and equipment	3,129,676	2,931,942	197,734
B.III.) Financial fixed assets	2,727,843	2,887,015	(159,172)
	8,694,012	8,836,103	(142,091)

The individual items that comprise fixed assets are reviewed below.

B.I) Intangibles

The main components of intangibles, which totaled 2,836,493,000 euros, are:

- 2,569,443,000 euros for the portion of the loss upon merger generated by the mergers by absorption of 2002, 2003 and 2004 that could not be allocated to assets and was booked as goodwill. The amortization expense booked in 2005 for this item, which is estimated to have a useful life of 20 years, amounted to 155,927,000 euros.
- 214,405,000 euros representing the carrying value of 46 mineral concessions for the exploitation of hydrocarbon deposits. This amount includes 89,114,000 euros representing the net loss upon merger allocated to this item.

The table that follows provides a breakdown of intangibles and shows the changes that occurred in 2005:

	B.I.1) Startup and expansion costs	B.I.2) R&D and advertising expenses	B.I.4) Concess., licenses, trade-marks and similar rights	B.I.5) Goodwill	B.I.6) Work in progress and advances	B.I.7) Other intangibles	Total
Balance at 12/31/04 (A)	6,032	3,396	245,467	2,724,794	8,184	29,273	3,017,146
Changes in 2005:							
- Contributions upon merger	290	-	256	-	-	566	1,112
- Alloc. of loss upon merger	-	-	-	387	-	-	387
- Additions	-	2,433	22,550	-	613	-	25,596
- Writedowns	-	-	(499)	(8,388)	-	-	(8,887)
- Reversals of writedown	-	-	-	8,577	-	-	8,577
- Amortization	(6,322)	(5,829)	(28,907)	(155,927)	-	(10,126)	(207,111)
- Reversal of tax items	-	-	-	-	-	-	-
- Other changes	-	-	7,483	-	(7,467)	(343)	(327)
Total changes (B)	(6,032)	(3,396)	883	(155,351)	(6,854)	(9,903)	(180,653)
Balance at 12/31/05 (A)+(B)	-	-	246,350	2,569,443	1,330	19,370	2,836,493
Breakdown:							
Historical cost	75,356	300,589	677,025	3,192,954	1,330	88,343	4,335,597
Writedowns (-)	(91)	(272,73)	(82,681)	(23,645)	-	(1,454)	(135,144)
Accumulated amortization (-)	(75,265)	(273,316)	(347,994)	(599,866)	-	(67,519)	(1,363,960)
Net carrying value	-	-	246,350	2,569,443	1,330	19,370	2,836,493

The increase in contribution upon merger (1,112,000 euros) reflects the absorption of the Megs Srl subsidiary. This amount includes 290,000 euros in costs incurred for facilities installation indemnifications, which were amortized in full at December 31, 2005.

The main components of **additions** for the period, which totaled 25,596,000 euros, include 20,000,000 euros to acquire exclusive rights for 10 years to provide flower greenhouses with energy and steam produced by cogenerating power plants in Candela, Simeri Crichi and Melfi; 2,256,000 euros in costs incurred to research and explore hydrocarbon deposits, which were amortized in full during the year; and 2,550,000 euros in costs incurred to purchase application software.

Writedowns and Reversals of writedowns include:

- Writedowns of 8,000 by the thermoelectric operations and 499,000 euros by the hydrocarbons operations.
- Writedown of the loss upon merger generated by the absorption of Megs Srl (387,000 euros).
- Reversal of an asset writedown booked by the hydrocarbons operations in 2004 (8,577,000 euros).

The negative balance of 327,000 euros shown for **Other changes** refers to the reclassification to property, plant and equipment of costs capitalized by the absorbed company Megs Srl.

B.II.) Property, Plant and Equipment

Property, plant and equipment totaled 3,129,676,000 euros. A breakdown is provided below:

	B.II.1) Land and buildings	B.II.2) Plant and machinery	B.II.3) Manufacturing and distribution equipment	B.II.4) Other assets	B.II.5) Construct. in progr. and advances	Total
Balance at 12/31/04 (A)	278,078	2,050,222	7,266	3,780	592,596	2,931,942
Changes in 200:						
- Contributions upon merger	-	-	62	96	-	158
- Additions	7,359	144,365	948	374	253,456	406,502
- Disposals	(4,932)	(3,933)	(28)	(33)	-	(8,926)
- Writedowns	-	(301)	-	-	-	(301)
- Depreciation	(15,831)	(175,572)	(1,274)	(1,608)	-	(194,285)
- Reclassifications	(3,554)	-	(2,187)	-	-	(5,741)
- Other changes	9,408	72,589	394	1,190	(83,255)	327
Total changes (B)	(7,550)	37,148	(2,085)	19	170,201	197,734
Balance at 12/31/05 (A)+(B)	270,528	2,087,370	5,181	3,799	762,797	3,129,676
Breakdown:						
Historical cost	403,498	4,324,921	33,190	19,629	765,065	5,546,304
Writedowns (-)	(8,983)	(78,504)	(2,220)	(109)	(2,268)	(92,084)
Accumulated depreciation (-)	(123,987)	(2,159,047)	(25,789)	(15,721)	-	(2,324,544)
Net carrying value	270,528	2,087,370	5,181	3,799	762,797	3,129,676

The total carrying value of property, plant and equipment includes 1,146,735,000 euros representing the loss upon merger allocated as additions to the asset accounts in connection with corporate restructuring transactions completed in previous years.

The balance shown for property, plant and equipment includes 307,051,000 euros attributable to assets returnable at no cost that are incorporated into hydroelectric power plants.

Additions for the period, amounting to 406,502,000 euros, are mainly the result of the following capital expenditures:

- The investments of the thermoelectric operations, which totaled 350,063,000 euros, were used primarily to build the following facilities: an 800-MW, combined-cycle facility fueled with natural gas in Altomonte (53,287,000 euros), a thermoelectric power plant in Torviscosa (127,723,000 euros), a thermoelectric facility in Simeri Crichi (108,534,000 euros) and the Candela thermoelectric power plant (54,693,000 euros), which was commissioned in August 2005.
- The hydroelectric operations invested 15,371,000 euros. In addition to carrying out scheduled maintenance and upgrade programs, they renovated and modernized the Colle power plant (replacement of the turbine and alternator for 2,158,000 euros), the Poggia Dam (construction of new joints for 1,064,000 euros), the Esterle power plant (replacement of speed governors of the generating units for 1,107,000 euros).
- The capital investments of the hydrocarbons operations amounted to 26,135,000 euros. They were used mainly to complete the Naide platform (8,913,000 euros), develop the Candela fields (6,855,000 euros), complete the wells and upgrade the Rospo Mare platform (1,509,000 euros) and drill new wells in the Daria field (1,351,000 euros).

Contributions upon merger of 159,000 euros represent assets acquired through the Megs Srl merger, consisting of industrial equipment (63,000 euros), other assets (96,000 euros) and a facility held under a finance lease.

Disposals for the period, which amounted to 8,926,000 euros, refer mainly to the divestiture of land (3,607,000 euros) and of the Fusina costal deposit (1,708,000 euros).

The following should also be noted with regard to property, plant and equipment:

- **Reclassifications** of 5,741,000 euros reflect the reclassification of reserves established to adjust to fair value the carrying amount of former industrial-site assets. This reclassification, which was booked for greater clarity of presentation, affected entries that in previous years had been posted to the reserves for risks and charges.
- **Financial expense** was not capitalized.
- **Depreciation**, which was taken based on the remaining useful lives of the assets, amounted to 194,285,000 euros. No changes to the lives of the assets were made during the period, even though the term of the hydroelectric concessions has been extended. In any case, any financial impact would have been negligible.

The individual items that comprise property, plant and equipment are discussed below.

B.II.1) Land and Buildings

Land and buildings totaled 270,528,000 euros. This item includes:

- 204,723,000 euros for buildings serving the Company's industrial facilities;
- 65,805,000 euros for land that is neither annexed nor appurtenant to industrial facilities.

A breakdown is as follows: thermoelectric operations 179,306,000 euros, hydrocarbons operations 1,462,000 euros and hydroelectric operations 76,717,000 euros.

The carrying value of buildings returnable at no cost was 2,524,000 euros, net of accumulated depreciation of 1,152,000 euros.

The finance lease covering the building at 31 Foro Buonaparte that houses the headquarters of Edison Spa expired at the end of 2004. This building was bought back by the Company and is carried at a value of 5,020,000 euros, net of accumulated depreciation.

B.II.2) Plant and Machinery

Plant and machinery of 2,087,370,000 euros includes 20 thermoelectric power plants, 41 licensed hydroelectric power plants, transformer and dispatching stations and electric power lines (mostly low voltage).

The table below provides a breakdown of this item and shows the changes that occurred in 2005:

	Assets returnable at no cost	Production facilities	Transmission lines	Transformer stations	Other equipment	Total
Balance at 12/31/04 (A)	343,581	1,435,015	26,220	69,057	176,349	2,050,222
Changes in 2005:						
- Additions	1,843	129,302	151	1,184	11,885	144,365
- Disposals	(901)	(2,484)	-	(44)	(504)	(3,933)
- Writedowns	-	-	-	-	(301)	(301)
- Depreciation	(41,100)	(98,301)	(1,983)	(4,590)	(29,598)	(175,572)
- Reversal of tax items	-	-	-	-	-	-
- Other changes	3,628	37,428	2,823	4,548	24,162	72,589
Total changes (B)	(36,530)	65,945	991	1,098	5,644	37,148
Balance at 12/31/05 (A)+(B)	307,051	1,500,960	27,211	70,155	181,993	2,087,370
Breakdown:						
Historical cost	666,745	2,597,436	46,426	124,329	889,985	4,324,921
Writedowns (-)	-	(3,402)	(2)	(5)	(75,095)	(78,504)
Accumulated depreciation (-)	(359,694)	(1,093,074)	(19,213)	(54,169)	(632,897)	(2,159,047)
Net carrying value	307,051	1,500,960	27,211	70,155	181,993	2,087,370

Other changes reflect construction in progress completed during the fiscal year and added to the value of the respective production assets.

B.II.3) Manufacturing and Distribution Equipment

This item amounted to 5,181,000 euros. It consists primarily of equipment installed in electrical and mechanical workshops located at production facilities and emergency repair units.

B.II.4) Other Assets

Other assets of 3,799,000 euros consist of office equipment and licensed vehicles.

B.II.5) Construction in Progress and Advances

Construction in progress and advances of 762,797,000 euros refers to the costs incurred to build hydroelectric and thermoelectric power plants and develop hydrocarbon producing fields. The total includes 130,628,000 euros in advances paid to suppliers of goods and services.

As already explained, construction in progress and advances is allocated to the following main areas:

- For the thermoelectric operations, construction of new power plants in Altomonte (313,585,000 euros), Torviscosa (294,797,000 euros) and Simeri Crichi (112,904,000 euros);
- For the hydroelectric operations, work on the Venina power plant (1,938,000 euros);
- For the hydrocarbons operations, drilling in hydrocarbon fields in Italy, among which the Candela Field (9,542,000 euros).

For the sake of full disclosure, we point out that in the consolidated financial statements the finance leases for the former Megs facility was recognized in accordance with the method required by the IAS 17 Revised international accounting principle. If this method had been used for the statutory financial statements, it would have increased net property, plant and equipment by 3,366,000 euros and the amount owed to other lenders by 1,707,000 euros.

Assets acquired under finance leases	Historical cost	Accum. depreciation	Net carrying value 12/31/05
Plant and machinery	5,849	(2,483)	3,366
Total assets acquired under finance leases	5,849	(2,483)	3,366

In addition, Law No. 266 of December 23, 2005 (2006 Budget Bill) contained a provision that provided an automatic ten-year extension of concessions for large-scale diversion of public water for hydro-electric power plants, provided the concession holder can demonstrate the effectiveness of significant investments made in plant modernization to improve a facility's energy efficiency and environmental performance. Such evidence must be provided during the six months that precede the expiration of the concession and is subject to verification by local government entities. Since the test of objective certainty cannot yet be met at this point, the useful lives of the Group's electric power assets affected by these provisions were not changed.

Impairment Test Applied to the Value of Property, Plant and Equipment and Other Intangibles

The value of goodwill is tested annually for impairment in accordance with the method recommended by IAS 36 in order to ensure that this item is not carried at a value greater than its estimated realizable value or value in use, determined based on Company plans. A similar tests was applied to all components of property, plant and equipment and to all other intangible assets for which there was a reasonable expectation of impairment. The resulting writedowns totaled 8,800,000 euros attributable to the thermoelectric operations and the hydrocarbons operations (8,000,000 euros in extraordinary charges deducted from the value of a thermoelectric asset and 800,000 euros charged against the value of Hydrocarbons asset).

B.III) Financial Fixed Assets

At 2,727,843,000 euros, financial fixed assets showed a net decrease of 159,172,000 euros compared with the end of 2004. Disposals of equity investments that were no longer strategic (chiefly Tecnimont and AEM), redemption of equity capital received upon the withdrawal from certain affiliated companies, offset in part by acquisitions of new companies and replenishment of losses incurred by Group companies, account for most of the decrease.

The table below provides a breakdown of this item and shows the changes that occurred in 2005:

	B.III.1.a) Subsidiaries	B.III.1.b) Affiliated companies	B.III.1.d) Other companies	B.III.2) Long-term loans	B.III.3) Other securities	Total
Balance at 12/31/04 (A)	1,715,457	931,564	160,865	77,206	1,923	2,887,015
Changes in 2005:						
- Cancellation upon merger	(3,929)	-	-	-	-	(3,929)
- Contributions upon merger	99	-	-	-	-	99
- Distribution of reserves	-	(13,000)	-	-	-	(13,000)
- Capital stock increases	11,952	2,024	23,122	-	-	37,098
- Replenishments of losses	11,240	-	-	-	-	11,240
- Additions	152,226	2,674	463	-	-	155,363
- Disposals	(137,004)	(34,120)	(143,915)	-	-	(315,039)
- Writedowns	(25,389)	(1,146)	(2,184)	-	-	(28,719)
- Other changes	(2,151)	(268)	513	(379)	-	(2,285)
Total changes (B)	7,044	(43,836)	(122,001)	(379)	-	(159,172)
Balance at 12/31/05 (A)+(B)	1,722,501	887,728	38,864	76,827	1,923	2,727,843
Breakdown:						
Historical cost	2,468,210	961,791	201,086	76,827	1,923	3,709,837
Reserve for writedowns	(745,709)	(74,063)	(162,222)	-	-	(981,994)
Net carrying value	1,722,501	887,728	38,864	76,827	1,923	2,727,843

The balance includes 903,400,000 euros in net loss upon merger allocated to equity investments in previous years. These equity investments reflect the higher values currently attributed to the assets held by each individual equity investment used for allocation purposes.

For the sake of greater clarity, the table that follows shows how the loss upon merger was allocated to equity investments in previous years. Companies that were later absorbed are not shown in the table.

Company	Original carrying value	Allocated amount	Writedowns	Other changes	Carrying value at 12/31/05
Finel Spa	117,139	252,000	-	151,779	520,918
Edison Energie Speciali Spa	46,242	389,000	-	-	435,242
Selm Holding Internat. Sa	22,758	16,938	-	-	39,696
Serene Spa	20,875	61,000	-	-	81,875
Termica Milazzo Srl	13,957	56,000	-	-	69,957
Termica Boffalora Srl	9,971	13,000	(1,100)	-	21,871
Termica Celano Srl	12,446	27,900	-	-	40,346
Total loss allocated in 2002 (A)	243,388	815,838	(1,100)	151,779	1,209,905
Edison International Spa	22,595	31,384	-	-	53,979
Sarmato Energia Spa	8,821	26,755	-	-	35,576
Gever Spa	6,375	17,681	(6,000)	-	18,056
Jesi Energia Spa	3,795	11,742	-	-	15,537
Total loss allocated in 2003 (B)	41,586	87,562	(6,000)	-	123,148
Total (A+B)	284,974	903,400	(7,100)	151,779	1,333,053

A detailed list of the equity investments held at December 31, 2005 and the changes that occurred during the year is provided in the Other Information section at the end of this document. The carrying values and the underlying shareholders' equities taken from the financial statements of the individual investee companies are also shown in the Other Information section.

B.III.1 a) Equity Investments in Subsidiaries

The changes that occurred in the equity investments in subsidiaries, which have a carrying value of 1,722,501,000 euros, or 7,044,000 euros more than in the previous year, are reviewed below.

The main **additions to equity investments** of 175,418,000 euros include the following:

- 151,799,000 euros to buy an additional interest in the Finel subsidiary from Edf International Sa at a contract price equal to the corresponding pro rata interest in the book value of Finel's shareholders' equity at September 30, 2005. With this transaction, Edison increased to 80% its interest in Finel. The remaining 20% is still covered by a Shareholders' Agreement executed by the parties on November 26 and 30, 2004. This Agreement gives Edf International the right to sell its remaining interest starting on December 1, 2006.
- 11,952,000 euros for the following capital increases: 10,794,000 euros to Edison LNG (a 90% interest in this company's capital was then sold) and 1,000,000 euros to Nuova Cisa.
- 11,240,000 euros to replenish losses incurred by the Nuova Alba Spa subsidiary.

Reductions of equity investments totaled 168,473,000 euros. The main items are reviewed below:

- 118,289,000 euros from the sale of the entire investment in Tecnimont Spa, which generated a gross gain of 61,711,000 euros.
- 3,929,000 euros in cancellations upon merger recorded in connection with the absorption of Megs Srl.
- 25,389,000 euros in writedowns booked to bring carrying values in line with the corresponding pro rata interests in the underlying shareholders' equities of Montedison Srl (8,181,000 euros), Nuova Alba Srl (9,246,000 euros), Gever Spa (6,000,000 euros) and Termica Boffalora Srl (1,100,000 euros).

B.III.1 b) Equity Investments in Affiliated Companies

Equity investments in affiliated companies totaled 887,728,000 euros, or 43,836,000 euros less than at December 31, 2004.

Additions to equity investments include the following main items:

- 2,024,000 euros for capital increases, the largest of which (1,617,000 euros) was provided to Sistemi di Energia Spa;
- per 2,674,000 euros for acquisitions of equity investments (1,865,000 euros for Sat Patrimonio Spa and 808,000 euros for Utilità Spa).

Reductions of equity investments include the following

- Disposals of 34,120,000 euros, the largest of which was the sale of the interest held in Sidi Krir Generating SA (33,000,000 euros);
- Redemption of equity capital of 13,000,000 euros provided by the International Water Holding BV subsidiary;
- Sundry writedowns totaling 1,146,000 euros.

B.III.1 d) Equity Investments in Other Companies

Equity investments in other companies totaled 38,864,000 euros at the end of 2005. They consist primarily of a minority position in RCS Mediogroup valued at 10,412,000 euros and Terminale GNL Adriatico Srl (formerly Edison LNG) carried at 17,964,000 euros. The investment in the latter company was reclassified under Equity investments in other companies following the sale of a 90% interest in its share capital.

The main components of **capital increases** of 23,122,000 euros include 6,833,000 euros contributed to IPSE 2000 (this investment was later written off) and 15,885,000 euros provided to Terminale GNL Adriatico Srl (formerly Edison LNG).

Disposals totaled 143,915,000 euros, reflecting primarily the sale of AEM shares (139,029,000 euros) and Gemina shares (4,517,000 euros). These two transactions generated gains of 22,478,000 euros and 2,295,000 euros, respectively.

B.III.2 Long-term Loans

Long-term loans of 76,827,000 euros include 30,207,000 euros loaned to subsidiaries with structural financing needs and 45,956,000 euros loaned to IPSE 2000. Since it is uncertain that this loan will be repaid, it has been written off by establishing a reserve for the same amount.

C) CURRENT ASSETS

A breakdown of current assets, which totaled 2,384,839,000 euros (595,122,000 euros more than at December 31, 2004), is as follows:

	12/31/05	12/31/04	Change
C.I.) Inventories	211,058	212,311	(1,253)
C.II.) Accounts receivable	1,629,007	1,279,210	349,797
C.III.) Financial assets not held as fixed assets	528,910	288,951	239,959
C.IV.) Liquid assets	15,864	9,245	6,619
	2,384,839	1,789,717	595,122

The increase in Current assets reflects primarily a rise in Trade accounts receivable, which mirrors the improvement in revenues; a gain in Other receivables, attributable to the recognition of deferred-tax assets and of the VAT pool balance; and an increase in Financial assets not held as fixed assets, made possible by higher balances in intra-Group current accounts and an increase in held-for-sale equity investments.

The individual items that make up this caption are discussed below.

C.I) Inventories

Inventories totaled 211,058,000 euros, or 1,253,000 euros less than at December 31, 2004. A breakdown is as follows:

- 154,324,000 euros in hydrocarbon inventories, including 138,721,000 euros in stored natural gas and 15,603,000 euros in stocks of fluxing oil and crude oil produced from the Rospo Mare, Sarago Mare and Vega fields.
- 18,602,000 euros in real estate assets available for resale. In 2005, the existing reserves for write-downs were reclassified under Inventories to write down to fair value the carrying value of certain properties (11,610,000 euros). These reserves had been established in previous years. At December 31, 2004, they were included among the reserves for risks and charges.
- 37,321,000 euros in materials and equipment used to maintain and operate production facilities.
- 811,000 euros in work in process, of which 211,000 are advances to suppliers.

C.II) Accounts Receivable

At 1,629,007,000 euros, Accounts receivable were 349,797,000 euros higher than at December 31, 2004. A breakdown is as follows:

	12/31/05	12/31/04	Change
C.II.1) Trade accounts receivable	712,122	444,161	267,961
C.II.2) Accounts receivable from subsidiaries	298,293	153,237	145,056
C.II.3) Accounts receivable from affiliated companies	61,202	55,169	6,033
C.II.4) Accounts receivable from controlling companies	32	31	1
C.II.4-bis) Due from the tax authorities	330,444	516,164	(185,720)
C.II.4-ter) Deferred-tax assets	90,000	24,000	66,000
C.II.5) Accounts receivable from outsiders	136,914	86,448	50,466
	1,629,007	1,279,210	349,797
Breakdown:			
- Trade related receivables	942,085	621,111	320,974
- Other receivables	686,922	658,099	28,823

All receivables are due within one year, with the exception of the following:

- 247,927,000 euros due from tax authorities for tax refunds and accrued interest receivable, the collection of which is expected to occur after one year.
- 14,816,000 euros in loans receivable from the Ibiritermo affiliate, of which 5,420,000 euros is due within five years and 9,396,000 euros is due after five years.
- 5,043,000 euros in loans receivable from other subsidiaries and affiliated companies.
- The pro rata share of deferred-tax assets.

Disclosure of Securitization Transactions Pursuant to Law No. 130/99

The turnover of assigned receivables amounted to 625 million euros in 2005. Assigned receivables outstanding at December 31, 2005 totaled 27 million euros. The deferred portion of assigned receivables (DPP) recognized in the financial statements under Accounts receivable from outsiders amounted to 26 million euros. Consequently, the securitization transactions generated a financial benefit of about 1 million euros at December 31, 2005.

C.II.1) Trade Accounts Receivable

Trade accounts receivable totaled 712,122,000 euros. The main components of this item include the following:

- 455,469,000 euros from contracts involving sales of electric power and steam. These amounts are shown net of an allowance for doubtful accounts of 10,541,000 euros;
- 229,132,000 euros from contracts involving sales of natural gas (shown net of an allowance for doubtful accounts of 3,669,000 euros);
- 21,999,000 euros from sales of natural gas at virtual natural gas trading locations.

C.II.2) Accounts Receivable from Subsidiaries

Accounts receivable from subsidiaries totaled 298,293,000 euros owed by Edison Group companies, a breakdown of which is provided below:

	Trade related	Other	Total
Edison Stoccaggio Spa	-	3,641	3,641
Serene Spa	9,221	13,361	22,582
Consorzio di Sarmato	5,703	2,744	8,447
Edison Energia Spa	10,924	938	11,862
Termica Boffalora Srl	11,299	369	11,668
Edison Trading Spa	50,541	309	50,850
Edison D.G. Spa	-	6,010	6,010
Termica Milazzo Srl	27,795	4,141	31,936
Jesi Energia Spa	6,025	372	6,397
Edison Per Voi Spa	28,055	8,571	36,626
Termica Celano Srl	20,300	3,094	23,394
Finel Spa	-	70,412	70,412
Other subsidiaries	2,579	11,889	14,468
	172,442	125,851	298,293

The main components of this account are trade receivables from the sale of electric power and natural gas (Edison Trading for 50,164,000 euros, Termica Milazzo for 27,795,000 euros, Edison per Voi for 28,055,000 euros and Termica Celano for 20,300,000 euros); receivables for technical, administrative and financial services, including lease payments for general utility services provided by Edison Spa to Group companies; and 6,315,000 euros for VAT payments through the VAT pool system.

Other receivables owed by Finel Spa include 70,400,000 euros in dividends declared by Finel's Shareholders' Meeting when it approved the company's financial statements at November 30, 2005.

Other receivables also include tax-related receivables of 9,810,000 euros generated by the process of filing a consolidated tax return.

C.II.3) Accounts Receivable from Affiliated Companies

The amount of 61,202,000 euros includes 57,520,000 euros in trade receivables related mainly to sales of natural gas and 3,682,000 euros in receivables for services provided and costs rebilled to Group companies.

C.II.4) Accounts Receivable from Controlling Companies

The amount of 32,000 euros refers to the provision of services (mainly financial and administrative) to the controlling company Transalpina di Energia Srl.

C.II.4 bis) Due From the Tax Authorities

A breakdown of this item, which totaled 330,444,000 euros, is as follows:

	12/31/05	12/31/04	Change
Due from the tax authorities for:			
- corporate (IRPEG) and local (ILOR) income tax refunds	130,742	215,417	(84,675)
- accrued interest on tax refunds	96,098	127,604	(31,506)
- VAT overpayments	59,133	69,782	(10,649)
- corporate income tax (IRES) 2005 estimated tax payments	18,841	68,155	(49,314)
- VAT refund	17,885	17,941	(56)
- IRPEG credits carried forward	107	1,582	(1,475)
- Other tax overpayments	7,638	15,683	(8,045)
	330,444	516,164	(185,720)

The amount **due from the tax authorities** consists mainly of receivable generated by the filing of a consolidated tax return (18,841,000 euros), VAT receivable under the pool filing system (59,133,000 euros), tax refunds receivable plus accrued interest (244,725,000 euros) and other tax credits receivable (7,638,000 euros). The Company expects to collect 247,927,000 euros after one year.

C.II.4 ter) Deferred-tax Assets

The balance of 90,000,000 euros includes 46,000,000 euros in tax assets related to the utilization of tax loss carryforwards and 44,000,000 euros in prepaid taxes on the future utilization of taxable reserves. A more detailed discussion of these items is provided in the sections of these Notes that discuss the transactions that gave rise to these entries.

C.II.5) Accounts Receivable From Outsiders

A breakdown of the balance of 136,914,000 euros is as follows:

	12/31/05	12/31/04	Change
- Due by Edison Treasury Services	25,530	23,582	1,948
- Security deposits	5,643	6,280	(637)
- Sundry receivables	119,761	69,458	50,303
- Allowance for doubtful accounts	(14,020)	(12,872)	(1,148)
	136,914	86,448	50,466

Sundry receivables include 16,235,000 euros owed by Terminale GNL for services received, 21,173,000 euros payable by partners in hydrocarbon exploration and production projects and 16,289,000 euros in insurance settlements receivable.

C.III.) Financial Assets not Held as Fixed Assets

The balance of 528,911,000 euros includes 449,902,000 euros in financial receivables owed by subsidiaries and affiliated companies in connection with loans and balances in intra-Group current accounts and 29,008,000 euros in investments in publicly traded companies, which are carried at an amount consistent with their market value.

In 2005, equity investments increased to 79,008,000 euros, or 50,000,000 euros more than in 2004, due to the subscription of a capital increase carried out by Maire Tecnimont Spa, which gave Edison Spa a 19.5% interest in Maire Tecnimont Spa. The purchase of this investment was combined with a put-and-call option, which Edison Spa exercised and immediately assigned for discount with recourse to a bank. Consequently, concurrently with the recording of the equity investment, the Company recognized a payable of the same amount on the liabilities side of the Balance Sheet.

C.III.7) Loans Receivable

Loans receivable of 449,902,000 euros reflect financial transactions with subsidiaries and affiliated companies consisting of intra-Group current account financing.

The most significant balances are listed below:

Company	12/31/05	12/31/04	Change
Subsidiaries:			
Edison Rete Spa	34,324	56,973	(22,649)
Parco Eolico Faeto Srl	29,978	36,521	(6,543)
Edison Energie Speciali Spa	49,376	28,839	20,537
Edison Stoccaggio	11,950	4,080	7,870
Serene Spa	22,890	22,890	-
Edison DG Spa	32,845	29,987	2,858
Sarmato Energia	4,518	-	4,518
Edison Energia	82,342	-	82,342
Edison International	30,603	-	30,603
Protecma Srl	-	7,083	(7,083)
Edison France Sa	-	9,363	(9,363)
Edison LNG Spa	-	11,495	(11,495)
Termica Cologno Srl	5,756	5,458	298
Termica San Bartolomeo Srl	-	10,446	(10,446)
Consorzio di Sarmato	13,576	4,987	8,589
Edison Trading	102,471	-	102,471
Other subsidiaries	10,644	10,257	387
Total (A)	431,273	238,379	192,894
Affiliated companies:			
Ilbiritermo Sa	16,262	17,346	(1,084)
Sistemi di Energia Spa	-	1,500	(1,500)
Parco Eolico Castelnuovo Srl	2,367	2,367	-
Total (B)	18,629	21,213	(2,584)
Total (A+B)	449,902	259,592	190,310

C.IV) Liquid Assets

Liquid assets totaled 15,864,000 euros, or 6,619,000 euros more than at December 31, 2004. They consist almost exclusively of readily available short-term bank deposits.

D) ACCRUED INCOME AND PREPAID EXPENSES

A breakdown of the balance of 53,426,000 euros (of which 4,824,000 collectible after 5 years), which is 1,948,000 euros less than at December 31, 2004, is as follows:

- 18,585,000 euros in financial accrued income, which consist almost entirely of gains on forward transactions;
- 31,950,000 euros in prepaid expenses, including 6,305,000 euros in financial prepaid expenses, 11,327,000 euros in prepaid insurance premiums and 3,513,000 euros hydroelectric licensing fees;
- 2,891,000 euros in bond issue discounts.

BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

A) Shareholders' Equity

The main changes that occurred in 2005 in the amount and composition of the Company's shareholders' equity, which reflect the appropriation of the 2004 net income, include the following:

- An increase of 14,220,000 euros due to the exercise of warrants and options awarded under the stock option plan;
- 351,054,000 euros for the year's net income;
- An increase of 3,402,000 euros in additional paid-in capital due to the exercise of stock options awarded to Group executives under the Company's stock option plan.

The table below shows a breakdown of this item and the changes to its components:

	Capital stock	Additional paid-in capital	Reserve for Government grants	Reserve for investments under Law No. 488/92	Reserve for future capital increases	Other reserves: merger surplus	Loss carry forward	Income (loss) for the year	Total
Shareholders' Equity at 12/31/03	4,212,079	79,921	3,770	15,993	250	-	(595,166)	144,321	3,861,168
Appropriation of 2003 earnings	-	(79,921)	-	-	(250)	-	224,492	(144,321)	-
Capital stock increase through the exercise of warrants	46,809	-	-	-	-	-	-	-	46,809
Surplus upon merger	-	-	-	-	-	571	-	-	571
Earnings for the year	-	-	-	-	-	-	-	311,876	311,876
Shareholders' Equity at 12/31/04	4,258,888	-	3,770	15,993	-	571	(370,674)	311,876	4,220,424
Appropriation of 2004 earnings	-	-	-	-	-	-	311,876	(311,876)	-
Capital stock increase through the exercise of warrants and stock options	14,220	-	-	-	-	-	-	-	14,220
Additional paid-in cap.	-	3,402	-	-	-	-	-	-	3,402
Surplus upon merger	-	-	-	-	-	(571)	571	-	-
Income (loss) of the year	-	-	-	-	-	-	-	351,054	351,054
Shareholders' Equity at 12/31/05	4,273,108	3,402	3,770	15,993	-	-	(58,227)	351,054	4,589,100

A breakdown of capital stock, which was fully subscribed and paid in, is as follows:

	Number of shares
Common shares	4,162,515,334
Nonconvertible savings shares	110,592,420

In 2005, the capital stock increased by 14,219,788 shares, due to the exercise of warrants and stock options. At December 31, 2005, there were 1,018,648,623 warrants outstanding. These warrants convey the right to purchase an equal number of new common shares, at a price of 1 euro per share.

The "Other Information" section at the end of this Report provides the disclosures required by Article 2427, Section 7 *bis*, of the Italian Civil Code with regard to the tax status of reserves and their availability for distribution.

B) Reserves for Risks and Charges

The balance of 897,366,000 euros includes the reserve for taxes (52,346,000 euros) and other reserves for risks and charges established to cover contingent liabilities (845,020,000 euros). A breakdown of these reserves is provided below:

	Balance at 12/31/04	Contributions upon merger	Provisions	Utilizations	Balance at 12/31/05
B.2) Reserve for current and deferred taxes	60,310	-	3,260	(11,224)	52,346
B.3) Other reserves for risks and charges for guarantees provided on contracts					
- to sell equity investments	316,609	-	26,413	(139,606)	203,416
- for risks from disputes, litigation and contractual instruments	177,728	-	13,442	(35,591)	155,579
- for closing of mineral properties	99,598	-	9,136	(2,990)	105,744
- for asset writedowns	30,145	-	25,940	(22,087)	33,998
- for risks on equity investments	12,858	-	-	(658)	12,200
- for other risks and charges	281,711	5,476	66,187	(19,291)	334,083
Total other reserves for risks and charges	918,649	5,476	141,118	(220,223)	845,020
Total reserves for risks and charges	978,959	5,476	144,536	(231,447)	897,366

B.2) Reserve for Current and Deferred Taxes

The balance provides coverage mainly for liabilities that may arise as a result of current tax-related disputes (34,711,000 euros) and deferred taxes for 17,635,000 euros, including 16,250,000 euros related to reversals of items booked exclusively for tax purposes and 1,162,000 euros due on the Finel dividend, which was recognized as of December 31, 2005 on an accrual basis.

Utilizations of reserves (11,224,000 euros) reflect almost exclusively the settlement of disputes.

B.3) Other Reserves

The **Reserves for risks and charges** of 845,020,000 euros include 5,476,000 euros attributable to the absorbed company Megs.

A breakdown of provisions totaling 141,118,000 euros is as follows:

- 85,272,000 euros of integration of provisions for risks arisen during the period, among which extraordinary allowances for 25,500,000 euros set aside to cover the guarantees provided in connection with the sale of Tecnimont and Sidi Krir, 4,581,000 euros to write down certain tax credits and 7,018,000 euros added to certain reserves as inflation adjustments through December 31, 2005.
- 21,250,000 euros for charges arising from presumed risks that may arise in connection with carbon dioxide emissions covered by EU Directive No. 2003/87/CE, which established a system for the trading of emissions of greenhouse gases such as CO₂ (Emissions Rights). This system has not yet been fully incorporated into Italian law.
- 17,720,000 euros for future environmental remediation costs at certain industrial sites.
- 9,136,000 euros for closures of mineral properties and the removal of equipment upon completion of the exploitation of natural gas and oil fields.
- 7,740,000 euros for future charges, mainly in connection with the settlement of trade disputes, adjustment payments on government concession fees and compensation for damages payable.

Decreases of 220,223,000 euros include:

- 100,000,000 euros drawn from a reserve for risks upon the signing of an agreement settling any and all present and future claims stemming from contractual commitments pursuant to a contract signed in 2002 to sell the investment in Cereol to Bunge. This settlement had a positive impact of 31,847,000 euros in the Company's statement of income.
- 21,133,000 euros drawn from a reserve for risks to cover costs incurred in connection with contractual disputes involving the sale of real estate assets.

- 12,542,000 euros due to a reclassification made to achieve greater clarity of presentation, of the balances of reserves for writedowns recognized to write down to market value the carrying amount of certain buildings and land.
- 11,000,000 euros drawn from a provision for risks upon the sale of a 90% interest in Edison LNG.
- 10,333,000 euros drawn from a provision for risks upon the signing of agreements settling any and all present and future claims.
- Utilizations of reserves for risks in connection with the settlement of other pending disputes account for the difference.

More information about these figures can be found in the paragraph "Main legal disputes" in the Consolidated Financial Statements.

C) Reserve For Employee Severance Indemnities

The Reserve for employee severance indemnities, which amounted to 39,967,000 euros, reflects the accrued indemnities owed to employees at December 31, 2005.

The changes that occurred in 2005, broken down by types of employees, is provided below:

	Balance at 12/31/04	Contributions upon merger	Provisions	Utilizations	Other changes	Balance at 12/31/05
• Executives	6,667	10	1,669	(421)	(799)	7,126
• Middle managers	8,097	178	1,530	(791)	(359)	8,655
• Office staff	16,695	1,271	2,663	(1,443)	(667)	18,519
• Production staff	7,663	227	1,014	(1,071)	(774)	7,059
	39,122	1,686	6,876	(3,726)	(2,599)	41,359
Tax prepayment (L.D. 79/1998)	(1,800)	-	(46)	-	454	(1,392)
	37,322	1,686	6,830	(3,726)	(2,145)	39,967

At December 31, 2005, the Company had 1,782 employees (1,631 in 2004), including 9 added through the Megs merger, broken down as follows: 134 executives, 332 middle managers, 934 office staff and 382 production staff.

D) Liabilities

Liabilities totaled 5,520,476,000 euros, or 168,495,000 euros more than at December 31, 2004.

	12/31/05	12/31/04	Change
D. 1) Bonds	2,629,639	2,629,639	-
D. 3) Loans payable to shareholders	-	881	(881)
D. 4) Due to banks	936,294	899,607	36,687
D. 5) Due to other lenders	4,743	6,660	(1,917)
D. 6) Advances	15,551	16,254	(704)
D. 7) Trade accounts payable	834,369	555,978	278,391
D. 9) Accounts payable to subsidiaries	936,141	1,011,852	(75,711)
D. 10) Accounts payable to affiliated companies	5,243	1,136	4,107
D. 11) Accounts payable to controlling companies	-	4,421	(4,421)
D. 12) Taxes payable	12,193	26,121	14,019
D. 13) Contributions to pension and social security institutions	10,007	8,401	1,606
D. 14) Other liabilities	136,296	191,030	(55,134)
	5,520,476	5,351,980	168,496
Broken down as follows:			
Due within one year	2,397,767	2,328,335	69,432
Due between one and five years	2,425,412	1,611,498	813,914
Due after five years	697,297	1,412,148	(714,851)

All liabilities are due within one year, with the exception of bonds (2,629,639,000 euros) and the long-term portion of bank indebtedness (443,070,000 euros) and amounts due to other lenders (1,608,000 euros).

The main liability accounts are reviewed below.

D.1) Bonds

Total bond indebtedness of 2,629,639,000 euros includes the following bond issues:

- **Edison 2000-2007 bonds, par value 600,000,000 euros**, issued in July 2000 and traded on the Luxembourg Securities Exchange. It has a coupon rate of 7.375%. This rate is the result of the original rate of 6.375% plus incremental interest added by a step up/step down mechanism tied to the credit rating assigned to the bonds.
- **ITALENERGIA 2002-2007 bonds, par value 829,639,000 euros**, placed with retail investors. These bonds accrue interest at a variable rate indexed to the six-month Euribor plus 75 basis points. No incremental interest is added by a step up/step down mechanism tied to the credit rating assigned to the bonds.
- **Edison 2003-2010 bonds, par value 700,000,000 euros**, including 600 million euros issued in December 2003 and 100 million euros added in January 2004. These bonds, which have no provisions for a step up/step down mechanism and are traded on the Luxembourg Securities Exchange, accrue interest at a fixed rate of 5.125%.
- **Edison 2004-2011 bonds, par value 500,000,000 euros**, issued in July 2004 with a variable coupon rate set quarterly at 60 basis points above the three-month Euribor. These bonds, which are also traded on the Luxembourg Securities Exchange, have no provisions for interest rate indexing tied to changes in credit rating.

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

Total 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 10, 2010	July 19, 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 %	2.908%	5.125%	2.787%
Coupon	End of year	End of six months	End of year	End of quarter

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

D.3) Loans Payable to Shareholders

This account had a zero balance at December 31, 2005. The amount of 881,000 euros shown at the end of 2004 represents the balance in a current account held with the former controlling company Italenergia Bis.

D.4) Due to Banks

At December 31, 2005, the Group owed banks 936,294,000 euros, including 592,842,000 euros in unsecured medium and long-term loans, 11,843,000 euros in loans secured by special equipment liens, 209,000,000 euros in short-term utilizations of callable credit lines and 122,610,000 euros in temporary utilizations of available overdraft facilities.

At the end of 2005, available and unused lines of credit, which totaled 1,640 million euros, included 1,600 million euros in standby facilities that expire in 2009.

The table below provides a breakdown of medium and long-term credit lines and shows the repayment schedule for these loans:

		Outstanding balance	Installments due in 2006	Installments due after 2006
Medium- and long-term loans	Unsecured	592,842	161,614	431,228
Medium- and long-term loans	Collateralized	11,843	-	11,843
		604,685	161,614	443,071
Repayment schedule:				
				54,614
				147,523
				21,818
				21,818
				197,298
				443,071

D.5) Due to Other Lenders

The balance of 4,743,000 euros includes a loan of 2,918,000 euros from the European Coal and Steel Commission that matures in 2006 and a MICA loan of 831,000 euros that is due in more than five years.

		Outstanding balance	Installments due in 2006	Installments due after 2006
• CECA loans		2,918	2,918	0
• MICA loans		1,794	186	1,608
• Other loans		31	31	0
		4,743	3,135	1,608
Repayment schedule:				
				189
				193
				196
				199
				831
				1,608

D.6) Advances

The amount of 15,551,000 euros is for advances and binding downpayments received from third-party buyers of equity investments and real estate assets.

D.7) Trade Accounts Payable

The balance of 834,369,000 euros consists mainly of payables arising from purchases and swaps of electric power purchases of natural gas and amounts owed for regular and extraordinary facilities maintenance. There are no payables due after five years.

The table below provides a breakdown of this item and shows the changes that occurred in 2005:

	12/31/05	12/31/04	Change
Accounts payable to domestic suppliers	741,983	510,411	231,572
Accounts payable to foreign suppliers	92,386	45,567	46,819
	834,369	555,978	278,391
Breakdown:			
Hydrocarbons operations	427,329	221,126	206,203
Thermoelectric operations	373,142	296,736	76,406
Hydroelectric operations	17,458	19,124	(1,666)
Corporate activities	16,440	18,992	(2,552)
	834,369	555,978	278,391

D. 9) Accounts Payable to Subsidiaries

Accounts payable to subsidiaries amounted to 936,141,000 euros. They include:

- financial payables of 813,176,000 euros, which represent loans and balances in intra-Group current accounts established as part of the Group's centralized cash management system;
- trade payables of 32,043,000 euros, which reflect purchases of electric power and natural gas, fees for the use of the transmission network, liabilities for purchases of green certificates and other obligations incurred pursuant to specific contracts;
- miscellaneous payables of 66,854,000 euros related primarily to the settlement of the Group's VAT liability;
- tax-related payables of 24,068,000 euros generated by the filing of a national consolidated tax return.

The following table provides a list of the most significant exposures to subsidiaries:

	12/31/05	12/31/04	Change
Edison International	405	6,139	(5,734)
Finel	729,299	714,761	14,538
Edison Trading	33,388	6,335	27,053
Edison Energia	46,605	75,755	(28,950)
Edison Per Voi	786	10,264	(9,478)
Parco Eolico San Giorgio	22,141	21,130	1,011
Tecnimont	-	86,142	(86,142)
Edison Stoccaggio	4,459	3,890	569
Consorzio Sarmato	13,508	4,773	8,735
Altre imprese controllate	85,550	82,663	3,389
	936,141	1,011,852	(75,711)

D.10) Accounts Payable to Affiliated Companies

The main components of the balance of 5,243,000 euros includes 3,072,000 euros in trade payables for purchases of natural gas from the Blumet Spa and Estgas Spa affiliates, 380,000 euros in trade payables owed to the Swiss affiliate Kraftwerke Hinterrhein AG for the rebilling of the costs incurred to generate the electric power delivered to Edison Spa and 344,000 euros in trade receivables owed to other affiliates.

D.12) Taxes Payable

A breakdown of taxes payable, which totaled 12,193,000 euros, is as follows:

	12/31/05	12/31/04	Change
Law No. 289/2002 (all-inclusive tax amnesty)	2,440	11,998	(9,558)
IRAP	5,434	10,001	(4,567)
Withheld taxes payable	4,254	3,965	289
Other amounts payable	65	157	(92)
	12,193	26,121	13,928

D.13) Contributions to Pension and Social Security Institutions

This item, which amounted to 10,007,000 euros, represents benefit payments owed by the Company and the sums withheld from employees in accordance with current laws.

D.14) Other Liabilities

A breakdown of Other liabilities, which totaled 136,296,000 euros, is as follows:

	12/31/05	12/31/04	Change
Amounts owed to public institutions	11,557	11,841	(284)
Amounts payable to employees	15,144	14,504	640
Amounts owed to shareholders for unclaimed dividends	538	541	(3)
Miscellaneous liabilities	109,057	164,144	(55,087)
	136,296	191,030	(54,734)

The main components of Other liabilities are reviewed below:

- **Amounts owed to public institutions** (11,557,000 euros) consist of royalties owed for the extraction of natural gas (8,869,000 euros) and fees payable for the right to divert the flow of rivers for hydroelectric generation (2,688,000 euros);
- **Amounts payables to employees** (15,144,000 euros) refer to the deferred compensation owed to employees under the collective bargaining agreement currently in force;
- The main components of **Miscellaneous liabilities** of 109,057,000 euros include 50,000,000 euros representing the liability for the year in connection with the put-and-call option on the Maire Tecnimont Spa affiliate, which is also discussed in the note to Financial assets not held as fixed assets; 26,175,000 euros owed to partners in hydrocarbon exploration and production projects, and 13,141,000 euros for services received mainly in connection with legal disputes.

E) Accrued Expenses and Deferred Income

A breakdown of this item, which totaled 85,368,000 euros (of which 1,163,000 euros are collectable after 5 years), or 7,139,000 euros less than at December 31, 2004, is as follows:

- Financial accrued expenses of 72,675,000 euros, which include charges related to derivatives that hedge foreign exchange and commodity risks (36,750,000 euros), bond issues (33,082,000 euros) and other accrued expenses (2,843,000 euros).
- Financial deferred income of 12,277,000 euros, which includes the cost of derivative transactions executed in connection with the ITALENERGIA 2002-2007 bond issue (6,406,000 euros), grants received from the Italian Ministry of Industry, Commerce and Crafts in connection with certain hydrocarbon production projects (2,973,000 euros) and sundry trade-related deferred income (2,898,000 euros).

NOTES TO THE MEMORANDUM ACCOUNTS

A breakdown of memorandum accounts totaling 7,425,360,000 euros is as follows:

	12/31/05	12/31/04	Change
1) Guarantees provided			
Sureties and other guarantees on behalf of:			
- subsidiaries	1,402,262	1,767,479	(365,217)
- affiliated companies	493,830	1,215,076	(721,246)
- controlling companies	-	-	-
- outsiders	762,075	319,171	442,904
	2,658,167	3,301,726	(643,559)
2) Collateral provided for			
Borrowings and other obligations of outsiders	926,667	966,750	(40,083)
Liabilities listed on the balance sheet	421,501	377,809	43,692
	1,348,168	1,344,559	3,609
3) Commitments, risks and other memorandum accounts			
Commitments to purchase fixed assets	285,291	823,873	(538,582)
Transactions to hedge interest rate risks	2,021,639	2,157,639	(136,000)
Forward transactions and derivatives to hedge foreign exchange risks:			
- purchases	231,700	98,031	133,669
- sales	63,731	920	62,811
Forward transactions in the commodities markets:			
- purchases	6,572	102	6,470
- sales	45,441	302	45,139
Commitments to buy equity investments	177,010	167,590	9,420
Securities held by outsiders	228,560	288,674	(60,114)
Other company assets held by outsiders	159,779	144,400	15,379
Offsets of VAT credits	4,265	5,674	(1,409)
Obligations toward outsiders for leased assets	2,154	216	1,938
Assets of outsiders held by the Company	30,084	6,987	23,097
Guarantees provided by suppliers and customers	154,151	120,158	33,993
Other memorandum accounts	8,648	1,648	7,000
	3,419,025	3,816,214	(397,189)
Total memorandum accounts	7,425,360	8,462,499	(1,037,139)

1) Guarantees Provided

Guarantees provided totaled 2,658,167,000 euros, or 643,559,000 euros less than at the end of 2004. The cancellation of guarantees provided on behalf of Edipower and Tecnimont (sold in 2005) accounts for most of this decrease. A breakdown is as follows:

- 772,511,000 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.
- 57,850,000 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 shareholders of Edipower can be held jointly responsible, but they retain the right to pursue Bluefare Ltd.
- 50,000,000 euros for a surety provided to Edipower Spa to secure the contractual obligations of Edison Trading, a wholly owned subsidiary of Edison Spa.

- 25,000,000 euros for a commitment to provide capital and/or a subordinated loan to fund Edipower's financial needs in connection with its repowering plan (Repowering Equity Contribution Agreement).
- 612,074,000 euros for guarantees provided mostly to customers of Tecnimont Spa (590,096,000 euros) and Protecma Srl (21,978,000 euros) for the performance of supply contracts.

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 ensure the successful completion of the repowering program with regard to either increases in the capital investment budget, the time of completion of the project, or the plant's capacity or the performance of the repowered power plants and provide coverage of cost overruns, defects liability costs and underperformances that Edipower Spa may incur (100 million euros) – (Completion Equity Contribution Agreement).

Moreover, pursuant to a tolling contract and a power purchasing agreement, Edison Spa is responsible for 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 totaled 1,348,168,000 euros. It consists primarily of Edipower Spa shares (800,534,000 euros) and Serene Spa shares (81,875,000 euros) pledged to banks to secure financing. Collateral for liabilities listed on the balance sheet refers to mortgages that have not yet been cancelled (371,581,000 euros) and liens provided to secure financing (49,920,000 euros).

3) Commitments, Risks and Other Memorandum Accounts

The balance of 3,419,025,000 euros includes the following:

- 2,021,639,000 euros representing the notional amount of off-balance-sheet transactions that hedge interest rate risks. 295,431,000 euros is the notional amount of transactions to hedge foreign exchange risk; 52,013,000 represent the notional amount transactions in forward commodities market.

Interest rate hedging	Balance Sheet value at 12/31/05	Fair value at 12/31/05
Cash flow hedges pursuant to IAS 39	(3,075)	(13,891)
Contracts that do not qualify as hedges pursuant to IAS 39	(15,997)	(1,703)
	(19,072)	(15,594)
Foreign Exchange rate hedging	Balance Sheet value at 12/31/05	Fair value at 12/31/05
Cair value hedges pursuant to IAS 39	-	-
Contracts that do not qualify as hedges pursuant to IAS 39	46	46
	46	46

With reference to derivative contracts, the differences arising between the values of the Balance Sheet and the Fair Value represent the possible loss or income at the end of the period.

Losses are not accounted on the statement of Income as they refer to cash flow hedging; potential income is not accounted as not yet cashed;

- 228,560,000 euros representing the book value of securities deposited with outsiders for safekeeping.
- 177,000,000 euros for the potential exercise of the put option enforced against the industrial shareholders. In the case of Edison Spa, the liability is equivalent to 7.5% of the Edipower shares. The put options are exercisable starting in 2007;
- per 52,013,000 euros representing the notional amount of transactions executed in the forward commodities market.
- 4,265,000 euros representing the value of VAT credits used for offsetting purposes by subsidiaries that were later absorbed by Edison Spa.

Other Commitments 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 total supplies of 7.4 billion cubic meters of natural gas a year. In addition, the Group signed an import contract with Qatar that call for deliveries to begin upon completion of an LNG terminal in the Northern Adriatic, which is currently being built and is expected to go on stream in 2008. When this agreement is fully operational, Qatar will supply a total of 6.6 billion cubic meters of natural gas a year. 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 14 billion cubic meters a year.

In addition:

- 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. 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.
- On November 30, 2005, further to the terms of the Shareholders' Agreement executed by Edison Spa and EdF International Sa that defines Finel's governance structure, Edison Spa purchased a 20% interest in Finel Spa from EdF International Sa, which partially exercised its right to terminate its investment in Finel's share capital. Following this transaction, Edison owns 80% of Finel's share capital. The remaining 20% is held by EdF International. The terms of the Shareholders' Agreement executed by the parties on November 26 and 30, 2004, will continue to apply to the remaining 20% of Finel's share capital, giving EdF International the option of selling the remaining 20% of Finel's share capital starting on December 1, 2006.
- As part of the agreements among the shareholders of RCS Mediagroup who are members of the Blocking and Consultation Syndicate, any Participant who, in response to a tender offer, wishes to exit the Syndicate will be required to sell the syndicated shares to the other Participants. The buyers will have the right, but not the obligation, to buy the shares that are being offered in proportion to the percentage of the shares they contributed to the Syndicate.
- Pursuant to the contract for the purchase through subscription of Utilità Spa shares, Edison has options to either buy an additional 16% interest in the share capital of Utilità Spa or sell its entire interest in that company. These options may be exercised by and not later than July 31, 2007. The value of the buy option is equal to the subscription price of the shares plus an amount equal to the interest accrued between the date of subscription of the shares and the date the option is exercised. The value of the sell option is equal to the corresponding interest in the underlying shareholders' equity, less reserves, at September 28, 2005.
- The agreement executed in connection with the sale of Terminale GNL Adriatico Srl includes the following conditions:
 - For all shareholders, the obligation not to transfer their equity interest until 36 months have passed

- from the startup of the terminal, but, in any case, not later than July 1, 2011 (lockup clause);
- For Edison, the right to buy the 90% it does not own or sell its 10% upon the occurrence of certain events, for which the two majority shareholders are responsible, that would prevent the construction of the terminal (put-and-call clause);
- For the two majority shareholders, the right to buy the 10% interest held by Edison if the supply contract with RasGas (II) should be cancelled for reasons for which Edison is responsible (call clause);
- A price for the sale of shares if the put or call options are exercised, which will be determined based on the value of the company's shareholders' equity at the time of sale;
- For all the shareholders, the commitment to a pro-quota financing to allow the construction of the terminal;
- Once the terminal that is being built in the Northern Adriatic has been completed, Edison, while owning just 10% of the infrastructure, will become its main user and will have access to about 80% of the terminal's gasification capacity for 25 years.
- On October 25, 2005, Edison completed the sale of 100% of the share capital of Tecnimont Spa to Maire Tecnimont Spa, a company of the Maire Group. This transaction was cleared by the relevant antitrust agencies. Concurrently with the sale, Edison paid 50 million euros for a 19.5% interest in Maire Tecnimont Spa. The remaining 80.5% of this company is owned by Maire Holding Spa. Edison's investment is assisted by a put-and-call option that can be exercised within three years. Edison has chosen to exercise its put option immediately. As a result, the shares covered by the option will be transferred to Maire Holding within three years of today's date, unless an earlier exercise becomes possible pursuant to the terms of the contract or Maire Holding exercises its call option.

NOTES TO THE STATEMENT OF INCOME

Edison Spa reported net income of 351,054,000 euros in 2005, compared with net income of 311,876,000 euros the previous year.

The improvement achieved in 2005 is the net result of the following items:

- Net production value of 211,102,000 euros, compared with net production value of 315,586,000 euros in 2004.
- A decline in net financial income, which totaled 62,891,000 euros. A reduction in income from equity investments is the main reason for the decrease of 163,670,000 euros compared with 2004.
- Extraordinary income consisting mainly of gains earned on the sale of equity investments (89,330,000 euros), the largest of which were the interest held in Tecnimont and a minority position in AEM.

The individual factors that contributed to the Company's result are reviewed below.

A) Production Value

Production value, which totaled 4,228,448,000 euros, includes the following:

Production value	FY 2005	FY 2004	Change
A.1) Sales and service revenues	4,065,155	3,302,566	762,589
A.2) Changes in inventory of work in progress, unfinished goods and finished goods	20,571	41,022	(20,451)
A.3) Change in inventory of contract work in process	(7,357)	7,184	(14,541)
A.4) Increase in Company-produced additions to fixed assets	6,499	16,244	(9,745)
A.5) Other revenues and income	143,580	80,556	63,024
	4,228,448	3,447,572	780,876

The main components of production value are analyzed below.

A.1) Sales and Service Revenues

Sales and service revenues totaled 4,065,155,000 euros. A breakdown is as follows:

	FY 2005	FY 2004	Change
Revenues from the sales of:			
- Electric power	2,084,980	1,806,802	278,178
- Natural gas	1,721,797	1,305,887	415,910
- Steam	101,314	83,633	17,681
- Oil	59,775	47,018	12,757
- Other materials and utilities	2,041	2,730	(689)
	3,969,907	3,246,070	723,837
Revenues from:			
- Services	31,355	28,902	2,453
- Contract work	15,227	15,888	(661)
- Transmission of electric power	9,834	7,296	2,538
- Sales of buildings in real estate inventory	6,337	2,781	3,556
- Facilities maintenance services	32,495	1,629	30,866
	4,065,155	3,302,566	762,589

The main components of sales revenues include the following:

- 1,721,797,000 euros from the sale of natural gas, broken down as follows: residential customers 888,239,000 euros, industrial customers 348,829,000 euros and thermoelectric power plants 385,235,000 euros. Sales to Group companies totaled 757,277,000 euros, with the largest amounts generated by Edison Energia (95,511,000 euros), Serene (89,523,000 euros), Termica Milazzo (67,562,000 euros), Edison per Voi (76,030,000 euros), Consorzio di Sarmato (67,104,000 euros), EstGas (80,759,000 euros), Eta 3 (71,010,000 euros) and Jesi Energia (61,857,000 euros).
- 2,084,980,000 euros from the sale of electric power, including 1,893,881,000 euros generated by thermoelectric operations and 191,099,000 euros generated by the hydroelectric operations. Additional electric power revenues were generated through sales to the GRTN (1,269,061,000 euros), the Edison Trading Spa subsidiary (533,242,000 euros) and other customers outside the Group (282,677,000 euros).
- 101,314,000 euros from the sale of steam to end users.

Moreover:

- Service revenues of 31,355,000 euros include corporate services provided to Group companies;
- Revenues from contract work of 15,227,000 euros were generated by technical design and facilities construction services provided mainly to Edipower (710,000 euros), Fenice (7,790,000 euros) and Edison Stoccaggio (1,764,000 euros).

A.2) Changes in inventory of work in progress, semifinished goods and finished goods

The decrease of 20,451,000 euros reflects a reduction in the natural gas inventory stored for future delivery to customers.

A.3) Change in Contract Work in Process

The decrease of 7,357,000 euros refers mainly to the construction projects for the Rovigo regasification terminal and reflects rebilling of costs to the affiliated Terminale Adriatico LNG based on the percentage of completion.

A.4) Increase in Company-Produced Additions to Fixed Assets

The amount of 6,499,000 euros represents maintenance costs incurred to upgrade the technology and safety of production facilities, which were capitalized and added to Property, plant and equipment. Financial expense is not capitalized.

A.5) Other Revenues and Income

A breakdown of this item, which amounted to 143,580,000 euros, is provided below:

	FY 2005	FY 2004	Change
Natural gas and oil and swaps	22,315	8,753	13,562
Expenses rebilled to subsidiaries	13,093	10,464	2,629
Recoveries of costs from partners	16,887	12,870	4,017
Utilization of reserve for closures of mineral properties	2,990	1,078	1,912
Utilization of other reserves	13,311	9,401	3,910
Gains on disposals	8,111	1,054	7,057
Out-of-period income	19,802	20,242	(440)
Recovery of the cost of seconded personnel	4,151	3,151	1,000
Operating grants	1,154	1,355	(201)
Rentals of industrial and other facilities	2,486	2,718	(232)
Miscellaneous revenues and income	16,329	9,470	6,859
Insurance settlements	22,951	-	22,951
	143,580	80,556	63,024

The main components of this item are:

- 22,952,000 euros for **insurance settlements** received in connection with accidents at power plants.
- 22,315,000 euros for **natural gas and oil swaps** carried out to optimize natural gas logistics. The corresponding charge is recognized under the heading B.6) - Raw materials, auxiliaries, supplies and merchandise.
- 19,802,000 euros in **out-of-period income** consist mainly for recoveries of costs incurred in 2004 (7,948,000 euros) and 1,567,000 euros to recover tax credits.
- 16,887,000 euros for **recoveries of costs from partners** in connection with expenses incurred in those instances when the Company is the operator of leases for the exploitation of hydrocarbon deposits.
- 13,093,000 euros for the **expenses rebilled** by the Company to the applicable subsidiaries.
- 1,017,000 euros for the **utilization of the allowance for doubtful accounts** and 11,029,000 euros for the utilization of **miscellaneous reserves for risks**, 661,000 for utilizations of reserve for inventories obsolescence and 304,000 for utilization of reserve for recurring maintenance.
- 35,221,000 euros in **miscellaneous revenues**, including recovery of costs of Edison Spa personnel seconded to other Group companies, miscellaneous rentals, gains on sales of fixed assets and sundry revenues.

B) Cost of Production

A breakdown of the cost of production, which totaled 4,017,347,000 euros, is provided below:

Cost of production	FY 2005	FY 2004	Change
B.6) Raw materials, auxiliaries, supplies and merchandise	2,762,182	2,004,846	757,336
B.7) Outside services	512,207	469,409	42,798
B.8) Use of property not owned	38,339	46,294	(7,955)
B.9) Personnel	128,251	117,524	10,727
B.10) Depreciation, amortization and writedowns	412,878	403,154	9,724
B.11) Change in inventory of raw materials auxiliaries, supplies and merchandise	20,770	1,562	19,208
B.12) Provisions for risks	50,610	20,538	30,072
B.14) Miscellaneous operating costs	92,110	68,658	23,452
	4,017,347	3,131,985	885,362

The significant increase that occurred in 2005 mirrors the improvement in revenues discussed in the note to revenues.

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

The balance of 2,762,182,000 euros includes the following:

	FY 2005	FY 2004	Change
Purchases of:			
- Natural gas	2,317,825	1,659,267	658,558
- Other utilities	324,403	248,724	75,679
- Electric power	55,151	42,850	12,301
- Fluxing and fuel oil	37,938	29,884	8,054
- Materials and equipment	23,568	22,549	1,019
- Other raw materials	3,297	1,572	1,725
	2,762,182	2,004,846	757,336

The components of this item are reviewed below:

- 2,317,825,000 euros for purchases of natural gas bought mainly from ENI (1,546,734,000 euros) and Promgas (356,154,000 euros) as fuel for the Company's thermoelectric power plants (94,103,000 euros) and for resale (2,202,408,000 euros). The balance of 21,314,000 euros represents swaps and is the offset of the income account A5) Other revenues and income.
- 324,403,000 euros for purchases of other utilities, which refer mainly to supplies of additive-free diesel fuel (17,329,000 euros) and recycled gas (263,369,000 euros).
- 55,151,000 euros for purchases of electric power, which were made exclusively from consortium subsidiaries and represent Edison's pro rata interest in the production of those consortia. This item includes the repayment of the operating costs incurred by the Swiss affiliate Kraftwerke Hinterrhein AG, prorated on the basis of the percentage of generated energy available to Edison.

B.7) Outside Services

Outside services totaled 512,207,000 euros. The amounts shown in the table below are net of capitalized costs of 307,491,000 euros reclassified as additions to property, plant and equipment. A breakdown is as follows:

	FY 2005	FY 2004	Change
Transmission costs paid	262,100	231,539	30,561
Professional and consulting services	99,762	100,879	(1,117)
Maintenance and repairs	92,893	83,573	9,320
Insurance services	17,274	19,615	(2,341)
Royalties on the production of hydrocarbons	8,545	7,229	1,316
Incidental personnel costs and seconded personnel	8,427	7,946	481
Other services	23,206	18,628	4,578
	512,207	469,409	42,798

The most significant component of this account is the cost of transmission services (262,100,000 euros) paid to deliver natural gas to customers. A much smaller amount (3,283,000 euros) was paid to GRTN for electric power transmission.

Professional and consulting services include technical services required to operate facilities (32,472,000 euros), legal fees (15,735,000 euros), information technology services (24,048,000 euros), administrative and financial consulting services (3,157,000 euros) and the services provided to the absorbed companies by the corporate staff functions of Edison Spa (18,258,000 euros).

Maintenance and repairs are attributable mainly to the thermoelectric operations (59,393,000 euros), the hydroelectric operations (9,371,000 euros) and the hydrocarbons operations (22,778,000 euros).

B.8) Use of Property not Owned

The largest components of this item, which totaled 38,339,000 euros, are:

- 24,359,000 euros in fees paid for the usage of public water for hydroelectric generation, surcharges paid to local agencies and fees payable under specific provincial and regional regulations.
- 6,834,000 euros to lease a storage tanker and service vessels used to operate the Vega, Sarago Mare and Rospo Mare oil concessions.
- 1,271,000 euros in lease payments and fees due for the right to use electronic and data processing equipment, networks and databases.

B.9) Personnel

As shown in the table below, personnel costs increased to 128,251,000 euros (117,524,000 euros in 2004), reflecting primarily the staff expansion that resulted from the mergers by absorption completed in 2005.

	Number at 1/1/05	Reclassifications	Additions	Reductions	Average for 2005	Average for 2004
Executives	134	3	4	(7)	134	135
Middle managers	321	24	13	(26)	331	324
Office staff	798	118	52	(34)	912	743
Production staff	378	(3)	29	(22)	397	382
Total staff ⁽¹⁾	1,631	142	98	(89)	1,774	1,584

⁽¹⁾ Including transfers among Group companies and promotions to higher classifications.

B.10) Depreciation, Amortization and Writedowns

A breakdown of this item, which totaled 412,978,000 euros, is as follows:

	FY 2005	FY 2004	Change
Amortization of intangibles	207,111	205,767	1,344
Depreciation of property, plant and equipment	194,285	189,081	5,204
Writedowns of fixed assets	6,929	171	6,758
Writedowns of loans included in current assets	4,553	8,135	(3,582)
	412,878	403,154	9,724

Amortization of intangibles includes 155,927,000 euros for the loss upon merger posted to Goodwill and 20,978,000 euros for hydrocarbon exploration concessions. Exploration costs (2,256,000 euros in 2005) are charged in full to income in the year they are incurred.

Depreciation of property, plant and equipment includes:

- 108,311,000 euros for depreciation of hydroelectric and thermoelectric power plants;
- 41,099,000 euros for the depreciation of assets returnable at no cost, which is computed based on the remaining life of the respective hydroelectric licenses;
- 26,161,000 euros for the depreciation of natural gas pipelines and natural gas deposits.

For the sake of greater clarity, the table below shows the deprecation taken for each of the assets included in Property, plant and equipment broken down by tax class.

	Depreciation in 2005	
	Amount	Average rate
Land and buildings	15,831	3.92
Plant and machinery:		
• assets returnable at no cost	41,100	6.16
• production facilities	98,301	3.78
• transmission lines	1,983	4.27
• transformer stations	4,590	3.69
• other plant and machinery	29,598	3.33
Manufacturing and distribution equipment	1,274	3.84
Other assets	1,608	8.19

Writedowns of loans included in current assets totaling 4,553,000 euros reflect the restatement to realizable value of trade receivables of the electric power operations.

B.11) Change in Inventory of Raw Materials, Auxiliaries, Supplies and Merchandise

The balance of 20,770,000 euros includes the following:

- A reclassification of 12,542,000 euros of the reserve for writedowns established to adjust to market value the carrying amount assigned to certain land and buildings. The resulting gain was recognized as an extraordinary item.
- A positive change of 8,099 in the inventory of land and buildings.
- A positive change of 129,000 euros in the inventory of raw materials and engineering supplies.

B.12) Provisions for risks

The main components of this item, which totaled 50,610,000 euros, include the following:

- 21,250,000 euros for charges arising from presumed risks that may arise in connection with carbon dioxide emissions covered by ED Directive No. 2003/87/CE;
- 15,000,000 euros for costs related to the remediation of industrial sites;
- 9,136,000 euros for provisions recognized in anticipation of future charges that will be incurred to shut down natural gas and oil deposits at the end of their useful lives.

B.14) Miscellaneous Operating Costs

A breakdown of this item, which amounted to 92,110,000 euros, is provided in the table below:

	FY 2005	FY 2004	Change
Green certificates	35,829	17,278	18,551
Corporate costs, industry association dues and chamber of commerce fees	10,367	15,852	(5,485)
Rebillable costs	4,874	8,584	(3,710)
Out-of-period expenses	9,602	7,297	2,305
Fines and settlements paid	9,850	4,760	5,090
Indirect taxes and fees	2,653	3,365	(712)
Municipal property taxes (ICI)	3,707	2,567	1,140
Nondeductible VAT	1,474	2,131	(657)
Losses on disposals of property, plant and equipment	4,266	1,127	3,139
Sundry operating costs	9,488	5,697	3,791
	92,110	68,658	23,452

The main components of miscellaneous operating costs are reviewed below:

- **Green certificates** refer to the costs incurred by the thermoelectric operations to comply with the requirements of Article 11 of Legislative Decree No. 79/99.
- **Corporate costs** include the fees paid to Directors and Statutory Auditors. As required by law, more detailed information on this item is provided in the Corporate Governance section of the Report on Operations. The balance shown above includes the costs paid by the absorbed companies.
- **Indirect taxes and fees** include 1,224,000 euros in excise taxes paid on sales of natural gas and electric power.

C) Financial Income and Expense

Net financial income amounted to 62,891,000 euros. As explained later in this note, the decrease compared with the previous year reflects a reduction in dividend income (the dividend collected in 2004 from Selm Holding was a nonrecurring distribution), offset in part by lower writedowns of investments in Group companies. As shown in the table below, a significant improvement in the Company's financial position produced a sharp drop in net interest expense.

	FY 2005	FY 2004	Change
C.15) Income from equity investments	228,054	374,310	(146,256)
C.16) Other financial income	109,452	133,257	(23,805)
C.17) Interest and other financial expense	(274,606)	(342,096)	67,490
C.17bis) Foreign exchange gains (losses)	(9)	(1,801)	1,792
Total	62,891	163,670	(100,779)

The following table shows the results of the derivative contracts including both the cashed differentials and the allowances on the contracts still pending at 12.31.05; they consists of transactions on interest rates, commodities and foreign currencies.

FY 2005	Income	Loss	Net
Interest rates	76,392	(93,465)	(17,073)
Commodities	299	(1,270)	(971)
Derivative contracts on interest rates and commodities	76,691	(94,735)	(18,044)
Derivative contracts and forward transactions on foreign exchanges	6,287	(1,366)	4,921
Total	82,978	(96,101)	13,123

C.15) Income from Equity Investments

A breakdown of this item, which consists mainly of dividend income, is as follows:

Dividends and other income	FY 2005	FY 2004	Change
a) Subsidiaries:			
- Finel Spa	70,400	-	70,400
- Edison Trading Spa	37,500	1,288	36,212
- Edison Energia Spa	33,000	-	33,000
- Tecnimont Spa	19,864	-	19,864
- Serene Spa	13,263	11,025	2,238
- Edison Rete Spa	9,503	12,365	(2,862)
- Jesi Energia Spa	6,250	4,866	1,384
- Edison D.G. Spa	5,014	4,490	524
- Termica Celano Spa	4,900	5,308	(408)
- Termica Milazzo Spa	3,600	4,800	(1,200)
- Sarmato Energia	3,431	3,168	263
- Megs Srl	3,090	521	2,569
- Termica Boffalora Spa	2,730	-	2,730
- Edison Stoccaggio Spa	986	-	986
- Selm Holding International	-	279,860	(279,860)
- Bussi Termoelettrica Spa	-	10,989	(10,989)
- Sogetel Spa	-	10,204	(10,204)
- Edison International Spa	-	4,935	(4,935)
- Other subsidiaries	-	4,285	(4,285)
	213,531	358,104	(144,573)
b) Affiliated companies:			
- Sel Edison Spa	3,775	4,359	(584)
- Other affiliated companies	3,157	2,371	786
	6,932	6,730	202
c) Other companies:			
- AEM Spa	4,866	4,590	276
- Blumet	1,333	1,407	(74)
- Miscellaneous companies	1,392	1,295	97
- Gains on the disposal of equity investments	-	2,184	(2,184)
	7,591	9,476	(1,885)
Total	228,054	374,310	(146,256)

C.16) Other Financial Income

Other financial income of 109,452,000 euros includes the following:

	FY 2005	FY 2004	Change
A) Income from long-term loans receivable			
1) Income from subsidiaries	899	1,700	(801)
2) Income from affiliated companies	-	2,557	(2,557)
4) Income from other companies	1,408	31	1,377
Total	2,307	4,288	(1,981)
C) Income from securities included in current assets other than equity investments	73	86	(13)
D) Other financial income from:			
1) Subsidiaries	15,735	13,870	1,865
2) Affiliated companies	3,014	86	2,928
4) Other income			
- Gains on derivatives	76,691	94,525	(17,834)
- Accrued interest on amounts due from tax authorities	5,216	6,592	(1,376)
- Accrued interest on short-term loans receivable	25	2,843	(2,818)
- Sundry financial income	6,391	10,967	(4,576)
	88,323	114,927	(26,604)
	109,452	133,257	(23,805)

Interest income from subsidiaries includes interest accrued on intra-Group current account balances and loans provided in connection with transactions established as part of the Group's centralized cash management system.

Gains on derivatives (76,691,000 euros) reflects primarily the impact of derivatives executed to hedge the risk of fluctuations in interest rates, foreign exchange rates and commodity prices. The effectiveness of the hedges from an accounting standpoint was tested in accordance with the method recommended in IAS 39. When this approach could not be followed completely, the positions were marked to market and any resulting losses were always recognized, irrespective of the type of derivative. Gains were recognized only when they were generated by foreign exchange or commodity hedges maturing within one year.

C.17) Interest and Other Financial Expense

Interest and other financial expense decreased to 274,606,000 euros in 2005 reflecting an across-the-board decline in the cost of money.

The table below provides a breakdown of this item:

	FY 2005	FY 2004	Change
A) Interest paid to subsidiaries	21,172	13,988	7,184
B) Interest paid to affiliated companies	7	18	(11)
C) Interest paid to controlling companies	112	55	57
D) Interest and other financial expense for:			
- bonds	120,529	123,927	(3,398)
- derivatives	94,735	120,048	(25,313)
- bank fees and charges	12,750	35,719	(22,969)
- short-term bank borrowings	9,758	30,890	(21,132)
- long-term debt	11,959	10,981	978
- miscellaneous charges	3,584	6,470	(2,886)
Total	253,315	328,035	(74,720)
	274,606	342,096	67,490

The main components of this account are reviewed below:

- Financial expense for derivatives, which totaled 94,735,000 euros, offsets a corresponding entry included in financial income.
- Bank financing fees were 22,969,000 euros less than in 2004, when the Company established new lines of credit and incurred more fees.

D) Value Adjustments on Financial Assets

The net charge of 37,926,000 euros is significantly lower than in 2004, when it totaled 216,418,000 euros. The main reason for this improvement is the absence of charges booked in 2004, when the Company wrote down the carrying value of its investment in Selm Holding International Sa after Selm Holding distributed dividends totaling 280 million euros.

A breakdown of this item is provided below:

	FY 2005	FY 2004	Change
D. 18) Revaluations of equity investments	2,072	9,740	(7,668)
D. 19.A) Writedowns of equity investments			
- Nuova Alba Srl	8,926	2,228	6,698
- Montedison Srl	8,181	-	8,181
- Gever Spa	6,000	-	6,000
- Termica Boffalora Spa	1,100	-	1,100
- Acegas Spa	1,035	-	1,035
- IPSE 2000	1,812	16,000	(14,188)
- Selm Holding	-	187,051	(187,051)
- SIDI Krir Generating Company	-	12,279	(12,379)
- IWH BV	-	5,000	(5,000)
- Other writedowns	2,641	3,493	(852)
	29,695	226,151	(196,456)
D. 19.C) Securities held as current assets other than equity investments			
	10,303	7	10,296
Total value adjustments on financial assets	(37,926)	(216,418)	178,492

Revaluations mainly concern the reinstatement of AMGA value for 1,927,000 euros.

Writedowns of equity investments are due to adjustments for losses of the investee company (Nuova Alba and Montedison) or booked to adjust the carrying amount to the value of the pro rata interest in the shareholders' equity, restated, if necessary, to reflect changes in the value of fixed assets held by the investee companies (Gever and Boffalora).

E) Extraordinary Income and Expense

Net extraordinary income totaled 81,611,000 euros. The main components of this account are reviewed below:

Extraordinary income and expense	FY 2005	FY 2004	Change
E.20) Extraordinary income			
- Utilization of reserves for risks	202,216	172,474	29,742
- Out-of-period income from reversals of tax items	-	83,897	(83,897)
- Gain on sale of equity investments	89,330	54,291	35,039
- Other out-of-period income	13,938	23,778	(9,840)
- Other extraordinary income	8,577	200	8,377
	314,061	334,640	(20,579)
E.21) Extraordinary expense			
- Provisions for risks	90,803	61,281	29,522
- Deferred taxes on gains from reversals of tax items	1,250	15,000	(13,750)
- Out-of-period expense	6,238	4,898	1,340
- Income taxes attributable to previous years	741	3,852	(3,111)
- Loss on the sale of equity investments	10,670	1,799	8,871
- Costs paid pursuant to court judgments	1,280	1,224	56
- Fees paid to intermediaries	-	962	(962)
- Other extraordinary expense	121,468	189,624	(68,156)
	232,450	278,640	(46,190)
Net extraordinary income	81,611	56,000	25,611

Extraordinary income, which amounted to 314,061,000 euros, includes the following:

- 202,216,000 euros from the utilization of the reserves for risks and charges, mainly in connection with the settlement of the following pending disputes:
 - 100,000,000 euros from the settlement of the Cereol dispute (68,153,000 euros from the utilization of the existing reserve upon settlement of any and all claims, as explained in the note to Extraordinary expense, and 31,847,000 euros from the recognition in earnings of the reduction in the amount paid);
 - 21,133,000 euros related to charges arising from contractual disputes on real estate sales;
 - 10,333,000 euros from the settlement of the Ferrocemento/Gambogi dispute (5,552,000 euros from the utilization of the existing reserve upon settlement of any and all claims, as explained in the note to Extraordinary expense, and 4,781,000 euros from the recognition in earnings of the reduction in the amount paid);
 - 20,887,000 euros from the utilization of reserves for tax risks to defray tax charges (12,979,000 euros) and from the recognition in earnings of existing reserves that covered risks that no longer existed (7,908,000 euros);
 - 25,936,000 euros from the recognition in earnings of existing reserves that covered contingent liabilities that failed to materialize;
 - 22,100,000 euros from other utilizations;
- 89,330,000 euros from gains on the sale of investments in the Sidi Krir (2,697,000 euros) and Tecnimont (61,711,000 euros) subsidiaries and of positions held in AEM (22,478,000 euros) and Gemina (2,295,000 euros);
- 8,577,000 euros in other extraordinary income, including the reversal of the writedown of the investment in a gas field once the reasons for the writedown ceased to apply.

Extraordinary expense of 232,450,000 euros includes the following:

- 90,803,000 euros added to the reserves for risks, including 7,824,000 euros to recognize accrued statutory interest, 25,500,000 euros to close the sale of the investments in Tecnimont and Sidi Krir, and 57,479,000 euros to recognize other risks from contingent liabilities;
- 121,468,000 euros for the following other extraordinary expense items:
 - 68,153,000 euros to settle the Cereol dispute;
 - 8,000,000 euros for extraordinary writedowns booked to adjust the carrying amount of certain components of property, plant and equipment to their recoverable value, as described in the notes to the corresponding asset accounts;
 - 5,552,000 euros for the final and definitive settlement of the Ferrocemento/Gambogi dispute;
 - 17,551,000 euros for other settlements, including one that involved a Tecnimont subsidiary that was sold.

22) Current, Deferred and Prepaid Income Taxes

A breakdown of income taxes, which totaled 33,376,000 euros, is provided in the table below:

Income taxes	FY 2005	FY 2004
- Corporate income tax (IRES)	-	-
- Local income taxes (IRAP)	31,000	30,000
- Gains (Charges) generated by filing a national consolidated tax return	(1,922)	-
- Other taxes	531	91
Total current taxes	29,609	30,091
Deferred-tax (assets) liabilities	(62,985)	(23,129)
Total income taxes	(33,376)	6,962

Given the availability of a tax loss carryforward, current taxes consist exclusively of local taxes (IRAP). The balance shown for deferred taxes reflects the deferred-tax assets computed on the basis of the tax loss carryforward of the Company and on the reversal of taxable reserves for risks, taking into account the industrial plan approved by the Company's corporate governance bodies.

	Average tax rate	Tax effect	Contribution upon merger	Tax effect	2004 Change
Deferred-tax assets:					
- Tax loss carryforward	33	5,000	2,103	46,000	38,897
- Reserves for risks and charges	33	19,000	-	44,000	25,000
Total deferred-tax assets (A)	33	24,000	2,103	90,000	63,897
Deferred-tax liabilities:					
- Excess depreciation and amortization ⁽¹⁾	37.25	15,000	-	16,250	1,250
- Accrued dividends	37.25	-	-	1,162	1,162
- Gains with deferred taxation	37.25	474	-	224	(250)
- Writedowns of receivables	-	-	-	-	-
Total deferred-tax liabilities (B)	37.25	15,474	-	17,635	2,162
Deferred-tax assets offset against the corresponding reserve for deferred taxes (C)					
	-	-	-	-	-
Reserve for deferred taxes shown on the financial statements (D) = (B-C)	37.25	15,474	-	17,635	2,162
Deferred-tax assets/liabilities shown on the financial statements (A-D)	27.0	2,103	2,103	72,365	61,735

⁽¹⁾ The corresponding charges have been booked as an extraordinary expense.

The change occurred is 62,985,000 euros, net of reversal of tax items that have been included among extraordinary charges.

No deferred taxes were credited or debited directly to shareholders' equity.

The valuation of deferred tax assets was made based on expectations of actual utilization and taking into account the time horizon of the official plans of the Group. More specifically:

- the deferred-tax assets on tax loss carryforwards were estimated at 46 million euros;
- the recoverability of the reserves for risks and of other items that could generate temporary differences was estimated at 44 million euros.

With regard to the merger transactions completed in 2003 and 2004, the loss upon merger that had been allocated to the equity investments and the property, plant and equipment accounts of the absorbed companies, and to goodwill, is not tax deductible and the recognitions of such amounts in the statement of income gives rise to items that are not tax deductible.

OTHER INFORMATION

Information Required Under Law No. 72 of 1983 and Law No. 413 of 1991

The table below contains a list of the assets still held by the Company that have been the subject of inflation adjustments. The Company chose not to adjust for inflation the carrying value of its assets, as allowed under Law N. 342/2000.

Property, plant and equipment	Historical cost	Loss upon merger	Inflation adjustments			Total	Carrying value
			Under Law No. 576/75	Under Law No. 72/83	Under Law No. 413/91		
Land	68,956	23	-	46	-	46	69,025
Buildings	274,246	43,486	21	5,612	11,106	16,739	334,471
Plant and machinery:							
Assets returnable at no cost	314,157	300,277	-	52,311	-	52,311	666,745
Other facilities	1,807,505	778,707	-	11,222	-	11,222	2,597,434
Transmission lines	45,114	825	-	486	-	486	46,425
Transformer stations	121,233	2,458	-	639	-	639	124,330
Other plant and machinery	848,430	24,249	1,127	16,177	-	17,304	899,983
Construction in progress and advances	765,065	-	-	-	-	-	765,065
Equipment	33,111	4	-	70	5	75	33,190
Other assets	19,599	-	-	29	-	29	19,628
Total	4,297,416	1,150,029	1,148	86,592	11,121	98,851	5,546,296

Accum. depreciation and writedowns of property plant and equipment	Historical cost	Loss upon merger	Inflation adjustments			Total	Carrying value
			Under Law No. 576/75	Under Law No. 72/83	Under Law No. 413/91		
Land	3,220	-	-	-	-	-	3,220
Buildings	107,045	12,183	10	4,148	6,362	10,520	129,748
Plant and machinery:							
Assets returnable at no cost	201,045	117,361	-	41,288	-	41,288	359,694
Other facilities	951,155	133,897	-	11,422	-	11,422	1,096,474
Transmission lines	18,708	85	-	421	-	421	19,214
Transformer stations	53,020	432	-	723	-	723	54,175
Other plant and machinery	676,095	14,590	1,137	16,168	-	17,305	707,990
Construction in progress and advances	2,268	-	-	-	-	-	2,268
Equipment	27,934	-	-	70	5	75	28,009
Other assets	15,800	-	-	29	-	29	15,829
Totale	2,056,290	278,548	1,147	74,269	6,367	81,783	2,416,621

Compensation Paid to Directors and Statutory Auditors and Stock Options and Equity Investments Held by Directors

Information concerning:

- compensation paid to Directors and Statutory Auditors,
- stock options held by Directors,
- equity investments held by Directors.

is provided in the Corporate Governance section of the Report on Operations.

Tax Status of Capital Stock and Reserves in the Event of Redemption or Distribution

A: Reserves that upon distribution are not included in the taxable income of the Company:	
- Additional paid-in capital	3,402
B: Reserves on which taxation has been deferred, but which will be added to the Company's taxable income upon utilization:	
- Reserve for government grants (former Edison – grants under Article 55)	3,770
- Reserve for government grants (former Edison Gas – Law No. 488/92)	15,993
C: Reserves on which taxation has been deferred that have been added to capital stock and are taxable if the capital stock is reduced due to a distribution to the stockholders:	
- Reserve under Law No. 576 of 12/1/75 (old Edison form. Montedison)	31,064
- Reserve under Law No. 72 of 3/19/83 (old Edison form. Montedison)	15,283
- Reserve under Law No. 576 of 12/1/75 (formerly Finagro)	1,331
- Reserve under Law No. 72 of 3/19/83 (formerly Finagro)	3,310
- Reserve under Law No. 72 of 3/19/83 (formerly Montedison)	8,561
- Reserve under Law No. 72 of 3/19/83 (formerly Silos di Genova Spa)	186
- Reserve under Law No. 413 of 12/30/91 (formerly Finagro)	4,762
- Reserve under Law No. 576 of 12/1/75 (formerly Calceamento)	976
- Reserve under Law No. 72 of 3/19/83 (formerly Calceamento)	4,722
- Reserve under Law No. 413 of 12/30/91 (formerly Sondel)	2,976
- Reserve under Law No. 413 of 12/30/91 (old Edison)	118,911
Total	192,082

The taxes that would be payable if the reserves listed in Item B above were distributed total 7.3 million euros. Those attributable to the reserves listed in Item C amount to 65 million euros.

Starting in 2004, as a result of the deletion of Section 2 from Article 2426 of the Italian Civil Code, which allowed the recognition of "value adjustments and provisions booked exclusively in accordance with tax laws," expense items that are not recognized in the statement of income may be deducted when allowed by a specific statutory provision and must be listed in a separate schedule attached to the income tax return. In order to secure any claims of the tax administration, Article 109 of the Uniform Tax Code (abbreviated as TUIR in Italian) requires that when a company has earnings the taxation of which has been temporarily deferred, an equal amount of the Company's unrestricted reserves (which, following a recent change in the applicable statute, include the Statutory reserve) and retained earnings must be set aside on the company's financial statements so that it may be added to the company's taxable income when distributed.

Due to the derecognition in 2004 of expense items that had been recognized exclusively for tax purposes and of entries made in connection with divestitures and depreciation and amortization recognized in 2005, the remaining tax items that still need to be derecognized at December 31, 2005, net of the

Other Information

corresponding deferred taxes, amount to 34.3 million euros. Consequently, if retained earnings or reserves were to be distributed, the Company will have to retain an equal amount of reserves that are relevant for the purposes of Article 109 of the TUIR. Should relevant reserves be unavailable or insufficient, the difference will be treated as taxable income to the company, increased by the amount of the applicable deferred taxes.

Moreover, the reform of the corporate income tax (IRES), which went into effect on January 1, 2004, introduced the overall presumption whereby the net income for the fiscal year and any portion of the reserves (other than capital stock reserves) that has not been set aside in a deferred-taxation status will be deemed to have been distributed, irrespective of the provisions of the applicable resolution approved by the Shareholders' Meeting (Article 47 of the TUIR).

Milan, February 21, 2006

The Board of Directors
by Giuliano Zuccoli
Chairman

Publicly Traded Securities – Comparison of Year-End Carrying Value and Market Value at December 31, 2005

	Currency	Total par value	Par value per unit	Number of shares held	Carrying value (in euros)	Market value (*) (in euros)			
					per unit	total	per unit	total	
B.II) Financial fixed assets									
1) Equity investments in:									
d) Other Companies									
RCS Mediagroup Spa	EUR	7,406,487.00	1.00	7,406,487	1.406	10,411,646.01	4.021	29,781,484.23	
						10,411,646.01		29,781,484.23	
C.II) Financial assets not held as fixed assets									
4) Other equity investments									
ACEA Spa	EUR	1,911,522.00	5.16	370,450	8.403	3,112,891.35	8.403	3,112,891.35	
ACEGAS - APS Spa	EUR	3,673,920.00	5.16	712,000	7.699	5,481,688.00	7.699	5,481,688.00	
ACSM Spa	EUR	1,488,000.00	1.00	1,488,000	2.150	3,199,200.00	2.150	3,199,200.00	
American Superconductor Corp.	USD	160,000.00	1.00	160,000	6.671	1,067,360.00	6.671	1,067,360.00	
AMGA Spa	EUR	5,085,756.00	0.52	9,780,300	1.651	16,147,275.16	1.651	16,147,275.16	
						29,008,414.51		29,008,414.51	

(*) Market value means the stock market price on December 30, 2005 published in *Il Sole 24 Ore* on December 31, 2005.

LIST OF EQUITY INVESTMENTS (pursuant to Article 2427, Section 5, of the Italian Civil Code)

B.III - Financial Fixed Assets Equity Investments in Subsidiaries

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Atema Ltd	Dublin (Ireland)				
Balance at 12/31/04		EUR	1,500,000	0.50	100.000
Balance at 12/31/05		EUR	1,500,000	0.50	100.000
Biomasse Emilia Romagna Srl in liquidation	(*) Cesena (FO)				
Balance at 12/31/04		EUR	10,000	-	51.000
Balance at 12/31/05		EUR	10,000	-	51.000
Calbiotech Srl in bankruptcy	Ravenna				
Balance at 12/31/04		L	90,000,000	-	55.000
Balance at 12/31/05		L	90,000,000	-	55.000
Calcestruzzi Palermo Spa in receivership (single shareholder)	Palermo				
Balance at 12/31/04		EUR	108,360	1.00	100.000
Balance at 12/31/05		EUR	108,360	1.00	100.000
Montedison Srl (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	2,583,000	-	100.000
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	2,583,000	-	100.000
Consorzio di Sarmato Soc. Cons. P.A.	Milan				
Balance at 12/31/04		EUR	200,000	1.00	52.500
Balance at 12/31/05		EUR	200,000	1.00	52.500
Ecofuture Srl (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	10,200	-	100.000
Advance on future capital contributions		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	10,200	-	100.000
Edison D.G. Spa (single shareholder)	(*) Selvazzano Dentro (PD)				
Balance at 12/31/04		EUR	460,000	1.00	100.000
Balance at 12/31/05		EUR	460,000	1.00	100.000
Edison Energia Spa (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	22,000,000	1.00	100.000
Balance at 12/31/05		EUR	22,000,000	1.00	100.000
Edison Energie Speciali Spa (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	4,200,000	1.00	100.000
Balance at 12/31/05		EUR	4,200,000	1.00	100.000
Edison France Sarl	Paris (France)				
Balance at 12/31/04		EUR	7,700	-	100.000
Disposal		EUR	(7,700)	-	(100.000)
Balance at 12/31/05		EUR	-	-	-

⁽¹⁾ Amounts in euros.

⁽²⁾ Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
3,000,000	1,500,050	(118,369)	1,381,681					
3,000,000	1,500,050	(118,369)	1,381,681	2,320,586	2,320,586	(51,290)	(51,290)	na
5,100	37,225	(37,224)	1					
5,100	37,225	(37,224)	1	-	-	-	-	na
49,500,000	1	-	1					
49,500,000	1	-	1	-	-	-	-	na
108,360	511,034	(511,033)	1					
108,360	511,034	(511,033)	1	-	-	-	-	na
2,583,000	76,402,224	(60,178,950)	16,223,274					
-	-	(8,181,112)	(8,181,112)					
2,583,000	76,402,224	(68,360,062)	8,042,162	8,042,162	8,042,162	(11,300,299)	(11,300,299)	na
105,000	108,456	(9,607)	98,849					
105,000	108,456	(9,607)	98,849	194,645	102,189	-	-	na
10,200	378,801	-	378,801					
-	90,000	-	90,000					
-	-	(109,000)	(109,000)					
10,200	468,801	(109,000)	359,801	14,023	14,023	(108,775)	(108,775)	na
460,000	42,467,948	-	42,467,948					
460,000	42,467,948	-	42,467,948	30,007,639	30,007,639	6,905,322	6,905,322	na
22,000,000	44,978,075	-	44,978,075					
22,000,000	44,978,075	-	44,978,075	64,535,418	64,535,418	20,556,496	20,556,496	na
4,200,000	435,242,647	-	435,242,647					
4,200,000	435,242,647	-	435,242,647	21,180,785	21,180,785	(2,349,214)	(2,349,214)	na
7,700	58,301	(58,300)	1					
(7,700)	(58,301)	58,300	(1)					
-	-	-	-	-	-	-	-	na

The currency codes used in this Report are those provided in the ISO 4217 International Standard, except for the Italian lira, for which the traditional L was used (as per Art. 2427, Sect. 5, Italian Civil Code)

CHF = Swiss franc
GBP = British pound

EUR = euro
USD = U.S. dollar

NLG = Dutch guilder
EGP = Egyptian pound

PTE = Portuguese escudo
TRL = Turkish lira

Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Edison Gas Espana Sa (single shareholder co. in liquid.)	Barcelona (Spain)				
Balance at 12/31/04		EUR	60,200	1.00	100.000
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	60,200	1.00	100.000
Edison Hellas Sa	Athens (Greece)				
Balance at 12/31/04		EUR	263,700	2.93	100.000
Balance at 12/31/05		EUR	263,700	2.93	100.000
Edison International Spa	(*) Milan				
Balance at 12/31/04		EUR	17,850,000	1.00	70.000
Balance at 12/31/05		EUR	17,850,000	1.00	70.000
Terminale GNL Adriatico Srl form. Edison LNG	(*) Rome				
Balance at 12/31/04		EUR	10,000,000	1.00	100.000
Advance on future capital contributions		EUR	-	-	-
Disposal		EUR	-	-	(90.000)
Reclassification to investments in other companies		EUR	(10,000,000)	(1.00)	(10.000)
Balance at 12/31/05		EUR	-	-	-
Edison Rete Spa (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	106,778,200	1.00	100.000
Balance at 12/31/05		EUR	106,778,200	1.00	100.000
Edison Stoccaggio Spa (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	81,497,301	1.00	100.000
Balance at 12/31/05		EUR	81,497,301	1.00	100.000
Edison Trading Spa (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	30,000,000	1.00	100.000
Balance at 12/31/05		EUR	30,000,000	1.00	100.000
Euroil Exploration LTD	London (England)				
Balance at 12/31/04		GBP	9,250,000	1.00	0.000
Balance at 12/31/05		GBP	9,250,000	1.00	0.000
Ferruzzi Trading France Sa in liquidation	Paris (France)				
Balance at 12/31/04		EUR	7,622,451	15.24	99.999
Balance at 12/31/05		EUR	7,622,451	15.24	99.999
Finanziaria di partecipazioni elettriche - Finel Spa	(*) Milan				
Balance at 12/31/04		EUR	194,000,000	1.00	60.000
Acquisition		EUR	-	-	20.000
Balance at 12/31/05		EUR	194,000,000	1.00	80.000
Finimeg Spa in liquidation (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	2,425,200	1.00	100.000
Balance at 12/31/05		EUR	2,425,200	1.00	100.000

⁽¹⁾ Amounts in euros.⁽²⁾ Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
60,200	954,580	(894,380)	60,200					
-	-	(44,874)	(44,874)					
60,200	954,580	(939,254)	15,326	-	-	-	-	na
90,000	267,458	(88,000)	179,458					
90,000	267,458	(88,000)	179,458	238,550	238,550	(26,422)	(26,422)	na
12,495,000	469,363,845	(415,385,051)	53,978,794					
12,495,000	469,363,845	(415,385,051)	53,978,794	76,554,197	53,587,938	4,924,072	3,446,850	na
10,000,000	10,000,000	-	10,000,000					
-	10,793,808	-	10,793,808					
(9,000,000)	(18,714,428)	-	(18,714,428)					
(1,000,000)	(2,079,380)	-	(2,079,380)					
-	-	-	-	-	-	-	-	na
106,778,200	160,524,093	-	160,524,093					
106,778,200	160,524,093	-	160,524,093	171,245,435	171,245,435	8,060,008	8,060,008	na
81,497,301	81,497,301	-	81,497,301					
81,497,301	81,497,301	-	81,497,301	89,906,402	89,906,402	6,504,821	6,504,821	na
30,000,000	30,000,000	-	30,000,000					
30,000,000	30,000,000	-	30,000,000	59,805,190	59,805,190	25,943,890	25,943,890	na
1	950	-	950					
1	950	-	950	-	-	-	-	na
499,997	5,860,389	-	5,860,389					
499,997	5,860,389	-	5,860,389	8,989,758	8,989,668	134,010	134,009	na
116,400,000	369,138,888	-	369,138,888					
38,800,000	151,779,000	-	151,779,000					
155,200,000	520,917,888	-	520,917,888	760,625,910	608,500,728	302,675,020	242,140,016	na
2,425,200	2,023,652	-	2,023,652					
2,425,200	2,023,652	-	2,023,652	2,635,020	2,635,020	24,004	24,004	na

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 GBP = British pound USD = U.S. dollar EGP = Egyptian pound TRL = Turkish lira

Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Frigotecnica Srl in liquidation (single shareholder) (in receiver.) Palermo					
Balance at 12/31/04		EUR	76,500	-	100.000
Balance at 12/31/05		EUR	76,500	-	100.000
Gever Spa (pledged shares) Milan					
Balance at 12/31/04		EUR	10,500,000	1,000.00	51.000
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	10,500,000	1,000.00	51.000
Hydro Power Energy HPE Srl (single shareholder) Bolzano					
Balance at 12/31/04		EUR	-	-	-
Acquisition		EUR	50,000	-	100.000
Balance at 12/31/05		EUR	50,000	-	100.000
Intermarine USA LLC in liquidation New York (USA)					
Balance at 12/31/04		USD	100	-	99.000
Cancellation upon dissolution		USD	(100)	-	(99.000)
Balance at 12/31/05		USD	0	-	-
Jesi Energia Spa (*) Milan					
Balance at 12/31/04		EUR	5,350,000	1.00	70.000
Balance at 12/31/05		EUR	5,350,000	1.00	70.000
La Generale Finanziara Srl in liquidation (single shareholder) Milan					
Balance at 12/31/04		EUR	-	-	-
Acquisition		EUR	130,000	-	100.000
Cancellation upon merger into Nuova Cisa Spa in liquidation		EUR	(130,000)	-	(100.000)
Balance at 12/31/05		EUR	-	-	-
Megs Srl (single shareholder) (*) Sesto San Giovanni (MI)					
Balance at 12/31/04		EUR	260,000	-	100.000
Increase		EUR	-	-	-
Cancellation upon merger		EUR	(260,000)	-	(100.000)
Balance at 12/31/05		EUR	-	-	-
Monsei Esco Srl (single shareholder) (*) Milan					
Balance at 12/31/04		EUR	60,000	-	100.000
Capital increase		EUR	40,000	-	-
Balance at 12/31/05		EUR	100,000	-	100.000
Montedison Srl in liquidation (single shareholder) (*) Milan					
Balance at 12/31/04		EUR	60,000	-	100.000
Cancellation upon dissolution		EUR	(60,000)	-	(100.000)
Balance at 12/31/05		EUR	-	-	-
Montedison Finance Europe Nv Amsterdam (Netherlands)					
Balance at 12/31/04		EUR	4,537,803	1.00	100.000
Balance at 12/31/05		EUR	4,537,803	1.00	100.000

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
76,500	788,111	(788,110)	1					
76,500	788,111	(788,110)	1	-	-	-	-	na
5,355	24,055,699	-	24,055,699					
-	-	(6,000,000)	(6,000,000)					
5,355	24,055,699	(6,000,000)	18,055,699	18,145,083	9,253,992	(2,922,903)	(1,490,681)	na
-	-	-	-					
	50,000	-	50,000					
	50,000	-	50,000	45,186	45,186	(4,814)	(4,814)	na
99	302,960	(269,460)	33,500					
(99)	(302,960)	269,460	(33,500)					
-	-	-	-	-	-	-	-	na
3,745,000	15,537,145	-	15,537,145					
3,745,000	15,537,145	-	15,537,145	14,031,582	9,822,107	7,594,506	5,316,154	na
-	-	-	-					
-	8,000	-	8,000					
-	(8,000)	-	(8,000)					
-	-	-	-	-	-	-	-	na
260,000	3,442,157	-	3,442,157					
-	388,567	-	388,567					
(260,000)	(3,830,724)	-	(3,830,724)					
-	-	-	-	-	-	-	-	na
60,000	66,851	(29,878)	36,973					
40,000	68,554	-	68,554					
100,000	135,405	(29,878)	105,527	83,042	83,042	(16,958)	(16,958)	na
60,000	66,850	(29,121)	37,729					
(60,000)	(66,850)	29,121	(37,729)					
-	-	-	-	-	-	-	-	na
4,537,803	29,022,438	(26,431,372)	2,591,066					
4,537,803	29,022,438	(26,431,372)	2,591,066	4,944,828	4,944,828	(227,661)	(227,661)	na

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EUR = euro
USD = U.S. dollar

NLG = Dutch guilder
EGP = Egyptian pound

PTE = Portuguese escudo
TRL = Turkish lira

Other Information

Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Nuova Alba Srl (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	2,016,457	-	100.000
Advance to cover losses		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	2,016,457	-	100.000
Nuova C.I.S.A. Spa in liquidation (single shareholder)	(*) Milan				
Balance at 12/31/04		EUR	1,549,350	1.00	100.000
Advance on future capital contributions		EUR	-	-	-
Merger by absorption into Rumianca Srl in liquidation		EUR	-	-	-
Merger by absorption into La Generale Finanziaria Srl in liquidation		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	1,549,350	1.00	100.000
Pluriservizi Nord Italia Scarl - P.N.I. in liquidation	(*) Milan				
Balance at 12/31/04		EUR	516,000	-	99.500
Cancellation upon dissolution		EUR	(516,000)	-	(99.500)
Balance at 12/31/05		EUR	-	-	-
Rumianca Spa in liquidation	(*) Milan				
Balance at 12/31/04		EUR	100,000	0.05	100.000
Cancellation upon merger into Nuova Cisa Spa in liquidation		EUR	(100,000)	(0.05)	(100.000)
Balance at 12/31/05		EUR	-	-	-
Sarmato Energia Spa	Milan				
Balance at 12/31/04		EUR	14,420,000	1.00	61.000
Balance at 12/31/05		EUR	14,420,000	1.00	61.000
Selm Holding International Sa	Luxembourg				
Balance at 12/31/04		EUR	24,000,000	120.00	99.950
Balance at 12/31/05		EUR	24,000,000	120.00	99.950
Serene Spa	Milan				
Balance at 12/31/04 pledged		EUR	25,800,000	5.16	63.000
Balance at 12/31/04 owned outright		EUR	-	-	3.316
Balance at 12/31/05		EUR	25,800,000	5.16	66.316
Società Generale per Progettazioni Consulenze e Partecipazioni Spa (under extraordinary administration)	Rome				
Balance at 12/31/04		L	300,000,000	10,000.00	59.333
Balance at 12/31/05		L	300,000,000	10,000.00	59.333
Stel Spa	Milan				
Balance at 12/31/04		EUR	1,000,000	1.00	75.000
Balance at 12/31/05		EUR	1,000,000	1.00	75.000
Tecnimont Spa (single shareholder)	Milan				
Balance at 12/31/04		EUR	52,000,000	1.00	100.000
Disposal		EUR	(52,000,000)	(1.00)	(100.000)
Balance at 12/31/05		EUR	-	-	-

⁽¹⁾ Amounts in euros.

⁽²⁾ Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
2,016,457	5,686,145	(5,686,144)	1					
-	11,240,456	-	11,240,456					
-	-	(9,245,603)	(9,245,603)					
2,016,457	16,926,601	(14,931,747)	1,994,854	1,992,172	1,992,172	(8,930,592)	(8,930,592)	na
1,549,350	3,500,001	(3,500,000)	1					
-	1,000,000	-	1,000,000					
-	90,843	-	90,843					
-	8,000	-	8,000					
-	-	(708,983)	(708,983)					
1,549,350	4,598,844	(4,208,983)	389,861	389,861	389,861	117,392	117,392	na
513,420	498,373	(498,372)	1					
(513,420)	(498,373)	498,372	(1)					
-	-	-	-	-	-	-	-	na
2,000,000	334,527	(243,684)	90,843					
(2,000,000)	(334,527)	243,684	(90,843)					
-	-	-	-	-	-	-	-	na
8,796,200	35,575,744	-	35,575,744					
8,796,200	35,575,744	-	35,575,744	25,721,362	15,690,031	7,247,954	4,421,252	na
199,900	244,506,497	(204,810,149)	39,696,348					
199,900	244,506,497	(204,810,149)	39,696,348	39,624,736	39,604,924	1,384,134	1,383,442	na
3,150,000	78,426,749	-	78,426,749					
165,789	3,448,411	-	3,448,411					
3,315,789	81,875,160	-	81,875,160	124,398,208	82,495,916	23,239,670	15,411,620	na
17800	87,230	(87,229)	1					
17800	87,230	(87,229)	1	-	-	-	-	na
750,000	750,000	-	750,000					
750,000	750,000	-	750,000	511,268	383,451	(438,376)	(328,782)	na
52,000,000	118,289,214	-	118,289,214					
(52,000,000)	(118,289,214)	-	(118,289,214)					
-	-	-	-	-	-	-	-	na

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 GBP = British pound USD = U.S. dollar EGP = Egyptian pound TRL = Turkish lira

Equity Investments in Subsidiaries (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Termica Boffalora Srl	(*) Milan				
Balance at 12/31/04		EUR	14,220,000	-	70.000
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	14,220,000	-	70.000
Termica Celano Srl	(*) Milan				
Balance at 12/31/04		EUR	259,000	-	70.000
Balance at 12/31/05		EUR	259,000	-	70.000
Termica Cologno Srl	(*) Milan				
Balance at 12/31/04		EUR	9,296,220	-	65.000
Balance at 12/31/05		EUR	9,296,220	-	65.000
Termica Milazzo Srl	(*) Milan				
Balance at 12/31/04		EUR	23,241,000	-	60.000
Balance at 12/31/05		EUR	23,241,000	-	60.000
Volta Spa	Milan				
Balance at 12/31/04		EUR	130,000	1.00	51.000
Balance at 12/31/05		EUR	130,000	1.00	51.000
Total subsidiaries					

⁽¹⁾ Amounts in euros.⁽²⁾ Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
9,954,000	22,971,331	-	22,971,331					
-	-	(1,100,000)	(1,100,000)					
9,954,000	22,971,331	(1,100,000)	21,871,331	18,946,723	13,262,706	3,500,937	2,450,656	na
181,300	40,403,320	(57,630)	40,345,690					
181,300	40,403,320	(57,630)	40,345,690	33,840,989	23,688,692	10,352,089	7,246,462	na
6,042,543	6,069,782	-	6,069,782					
6,042,543	6,069,782	-	6,069,782	8,732,988	5,676,442	778,459	505,998	na
13,944,600	69,957,191	-	69,957,191					
13,944,600	69,957,191	-	69,957,191	49,248,779	29,549,267	15,807,824	9,484,694	na
66,300	1,772,635	(1,706,335)	66,300					
66,300	1,772,635	(1,706,335)	66,300	198,370	101,169	30,011	15,306	na
	2,468,209,750	(745,709,033)	1,722,500,717					

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EGP = Egyptian pound

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B.III - Financial Fixed Assets

Equity Investments in Affiliated Companies

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Bluefare LTD	London (England)				
Balance at 12/31/04		GBP	1,000	0.01	50.000
Advance on future capital contributions		GBP	-	-	-
Balance at 12/31/05		GBP	1,000	0.01	50.000
Blumet Spa	Reggio Emilia				
Balance at 12/31/04		EUR	-	-	-
Reclassification from investments in other companies		EUR	7,600,000	1.00	25.791
Balance at 12/31/05		EUR	7,600,000	1.00	25.791
Calcestruzzi Pozzallo Srl in liquidation	Pozzallo (RG)				
Balance at 12/31/04		EUR	26,000	-	50.000
Dissolution		EUR	(26,000)	-	(50.000)
Balance at 12/31/05		EUR	-	-	-
C.I.S.A. Spa (pledged shares)	Massafra (TA)				
Balance at 12/31/04		EUR	1,560,000	5.20	6.667
Balance at 12/31/05		EUR	1,560,000	5.20	6.667
Coniel Spa in liquidation	Rome				
Balance at 12/31/04		EUR	1,020	0.51	35.250
Balance at 12/31/05		EUR	1,020	0.51	35.250
Consorzio Montoro	Narni (TR)				
Balance at 12/31/04		EUR	4,000	-	25.000
Balance at 12/31/05		EUR	4,000	-	25.000
Edipower Spa	Milan				
Balance at 12/31/04		EUR	1,441,300,000	1.00	40.000
Balance at 12/31/05		EUR	1,441,300,000	1.00	40.000
ESTGAS Spa	Udine				
Balance at 12/31/04		EUR	750,000	1.00	22.000
Reduction of share capital upon demerger		EUR	(255,000)	1.00	11.330
Balance at 12/31/05		EUR	495,000	1.00	33.330
Eta 3 Spa	Arezzo				
Balance at 12/31/04		EUR	2,000,000	1.00	33.013
Balance at 12/31/05		EUR	2,000,000	1.00	33.013
Finsavi Srl in receivership (shares under attachment)	Palermo				
Balance at 12/31/04		EUR	18,698	-	50.000
Balance at 12/31/05		EUR	18,698	-	50.000
GASCO Spa	Bressanone (BZ)				
Balance at 12/31/04		EUR	500,000	1.00	40.000
Reduction of share capital		EUR	(150,000)	-	-
Balance at 12/31/05		EUR	350,000	1.00	40.000

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
50,000	813	-	813					
-	29,248	-	29,248					
50,000	30,061	-	30,061	-	-	-	-	na
-	-	-	-					
1,960,090	1,960,090	-	1,960,090					
1,960,090	1,960,090	-	1,960,090	-	-	-	-	na
13,000	10,233	(10,233)	-					
(13,000)	(10,233)	10,233	-					
-	-	-	-	-	-	-	-	na
20,000	-	-	-					
20,000	-	-	-	-	-	-	-	na
705	308	-	308					
705	308	-	308	-	-	-	-	na
1,000	1,000	-	1,000					
1,000	1,000	-	1,000	-	-	-	-	na
576,520,000	800,534,250	-	800,534,250					
576,520,000	800,534,250	-	800,534,250	2,005,029,400	802,011,760	21,356,569	8,542,628	na
165,000	165,000	-	165,000					
-	-	-	-					
165,000	165,000	-	165,000	-	-	-	-	na
660,262	660,262	-	660,262					
660,262	660,262	-	660,262	-	-	-	-	na
9,349	96,061	(96,060)	1					
9,349	96,061	(96,060)	1	-	-	-	-	na
200,000	200,000	-	200,000					
(60,000)	(60,000)	-	(60,000)					
140,000	140,000	-	140,000	-	-	-	-	na

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Equity Investments in Affiliated Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Ibitermo Sa (pledged shares)	Ibiritè (Brazil)				
Balance at 12/31/04		BRL	7,651,814	1.00	50.000
Balance at 12/31/05		BRL	7,651,814	1.00	50.000
Inica Sarl in liquidation	Lisbon (Portugal)				
Balance at 12/31/04		PTE	1,000,000	-	20.000
Balance at 12/31/05		PTE	1,000,000	-	20.000
Intergen Sidi Krir Generating Co.	Giza (Egypt)				
Balance at 12/31/04 in pegno		EGP	408,000,000	34.00	39.000
Disposal		EGP	(408,000,000)	(34.00)	(39.000)
Balance at 12/31/05		EGP	-	-	-
International Water Holdings Bv	Amsterdam (Netherlands)				
Balance at 12/31/04		EUR	40,000	10.00	50.000
Distribution of reserves		EUR	-	-	-
Balance at 12/31/05		EUR	40,000	10.00	50.000
Kraftwerke Hinterrhein (KHR) Ag	Thusis (Switzerland)				
Balance at 12/31/04		CHF	100,000,000	1,000.00	20.000
Balance at 12/31/05		CHF	100,000,000	1,000.00	20.000
Prometeo Spa	Osimo (AN)				
Balance at 12/31/04		EUR	1,938,743	1.00	21.000
Balance at 12/31/05		EUR	1,938,743	1.00	21.000
Roma Energia Srl	Rome				
Balance at 12/31/04		EUR	50,000	-	35.000
Balance at 12/31/05		EUR	50,000	-	35.000
Rosfid Srl in liquidation	Milan				
Balance at 12/31/04		L	46,000,000	-	42.285
Balance at 12/31/05		L	46,000,000	-	42.285
SAT Servizi Ambiente Territorio Spa	Sassuolo (MO)				
Balance at 12/31/04		EUR	27,752,560	5.17	40.000
Partial nonproportional demerger for the benefit of SAT Patrimonio Spa		EUR	-	-	-
Balance at 12/31/05		EUR	27,752,560	5.17	40.000
SAT Patrimonio Spa	Sassuolo (MO)				
Balance at 12/31/04		EUR	-	-	-
Conveyance from demerger of SAT Servizi Ambiente Territorio Spa		EUR	1,000,000	1.00	40.000
Writedown		EUR	-	-	-
Disposal		EUR	(1,000,000)	(1.00)	(40.000)
Balance at 12/31/05		EUR	-	-	-
Seledison Spa	Castelbello (BZ)				
Balance at 12/31/04		EUR	84,798,000	1.0	42.000
Balance at 12/31/05		EUR	84,798,000	1.0	42.000

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
3,825,907	1,161,904	-	1,161,904					
3,825,907	1,161,904	-	1,161,904	-	-	-	-	na
200,000	1,138	(1,137)	1					
200,000	1,138	(1,137)	1	-	-	-	-	na
4,680,000	45,379,366	(12,379,366)	33,000,000					
(4,680,000)	(45,379,366)	12,379,366	(33,000,000)					
-	-	-	-	-	-	-	-	na
2,000	93,193,110	(72,534,613)	20,658,497					
-	(13,000,000)	-	(13,000,000)					
2,000	80,193,110	(72,534,613)	7,658,497	-	-	-	-	na
20,000	11,362,052	-	11,362,052					
20,000	11,362,052	-	11,362,052	79,095,878 ⁽¹⁾	15,819,176 ⁽¹⁾	3,048,035 ⁽¹⁾	609,607 ⁽¹⁾	na
407,136	451,289	-	451,289					
407,136	451,289	-	451,289	-	-	-	-	
17,500	455,000	-	455,000					
17,500	455,000	-	455,000	-	-	-	-	na
19,451,000	1	-	1					
19,451,000	1	-	1	-	-	-	-	na
2,147,199	23,063,915	-	23,063,915					
-	(1,865,871)	-	(1,865,871)					
2,147,199	21,198,044	-	21,198,044	-	-	-	-	na
-	-	-	-					
400,000	1,865,871	-	1,865,871					
-	(764,188)	-	(764,188)					
(400,000)	(1,101,683)	-	(1,101,683)					
-	-	-	-	-	-	-	-	na
35,615,160	35,615,160	-	35,615,160					
35,615,160	35,615,160	-	35,615,160	89,325,966	37,516,906	2,267,315	952,272	-

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EGP = Egyptian pound

PTE = Portuguese escudo
TRL = Turkish lira

Equity Investments in Affiliated Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
S.I.E. Srl in liquidation	Acquaviva delle Fonti (BA)				
Balance at 12/31/04		EUR	46,800	-	50.000
Cancellation upon dissolution		EUR	(46,800)	-	(50.000)
Balance at 12/31/05		EUR	-	-	-
Sidi Krir Operating Co. Bv	Rotterdam (Netherlands)				
Balance at 12/31/04		NLG	100,000	1,000.00	39.000
Disposal		NLG	(100,000)	(1,000.00)	(39.000)
Balance at 12/31/05		NLG	-	-	-
Sistemi di Energia Spa	Milan				
Balance at 12/31/04		EUR	10,500,000	1.00	37886
Share capital reduction		EUR	(3,550,000)	-	-
Writedown		EUR	-	-	-
Share capital increase		EUR	3,525,000	1.00	2.687
Balance at 12/31/05		EUR	10,475,000	1.00	40.573
Società Gasdotti Algeria Italia - Galsi Spa	Milan				
Balance at 12/31/04		EUR	3,100,000	0.62	18.000
Reclassification		EUR	-	-	-
Share capital reduction to cover losses through decrease of share par value		EUR	(1,350,000)	0.35	-
Share capital increase		EUR	2,100,000	0.35	-
Balance at 12/31/05		EUR	3,850,000	0.35	18.000
Utilità Spa	Milan				
Balance at 12/31/04		EUR	-	-	-
Acquisition		EUR	2,307,692	1.00	35.000
Balance at 12/31/05		EUR	2,307,692	1.00	35.000
Total affiliated companies					

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
23,400	1	-	1					
(23,400)	(1)	-	(1)					
-	-	-	-	-	-	-	-	na
39	17,698	-	17,698					
(39)	(17,698)	-	(17,698)					
-	-	-	-	-	-	-	-	na
3,978,004	4,063,732	(1,048,823)	3,014,909					
(1,344,944)	-	-	-					
-	-	(382,000)	(382,000)					
1,616,997	1,616,997	-	1,616,997					
4,250,057	5,680,729	(1,430,823)	4,249,906	-	-	-	-	na
900,000	1,202,400	-	1,202,400					
-	(302,400)	-	(302,400)					
-	-	-	-					
1,080,000	378,000	-	378,000					
1,980,000	1,278,000	-	1,278,000	3,100,594	558,107	612,988	110,338	na
-	-	-	-					
807,692	807,692	-	807,692					
807,692	807,692	-	807,692	-	-	-	-	na
	961,791,151	(74,062,633)	887,728,518					

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NLG = Dutch guilder
EGP = Egyptian pound

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TRL = Turkish lira

B.III - Financial Fixed Assets

Equity Investments in Other Companies

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
AEM Spa	Milan				
Balance at 12/31/04		EUR	936,024,648	0.52	5.100
Disposal		EUR	(936,024,648)	(0.52)	(5.100)
Balance at 12/31/05		EUR	-	-	-
Agrobio Srl in liquidation	Sesto San Giovanni (MI)				
Balance at 12/31/04		EUR	10,000	-	10.000
Cancellation upon dissolution		EUR	(10,000)	-	(10.000)
Balance at 12/31/05		EUR	-	-	-
Banca Popolare di Lodi Soc. Coop a r.l. now Banca Popolare Italiana Scpa	Lodi (MI)				
Balance at 12/31/04		EUR	862,227,726	3.00	0.023
Disposal		EUR	(862,227,726)	(3.00)	(0.023)
Balance at 12/31/05		EUR	-	-	-
Blumet Spa	Reggio Emilia				
Balance at 12/31/04		EUR	7,600,000	1.00	19.700
Purchases		EUR	-	1.00	6.090
Reclassification to investments in affiliated companies		EUR	(7,600,000)	(1.00)	(25.791)
Balance at 12/31/05		EUR	-	-	-
Cersset Srl	Bari				
Balance at 12/31/04		EUR	116,241	-	0.061
Share capital increase for less than approved amount		EUR	847	-	(0.001)
Balance at 12/31/05		EUR	117,088	-	0.060
Cesi Spa	Milan				
Balance at 12/31/04		EUR	8,550,000	2.50	1.055
Balance at 12/31/05		EUR	8,550,000	2.50	1.055
Compagnia Paramatti Finanziaria Spa	Milan				
Balance at 12/31/04					
- common shares		L	217,631,352	3.00	0.006
- nonconvertible savings shares		L	50,979,750	750.00	-
		L	268,611,102	-	0.005
Balance at 12/31/05					
- common shares		L	217,631,352	3.00	0.006
- nonconvertible savings shares		L	50,979,750	750.00	-
		L	268,611,102	-	0.005
Costruttori Romani Riuniti Grandi Opere Spa	Rome				
Balance at 12/31/04		EUR	5,164,568	12,911.42	0.500
Share capital reduction to cover losses through decrease of share par value		EUR	(1,890,139)	(4,725.35)	-
Balance at 12/31/05		EUR	3,274,429	8,186.07	0.500

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
91,807,000	139,028,573	-	139,028,573					
(91,807,000)	(139,028,573)	-	(139,028,573)					
-	-	-	-	-	-	-	-	na
1,000	1,000	(999)	1					
(1,000)	(1,000)	999	(1)					
-	-	-	-	-	-	-	-	na
66,260	369,612	-	369,612					
(66,260)	(369,612)	-	(369,612)					
-	-	-	-	-	-	-	-	na
1,497,219	1,497,219	-	1,497,219					
462,871	462,871	-	462,871					
(1,960,090)	(1,960,090)	-	(1,960,090)					
-	-	-	-	-	-	-	-	na
70	222	-	222					
-	-	-	-					
70	222	-	222	-	-	-	-	na
36,065	145,072	(2,162)	142,910					
36,065	145,072	(2,162)	142,910	-	-	-	-	na
3,992	1	-	1					
-	-	-	-					
3,992	1	-	1					
3,992	1	-	1					
-	-	-	-					
3,992	1	-	1	-	-	-	-	-
2	25,823	-	25,823					
-	(645)	-	(645)					
2	25,823	-	25,823	-	-	-	-	na

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TRL = Turkish lira

Equity Investments in Other Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Emittenti Titoli Spa	Milan				
Balance at 12/31/04		EUR	4,264,000	0.52	3.890
Balance at 12/31/05		EUR	4,264,000	0.52	3.890
European Energy Exchange Ag - EEX	Leipzig (Germany)				
Balance at 12/31/04		EUR	40,050,000	1.00	0.749
Balance at 12/31/05		EUR	40,050,000	1.00	0.749
Finligure Spa (in bankruptcy)	Genoa				
Balance at 12/31/04		L	6,261,874,080	3,135	0.035
Balance at 12/31/05		L	6,261,874,080	3,135	0.035
Finutenti Spezia Srl in liquidation	La Spezia				
Balance at 12/31/04		EUR	575,841	-	0.448
Allocation upon liquidation		EUR	-	-	-
Balance at 12/31/05		EUR	575,841	-	0.448
Fornara Spa (under extraordinary administration)	Turin				
Balance at 12/31/04					
- common shares		EUR	49,140,000	0.26	-
- preferred shares		EUR	3,235,700	0.26	0.001
		EUR	52,375,700	0.26	0.000
Balance at 12/31/05					
- common shares		EUR	49,140,000	0.26	-
- preferred shares		EUR	3,235,700	0.26	0.001
		EUR	52,375,700	0.26	0.000
Gemina Spa	Milan				
Balance at 12/31/04					
- common shares		EUR	364,477,312	1.00	0.934
- nonconvertible savings shares		EUR	3,762,768	1.00	-
		EUR	368,240,080	1.00	0.925
Disposal		EUR	(368,240,080)	(1.00)	(0.925)
Balance at 12/31/05					
- common shares		EUR	-	-	-
- nonconvertible savings shares		EUR	-	-	-
		EUR	-	-	-
Gerolimich Spa in liquidation	Milan				
Balance at 12/31/04					
- common shares		EUR	62,417,088	0.30	0.000
- convertible savings shares		EUR	17,038,512	0.30	-
		EUR	79,455,600	0.30	0.000
Balance at 12/31/05					
- common shares		EUR	62,417,088	0.30	0.000
- convertible savings shares		EUR	17,038,512	0.30	-
		EUR	79,455,600	0.30	0.000
Idroenergia Srl	Chatillon (AO)				

⁽¹⁾ Amounts in euros.⁽²⁾ Draft financial statements.^(*) Company subject to the oversight and coordination of Edison Spa.

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
319,000	163,774	489	164,263					
319,000	163,774	489	164,263	-	-	-	-	na
300,000	660,000	-	660,000					
300,000	660,000	-	660,000	-	-	-	-	na
700	1	-	1					
700	1	-	1	-	-	-	-	-
2,582	2,582	-	2,582					
-	(645)	-	(645)					
2,582	1,937	-	1,937	-	-	-	-	na
-	-	-	-					
63	77	-	77					
63	77	-	77					
-	-	-	-					
63	77	-	77					
63	77	-	77	-	-	-	-	-
3,405,735	6,054,334	(1,537,801)	4,516,533					
-	-	-	-					
3,405,735	6,054,334	(1,537,801)	4,516,533					
(3,405,735)	(6,054,334)	1,537,801	(4,516,533)					
-	-	-	-					
-	-	-	-					
-	-	-	-	-	-	-	-	-
20	4	-	4					
-	-	-	-					
20	4	-	4					
20	4	-	4					
-	-	-	-					
20	4	-	4	-	-	-	-	-

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Equity Investments in Other Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Balance at 12/31/04		EUR	774,000	-	0.067
Capital increase		EUR	774,000	-	-
Balance at 12/31/05		EUR	1,548,000	-	0.067
Idrovia Ticino Milano Nord Venezia Spa in liquidation	Brescia				
Balance at 12/31/04		L	509,370,000	10,000	2.146
Balance at 12/31/05		L	509,370,000	10,000	2.146
Immobiliare Caprazucca Spa	Parma				
Balance at 12/31/04		EUR	7,517,948	0.43	0.003
Balance at 12/31/05		EUR	7,517,948	0.43	0.003
Iipse 2000 Spa	Rome				
Balance at 12/31/04		EUR	150,500,000	0.07	7.910
Advance on future capital contributions		EUR	-	-	-
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	150,500,000	0.07	7.910
Istituto Europeo di Oncologia Srl	Milan				
Balance at 12/31/04		EUR	57,305,382	-	5.361
Subscription to portion of contributory capital increase		EUR	21,766,388	-	-
Balance at 12/31/05		EUR	79,071,770	-	5.361
Istituto Immobiliare di Catania Istica Spa	Catania				
Balance at 12/31/04		EUR	6,200,000	3.10	0.058
Balance at 12/31/05		EUR	6,200,000	3.10	0.058
Istituto per l'Enciclopedia della Banca e della Borsa Spa ora Associazione Nazionale per l'Enciclopedia della Banca e della Borsa	Rome				
Balance at 12/31/04		EUR	502,116	1.55	0.926
Reduction of share capital to cover losses		EUR	(372,538)	(1.15)	-
Transformation into association		EUR	-	-	-
Balance at 12/31/05		EUR	129,578	0.40	0.926
Istud Spa	Milan				
Balance at 12/31/04		EUR	1,136,212	516.46	0.682
Reduction of share capital to cover losses and change in par value		EUR	(151,118)	(68.69)	-
Balance at 12/31/05		EUR	985,094	447.77	0.682
I.S.V.E.UR. Spa	Rome				
Balance at 12/31/04		EUR	2,500,000	1,000.00	1.000
Balance at 12/31/05		EUR	2,500,000	1,000.00	1.000
Mandelli Spa (under extraordinary administration)	Piacenza				
Balance at 12/31/04		EUR	10,200,000	0.51	0.000
Balance at 12/31/05		EUR	10,200,000	0.51	0.000

⁽¹⁾ Amounts in euros.⁽²⁾ Draft financial statements.^(*) Company subject to the oversight and coordination of Edison Spa.

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
516	516	-	516					
516	516	-	516					
1,032	1,032	-	1,032	-	-	-	-	-
1,093	1	-	1					
1,093	1	-	1	-	-	-	-	-
546	1	-	1					
546	1	-	1	-	-	-	-	-
170,065,000	141,748,590	(141,426,073)	322,517					
-	6,832,911	-	6,832,911					
-	-	(1,811,645)	(1,811,645)					
170,065,000	148,581,501	(143,237,718)	5,343,783	-	-	-	-	na
3,072,214	7,384,581	(4,264,211)	3,120,370					
379,418	403,472	-	403,472					
3,451,632	7,788,053	(4,264,211)	3,523,842	-	-	-	-	na
1,150	1	-	1					
1,150	1	-	1	-	-	-	-	-
3,000	8,615	-	8,615					
-	-	-	-					
(1,800)	-	-	-					
1,200	8,615	-	8,615	-	-	-	-	-
15	6,468	-	6,468					
-	-	-	-					
15	6,468	-	6,468	-	-	-	-	-
25	32,336	(26,716)	5,620					
25	32,336	(26,716)	5,620	-	-	-	-	na
11	13	-	13					
11	13	-	13	-	-	-	-	-

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 GBP = British pound USD = U.S. dollar EGP = Egyptian pound TRL = Turkish lira

Other Information

Equity Investments in Other Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Megs Akdeniz Elektrik Uretim Hizmetleri Limited in liquidation	Kosekoy - Izmit (Turkey)				
Balance at 12/31/04		TRL	30,000,000,000	25,000,000.00	1.000
Liquidation		TRL	(30,000,000,000)	(25,000,000.00)	(1.000)
Balance at 12/31/05		TRL	-	-	-
Nomisma - Società di Studi Economici Spa	Bologna				
Balance at 12/31/04		EUR	5,345,328	0.37	2.215
Writedown		EUR	-	-	-
Balance at 12/31/05		EUR	5,345,328	0.37	2.215
Pro.Cal Scrl (in bankruptcy)	Naples				
Balance at 12/31/04		L	500,000,000	-	4.348
Balance at 12/31/05		L	500,000,000	-	4.348
PRO.CALMI Srl in liquidation	Milan				
Balance at 12/31/04		EUR	51,000	-	15.330
Dissolution		TRL	(51,000)	-	(15.330)
Balance at 12/31/05		EUR	-	-	-
RCS Mediagroup Spa	Milan				
Balance at 12/31/04					
- common shares		EUR	732,669,457	1.00	1.001
- nonconvertible savings shares		EUR	29,349,593	1.00	-
		EUR	762,019,050	1.00	0.962
Increase:					
- common shares - stock dividend		EUR	-	1.00	0.010
- nonconvertible savings shares		EUR	-	-	-
		EUR	-	1.00	0.972
Balance at 12/31/05					
- common shares		EUR	732,669,457	1.00	1.011
- nonconvertible savings shares		EUR	29,349,593	1.00	-
		EUR	762,019,050	1.00	1.011
R.E.A. (Regional Energy Agency) Spa	Florence				
Balance at 12/31/04		EUR	518,000	518.00	1.000
Balance at 12/31/05		EUR	518,000	518.00	1.000
Reggente Spa	Lucera (FG)				
Balance at 12/31/04		EUR	260,000	0.52	5.209
Balance at 12/31/05		EUR	260,000	0.52	5.209
Sago Spa	Florence				
Balance at 12/31/04		EUR	976,005	2.07	1.188
Balance at 12/31/05		EUR	976,005	2.07	1.188

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
12	1,280	-	1,280					
(12)	(1,280)	-	(1,280)					
-	-	-	-	-	-	-	-	na
320,000	633,735	(154,262)	479,473					
-	-	(372,000)	(372,000)					
320,000	633,735	(526,262)	107,473	-	-	-	-	na
21,739,000	11,228	-	11,228					
21,739,000	11,228	-	11,228	-	-	-	-	na
7,818	1	-	1					
(7,818)	(1)	-	(1)					
-	-	-	-	-	-	-	-	na
7,333,157	23,856,311	(13,840,207)	10,016,104					
-	-	-	-					
7,333,157	23,856,311	(13,840,207)	10,016,104					
73,330	395,542	-	395,542					
-	-	-	-					
73,330	395,542	-	395,542					
7,406,487	24,251,853	(13,840,207)	10,411,646					
-	-	-	-	-	-	-	-	-
7,406,487	24,251,853	(13,840,207)	10,411,646					
10	1,295	-	1,295					
10	1,295	-	1,295	-	-	-	-	na
26,043	13,450	-	13,450					
26,043	13,450	-	13,450	-	-	-	-	na
5,600	15,260	-	15,260					
5,600	15,260	-	15,260	-	-	-	-	-

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 GBP = British pound USD = U.S. dollar EGP = Egyptian pound TRL = Turkish lira

Other Information

Equity Investments in Other Companies (continued)

Company	Head office	Capital stock			% interest held
		Currency	Amount	Par value per share	
Sant'Angelo Srl in liquidation	Padua				
Balance at 12/31/04		EUR	10,200	-	16.670
Dissolution		EUR	(10,200)	-	(16.670)
Balance at 12/31/05		EUR	-	-	-
Servizi Territoriali Est Trentino Spa - STET Spa	Pergine V. (Tn)				
Balance at 12/31/04		EUR	22,439,400	1.00	0.116
Balance at 12/31/05		EUR	22,439,400	1.00	0.116
Consorzio Sirio per la Sicurezza Industriale now Sirio - Sicurezza Industriale Scpa - Sirio Scpa	Turin				
Balance at 12/31/04		EUR	56,364	-	0.551
Transformation into consortium corporation		EUR	63,636	1.00	(0.292)
Balance at 12/31/05		EUR	120,000	1.00	0.259
Sistemi Formativi Confindustria ScpA	Rome				
Balance at 12/31/04		EUR	236,022	516.46	6.565
Balance at 12/31/05		EUR	236,022	516.46	6.565
Sistema Permanente di Servizi Spa (in bankruptcy)	Rome				
Balance at 12/31/04		EUR	154,950	51.65	12.600
Balance at 12/31/05		EUR	154,950	51.65	12.600
Trentino Servizi Spa - T.S. Spa	Rovereto (TN)				
Balance at 12/31/04		EUR	224,790,159	1.00	0.010
Balance at 12/31/05		EUR	224,790,159	1.00	0.010
Unione Manifatture Spa in liquidation	Milan				
Balance at 12/31/04		EUR	117,248,793	1.57	0.000
Balance at 12/31/05		EUR	117,248,793	1.57	0.000
Terminale GNL Adriatico Srl formerly Edison LNG	Rome				
Balance at 12/31/04		EUR	-	-	-
Reclassification from subsidiaries		EUR	10,000,000	1.00	10.000
Advance on future capital contributions		EUR	0	-	-
Balance at 12/31/05		EUR	10,000,000	1.00	10.000
3R Associati Srl in liquidation	Bergamo				
Balance at 12/31/04		EUR	10,000	1.00	0.180
Balance at 12/31/05		EUR	10,000	1.00	0.180
Total other companies					
Total equity investments					

(1) Amounts in euros.

(2) Draft financial statements.

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

No. of shares or par value of partnership interests held	Cost ⁽¹⁾	Permanent changes in value ⁽¹⁾	Net carrying value ⁽¹⁾	Sharehold. equity in latest approved fin. statements ⁽²⁾	Pro-rata interest in shareh. equity	Net income in latest approved fin. statements ⁽²⁾	Pro-rata interest in net income	Fair value at 12/31/05
1,700	1	-	1					
(1,700)	(1)	-	(1)					
-	-	-	-	-	-	-	-	na
26,063	25,823	-	25,823					
26,063	25,823	-	25,823	-	-	-	-	na
310.52	27	-	27					
0.48	27	-	27					
311.00	27	-	27	-	-	-	-	na
30	15,494	-	15,494					
30	15,494	-	15,494	-	-	-	-	na
378	325,005	(325,004)	1					
378	325,005	(325,004)	1	-	-	-	-	na
22,250	25,823	-	25,823					
22,250	25,823	-	25,823	-	-	-	-	na
12	7	-	7					
12	7	-	7	-	-	-	-	-
-	-	-	-					
1,000,000	2,079,380	-	2,079,380					
-	15,885,000	-	15,885,000					
1,000,000	17,964,380	-	17,964,380	-	-	-	-	-
1798	387,343	-	387,343					
1798	387,343	-	387,343	-	-	-	-	na
	201,085,655	(162,221,791)	38,863,864					
	3,631,464,556	(981,991,457)	2,649,471,099					

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 GBP = British pound USD = U.S. dollar EGP = Egyptian pound TRL = Turkish lira

B.III.3) Financial Fixed Assets – Other Securities

Company	Issuer's country/ location	Currency	Interest held %	No. of shares or partnership interests held	Cost	Permanent changes in value	Net carrying value	Fair value
Deutsche Bank Dinerplus FIAMM								
Balance at 12/31/04		EUR	-	1	1,923,239	-	1,923,239	-
Balance at 12/31/05		EUR	-	1	1,923,239	-	1,923,239	na
Total other securities		-	-		1,923,239	-	1,923,239	

C.III - Financial Assets Not Held as Fixed Assets

C.III.2) Equity Investments in Affiliated Companies

Company	Head office	Capital stock			% interest held	Number of shares or partnership interests held	Cost	Permanent changes in value	Net carrying value	Fair value at 12/31/05
		Curr.	Amount	Par value per share						
Syremont Spa	Messina									
Balance at 12/31/04		EUR	750,000	1.00	40.000	300,000	400.00	-	400.00	-
Balance at 12/31/05		EUR	750,000	1.00	40.000	300,000	400.00	-	400.00	-
Total equity investments in affiliated companies							400.00	-	400.00	-

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CHF = Swiss franc
GBP = British pound

EUR = euro
USD = U.S. dollar

NLG = Dutch guilder
EGP = Egyptian pound

PTE = Portuguese escudo
TRL = Turkish lira

C.III.4) Other Equity Investments

Company	Head office	Capital stock		% interest held	Number of shares or partnership interests held	Cost	Permanent changes in value	Net carrying value	Fair value at 12/31/05
		Curr.	Amount						
Acea Spa	Rome								
Balance at 12/31/04		EUR	1,098,898,884	5.16	0.174	370,450	4,009,557.61 (1,041,512.21)	2,968,045.40	
Revaluation		EUR	-	-	-	-	- 144,845.95	144,845.95	
Balance at 12/31/05		EUR	1,098,898,884	5.16	0.174	370,450	4,009,557.61 (896,666.26)	3,112,891.35	-
Acegas - APS Spa	Trieste								
Balance at 12/31/04		EUR	282,983,213	5.16	1.298	712,000	7,466,305.86 (949,369.86)	6,516,936.00	
Writedown		EUR	-	-	-	-	- (1,035,248.00)	(1,035,248.00)	
Balance at 12/31/05		EUR	282,983,213	5.16	1.298	712,000	7,466,305.86 (1,984,617.86)	5,481,688.00	-
ACSM Spa	Como								
Balance at 12/31/04		EUR	37,496,500	1.00	3.968	1,488,000	5,359,999.53 (1,581,967.53)	3,778,032.00	
Writedown		EUR	-	-	-	-	- (578,832.00)	(578,832.00)	-
Balance at 12/31/05		EUR	37,496,500	1.00	3.968	1,488,000	5,359,999.53 (2,160,799.53)	3,199,200.00	-
American Superconductor Corp.	Westborough (USA)								
Balance at 12/31/04		USD	19,128,000	1.00	0.836	160,000	4,975,111.08 (3,225,991.08)	1,749,120.00	
Writedown		USD	-	-	-	-	- (681,760.00)	(681,760.00)	-
Balance at 12/31/05		USD	19,128,000	1.00	0.836	160,000	4,975,111.08 (3,907,751.08)	1,067,360.00	-
Azienda Mediterranea Gas e Acqua Spa	Genoa								
Balance at 12/31/04		EUR	169,525,200	0.52	3.000	9,780,300	22,421,654.60 (8,201,098.54)	14,220,556.06	
Share capital increase		EUR	11,448,879	0.52	(0.190)	-	-	-	
Revaluation		EUR	-	-	-	-	- 1,926,719.24	1,926,719.24	
Balance at 12/31/05		EUR	180,974,079	0.52	2.810	9,780,300	22,421,654.60 (6,274,379.30)	16,147,275.30	-
Camfin - CAM Finanziaria Spa	Pero (MI)								
Balance at 12/31/04		EUR	50,651,623	0.52	0.055	53,974	80,014.30	46,392.81	126,407.11
Disposal		EUR	(50,651,623)	(0.52)	(0.055)	(53,974)	(80,014.30)	(46,392.81)	(126,407.11)
Balance at 12/31/05		EUR	0	-	0.000	-	-	-	-
Maire Tecnimont Spa	Milan								
Balance at 12/31/04		EUR	-	-	-	-	-	-	-
Acquisition		EUR	142,857,143	1.00	19.500	27,857,143	50,000,000.00	-	50,000,000.00
Balance at 12/31/05		EUR	142,857,143	1.00	19.500	27,857,143	50,000,000.00	-	50,000,000.00
Total other equity investments not held as fixed assets						98,242,186.29	(16,120,880.29)	79,008,414.65	-



ANNEXES TO THE FINANCIAL STATEMENTS

Highlights from the Financial Statements of the Principal Subsidiaries

Edison Trading Spa

Registered office:	Milan	
Share capital:	30,000,000 euros	
% interest held:	Edison Spa	100%

(in thousands of euros)	12/31/2005	12/31/2004
Net revenues	2,168,722	1,531,614
Value added	17,725	70,035
EBITDA	14,242	65,688
EBIT	14,242	65,688
Income before extraordinary items and taxes	27,847	65,476
Income before taxes	27,427	65,768
Net income (loss)	16,065	41,085
Fixed assets	-	-
Net working capital	152,986	60,836
Invested capital, net of operating liabilities	152,986	60,836
Reserve for employee severance indemnities	(560)	(433)
Net invested capital	152,426	60,403
Shareholders' equity	49,927	71,361
Net borrowings (liquid assets)	102,499	(10,958)

Edison Energia Spa

Registered office:	Milan	
Share capital:	22,000,000 euros	
% interest held:	Edison Spa	100%

(in thousands of euros)	12/31/2005	12/31/2004
Net revenues	1,898,954	1,380,016
Value added	11,866	69,288
EBITDA	4,746	62,983
EBIT	4,746	62,983
Income before extraordinary items and taxes	33,226	58,335
Income before taxes	34,390	59,732
Net income (loss)	20,555	34,814
Fixed assets	-	-
Net working capital	147,973	40,248
Invested capital, net of operating liabilities	147,973	40,248
Reserve for employee severance indemnities	(1,184)	(1,043)
Net invested capital	146,789	39,204
Shareholders' equity	64,535	76,979
Net borrowings (liquid assets)	82,254	(37,775)

Edison Rete Spa

Registered office:	Milan	
Share capital:	106,778,200 euros	
% interest held:	Edison Spa	100%

(in thousands of euros)	12/31/2005	12/31/2004
Net revenues	42,584	43,674
Value added	30,674	33,385
EBITDA	25,561	28,533
EBIT	15,154	17,979
Income before extraordinary items and taxes	13,566	16,142
Income before taxes	13,555	16,532
Net income (loss)	8,060	10,016
Fixed assets	199,595	207,614
Net working capital	9,313	24,339
Invested capital, net of operating liabilities	208,908	231,953
Reserve for employee severance indemnities	(3,420)	(3,238)
Net invested capital	205,488	228,715
Shareholders' equity	171,245	172,689
Net borrowings (liquid assets)	34,243	56,026

Edison D.G. Spa

Registered office:	Selvazzano Dentro (PD)	
Share capital:	460,000 euros	
% interest held:	Edison Spa	100%

(in thousands of euros)	12/31/2005	12/31/2004
Net revenues	28,233	26,407
Value added	18,519	16,552
EBITDA	15,044	13,173
EBIT	9,533	8,529
Income before extraordinary items and taxes	10,947	9,547
Income before taxes	11,055	21,692
Net income (loss)	6,905	17,885
Fixed assets	81,539	79,149
Net working capital	(20,201)	(21,529)
Invested capital, net of operating liabilities	61,338	57,620
Reserve for employee severance indemnities	(1,269)	(1,227)
Net invested capital	60,069	56,393
Shareholders' equity	30,008	28,116
Net borrowings (liquid assets)	30,061	28,277





PricewaterhouseCoopers SpA

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

To the shareholders of
EDISON SpA

- 1 We have audited the financial statements of EDISON SpA as of 31 December 2005. These financial statements are the responsibility of EDISON'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 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.

For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 4 April 2005.

- 3 In our opinion, the financial statements of Edison SpA as of 31 December 2005 comply with the laws governing the criteria for their preparation; accordingly, they give a true and fair view of the financial position and of the results of operations of the Company.

Milan, 15 March 2006

PricewaterhouseCoopers SpA

Marco Sala
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation

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